Memorandum Number: ______

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

PIMCO COMMODITY ALPHA FUND LLC

December 19, 2014

A Delaware Limited Liability Company

A Private Offering of 5,000,000 Limited Liability Company Interests

Minimum Subscription: $5,000,000

Please note that investment is intended to be available without percentage limit to eligible investors that are benefit plan investors, although not as an option in a participant-directed plan. Investment is also available to eligible investors that are not benefit plan investors.

MANAGER: PACIFIC INVESTMENT MANAGEMENT COMPANY LLC

PURSUANT TO AN EXEMPTION FROM THE COMMODITY FUTURES TRADING COMMISSION ("**CFTC**") IN CONNECTION WITH COMMODITY POOLS WHOSE PARTICIPANTS ARE LIMITED TO "QUALIFIED ELIGIBLE PERSON" AS DEFINED IN CFTC RULE 4.7, AN OFFERING MEMORANDUM FOR THIS POOL IS NOT REQUIRED TO BE, AND HAS NOT BEEN, FILED WITH THE CFTC. THE CFTC DOES NOT PASS UPON THE MERITS OF PARTICIPATING IN A POOL OR UPON THE ADEQUACY OR ACCURACY OF AN OFFERING MEMORANDUM. CONSEQUENTLY, THE CFTC HAS NOT REVIEWED OR APPROVED THIS OFFERING OR ANY OFFERING MEMORANDUM FOR THIS POOL.

NOTICE

THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM, AS AMENDED (THE "**PRIVATE PLACEMENT MEMORANDUM**"), AND EACH SUPPLEMENT, AS AMENDED, ACCOMPANYING THIS PRIVATE PLACEMENT MEMORANDUM (EACH, A "**SUPPLEMENT**" AND COLLECTIVELY THE "**SUPPLEMENTS**," AND THE SUPPLEMENTS, COLLECTIVELY WITH THE PRIVATE PLACEMENT MEMORANDUM, THE "**MEMORANDUM**") IS SUBMITTED TO YOU SOLELY IN CONNECTION WITH YOUR CONSIDERATION OF AN INVESTMENT IN THE LIMITED LIABILITY COMPANY INTERESTS (THE "**INTERESTS**") OF PIMCO COMMODITY ALPHA FUND LLC (THE "**FUND**"), AND DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE INTERESTS IN ANY STATE, COUNTRY OR JURISDICTION IN WHICH THE OFFER OR SALE OF THE INTERESTS WOULD BE PROHIBITED OR TO ANY ENTITY OR INDIVIDUAL NOT POSSESSING THE QUALIFICATIONS DESCRIBED IN THIS MEMORANDUM. THE PURCHASE OF INTERESTS IS OFFERED ONLY TO THOSE INVESTORS WHO ARE ELIGIBLE INVESTORS AS DESCRIBED HEREIN.

THE INTERESTS OFFERED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO U.S. PERSONS (AS DEFINED BELOW), OTHER THAN DISTRIBUTORS, UNLESS THE SECURITIES ARE REGISTERED UNDER THE SECURITIES ACT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE. HEDGING TRANSACTIONS WITH RESPECT TO THE INTERESTS ARE NOT PERMITTED EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT. THE FUND IS NOT AND WILL NOT BE REGISTERED AS AN INVESTMENT COMPANY UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"). FURTHERMORE, THE INTERESTS OFFERED HEREBY MAY NOT BE TRANSFERRED OR SOLD WITHOUT THE PRIOR WRITTEN CONSENT OF PACIFIC INVESTMENT MANAGEMENT COMPANY LLC, (THE "**MANAGER**"), WHICH CONSENT MAY BE CONDITIONED, GRANTED, OR WITHHELD IN ITS SOLE DISCRETION. IT IS ANTICIPATED THAT TRANSFERS AND SALES WILL NOT GENERALLY BE PERMITTED. IN ADDITION TO THE FOREGOING, THE INTERESTS OFFERED HEREBY MAY NOT BE TRANSFERRED OR SOLD UNLESS SUCH TRANSFER OR SALE OTHERWISE COMPLIES WITH, OR IS EXEMPT FROM, THE REGISTRATION REQUIREMENTS OF APPLICABLE LAWS. THERE IS NO PUBLIC MARKET FOR THE INTERESTS, AND NO SECONDARY MARKET IS ANTICIPATED.

NEITHER THE FUND NOR THE INTERESTS HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR U.S. REGULATORY AUTHORITY OR THE REGULATORY AUTHORITIES OF ANY OTHER JURISDICTION. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THE MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

THE MANAGER OF THE FUND IS CURRENTLY REGISTERED WITH THE U.S. COMMODITY FUTURES TRADING COMMISSION (“**CFTC**”) AS A COMMODITY POOL OPERATOR (“**CPO**”) AND IS THE FUND’S AND THE PORTFOLIO’S (AS DEFINED BELOW) CPO. THE MANAGER IS THE CPO OF THE PORTFOLIO PURSUANT TO A CPO DELEGATION AGREEMENT THAT THE MANAGER HAS ENTERED INTO WITH THE BOARD OF DIRECTORS OF THE PORTFOLIO, WHEREBY THE BOARD OF DIRECTORS HAS AGREED TO DELEGATE, AND THE MANAGER HAS AGREED TO PERFORM, ANY AND ALL RIGHTS AND OBLIGATIONS AS CPO IN CONNECTION WITH THE OPERATION OF THE PORTFOLIO (PARTICULARLY WITH RESPECT TO COMPLIANCE WITH APPLICABLE PROVISIONS OF THE U.S. COMMODITY EXCHANGE ACT, AS AMENDED, AND CFTC REGULATIONS). HOWEVER, WITH RESPECT TO THE FUND AND THE PORTFOLIO, THE MANAGER HAS FILED WITH THE NATIONAL FUTURES ASSOCIATION A CLAIM PURSUANT TO CFTC RULE 4.7 FOR EXEMPTION FROM MOST OF THE DISCLOSURE, REPORTING AND RECORD KEEPING REQUIREMENTS APPLICABLE TO A CPO.

IN MAKING AN INVESTMENT DECISION WITH RESPECT TO THE FUND, AN INVESTOR MUST RELY ON ITS OWN EXAMINATION OF THE FUND AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THIS OFFERING IS SUITABLE ONLY FOR SOPHISTICATED INVESTORS AND REQUIRES THE FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT THE HIGH RISKS AND LACK OF LIQUIDITY INHERENT IN AN INVESTMENT IN THE FUND. AN INVESTOR SHOULD BE AWARE THAT IT MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. NO ASSURANCE CAN BE GIVEN THAT THE FUND’S INVESTMENT OBJECTIVE WILL BE ACHIEVED. AN INVESTOR MAY LOSE EVERYTHING INVESTED.

THIS MEMORANDUM IS SOLELY FOR THE USE OF THE INTENDED RECIPIENT FOR THE SOLE PURPOSE OF EVALUATING THE PRIVATE PLACEMENT DESCRIBED HEREIN. ANY DUPLICATION OR REDISTRIBUTION OF THIS MEMORANDUM IS PROHIBITED. THE RECIPIENT OF THIS MEMORANDUM, BY ACCEPTING DELIVERY HEREOF, AGREES TO RETURN IT AND ALL RELATED DOCUMENTS TO THE FUND IF THE RECIPIENT ELECTS NOT TO PURCHASE ANY OF THE INTERESTS OFFERED HEREBY. DUE TO THE CONFIDENTIAL NATURE OF THIS MEMORANDUM, ITS USE FOR ANY OTHER PURPOSE MIGHT INVOLVE SERIOUS LEGAL CONSEQUENCES. CONSEQUENTLY, THIS MEMORANDUM MAY NOT BE REPRODUCED IN WHOLE OR IN PART, AND MAY NOT BE DELIVERED TO ANY OTHER PERSON OTHER THAN A PROFESSIONAL ADVISER OF THE RECIPIENT FOR THE PURPOSES OF EVALUATION ON BEHALF OF THE INTENDED RECIPIENT. NO OFFERING LITERATURE OR ADVERTISING IN ANY FORM SHALL BE RELIED UPON OTHER THAN THIS MEMORANDUM AND THE DOCUMENTS REFERRED TO HEREIN. NO BROKER, DEALER OR OTHER PERSON HAS BEEN AUTHORIZED TO MAKE REPRESENTATIONS, OR GIVE ANY INFORMATION WITH RESPECT TO THIS OFFERING, EXCEPT FOR THE INFORMATION CONTAINED HEREIN AND ANY REPORT TO INVESTORS APPROVED BY THE MANAGER, AND ANY INFORMATION OR REPRESENTATION NOT CONTAINED HEREIN MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE FUND.

NOTWITHSTANDING THE FOREGOING PARAGRAPH OR ANYTHING ELSE IN THIS MEMORANDUM TO THE CONTRARY, THE INTENDED RECIPIENT MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, INFORMATION REGARDING THE TAX TREATMENT, TAX STRUCTURE AND TAX STRATEGIES OF THE FUND AND ITS TRANSACTIONS THAT ARE PROVIDED TO THE INTENDED RECIPIENT RELATING TO SUCH TAX TREATMENT, TAX STRUCTURE AND TAX STRATEGIES, ALL WITHIN THE MEANING OF U.S. TREASURY REGULATION §1.6011-4(B)(3).

NO REPRESENTATIONS OR WARRANTIES OF ANY KIND ARE INTENDED OR SHOULD BE INFERRED WITH RESPECT TO THE ECONOMIC RETURN OR THE TAX CONSEQUENCES FROM AN INVESTMENT IN THE FUND. NO ASSURANCE CAN BE GIVEN THAT THE FUND'S INVESTMENT OBJECTIVE WILL BE ACHIEVED. NO ASSURANCE CAN BE GIVEN THAT EXISTING LAWS WILL NOT BE CHANGED OR INTERPRETED ADVERSELY. NEITHER THE DELIVERY OF THIS MEMORANDUM NOR THE PURCHASE OF THE INTERESTS OFFERED HEREBY WILL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE FUND SINCE THE DATE HEREOF. PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THIS MEMORANDUM AS LEGAL OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN COUNSEL, ACCOUNTANT AND OTHER ADVISERS FOR ADVICE CONCERNING THE VARIOUS LEGAL, TAX AND ECONOMIC CONSIDERATIONS RELATING TO ITS INVESTMENT.

A PROSPECTIVE INVESTOR SHOULD NOT SUBSCRIBE FOR INTERESTS UNLESS SATISFIED THAT HE OR SHE AND HIS OR HER INVESTMENT REPRESENTATIVE HAVE ASKED FOR AND RECEIVED ALL INFORMATION WHICH WOULD ENABLE HIM OR HER OR BOTH OF THEM TO EVALUATE THE MERITS AND RISKS OF THE PROPOSED INVESTMENT. THE INTERESTS ARE NOT, AND ARE NOT EXPECTED TO BE, LIQUID, EXCEPT AS DESCRIBED IN THIS MEMORANDUM.

EACH INVESTOR SUBSCRIBING FOR INTERESTS MUST AGREE THAT THE MANAGER MAY, IN ITS SOLE DISCRETION, REJECT ANY PROPOSED TRANSFER OF INTERESTS. INVESTORS IN THE FUND HAVE LIMITED WITHDRAWAL RIGHTS, AND SUCH RIGHTS MAY BE SUSPENDED UNDER THE CIRCUMSTANCES DESCRIBED IN THIS MEMORANDUM.

ALTHOUGH THE FUND MAY BE SIMILAR TO ONE OR MORE OTHER INVESTMENT VEHICLES OR ACCOUNTS ADVISED BY THE MANAGER OR ITS AFFILIATES, THE FUND IS MANAGED AS A SEPARATE PORTFOLIO WITH ITS OWN DISTINCT INVESTMENT OBJECTIVES, POLICIES, RISKS AND EXPENSES AS EXPLAINED IN THIS MEMORANDUM. THE FUND AND ANY OTHER INVESTMENT VEHICLE OR ACCOUNT ADVISED BY THE MANAGER WILL HAVE DIFFERENT INVESTMENT RESULTS, AND INFORMATION ABOUT THOSE OTHER INVESTMENT VEHICLES AND ACCOUNTS SHOULD NOT BE ASSUMED TO APPLY TO THE FUND.

NO ACTION HAS BEEN TAKEN TO PERMIT THE DISTRIBUTION OF THIS MEMORANDUM OR THE OFFERING OF INTERESTS IN ANY JURISDICTION WHERE

SUCH ACTION IS REQUIRED TO BE TAKEN, EXCEPT AS MAY BE SPECIFICALLY NOTED HEREIN. ACCORDINGLY, THIS MEMORANDUM MAY NOT BE USED FOR THE PURPOSE OF, AND DOES NOT CONSTITUTE, AN OFFER OR SOLICITATION BY ANYONE IN ANY JURISDICTION OR IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. ANY FURTHER DISTRIBUTION OR REPRODUCTION OF THIS MEMORANDUM, IN WHOLE OR IN PART, OR THE DIVULGENCE OF ANY OF ITS CONTENTS, IS PROHIBITED.

* * *

THE INFORMATION IN THIS MEMORANDUM IS SUBJECT TO CHANGE BY THE MANAGER.

THIS MEMORANDUM MAY BE TRANSLATED INTO OTHER LANGUAGES, IN WHICH CASE THE TRANSLATED VERSION OF THIS MEMORANDUM WILL BE A DIRECT TRANSLATION FROM THE ENGLISH VERSION. IN THE EVENT OF INCONSISTENCY OR AMBIGUITY IN RELATION TO THE MEANING OF ANY WORD OR PHRASE IN ANY TRANSLATION, THE ENGLISH TEXT SHALL PREVAIL, EXCEPT AS MAY BE, AND TO THE EXTENT, PROHIBITED BY LAW.

ALL REFERENCES TO “$” OR “DOLLARS” HEREIN RELATE TO U.S. DOLLARS, THE LAWFUL CURRENCY OF THE UNITED STATES OF AMERICA.

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DIRECTORY

Fund

c/o Brown Brothers Harriman & Co.
50 Post Office Square
Boston, MA 02110
United States of America

Portfolio

Registered Office:
Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue
George Town, Grand Cayman, KY1-9005
Cayman Islands

Legal Counsel to the Fund

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Washington, DC 20006-2401
United States of America

Legal Counsel to the Portfolio

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United States of America

Cayman Islands:
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Walker House
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George Town, Grand Cayman, KY1-9001
Cayman Islands

Manager

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Newport Beach, CA 92660
United States of America

Administrator and Custodian

Brown Brothers Harriman & Co.
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United States of America

Placement Agent

PIMCO Investments LLC
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New York, NY 10019
United States of America

Auditors

PricewaterhouseCoopers LLP
1055 Broadway
Kansas City, MO 64105
United States of America

THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM MAY ONLY BE ISSUED WITH ONE OR MORE SUPPLEMENTS EACH CONTAINING INFORMATION RELATING TO A CLASS OF INTERESTS. THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM AND THE RELEVANT SUPPLEMENT SHOULD BE READ AND CONSTRUED AS ONE DOCUMENT, AND NO SUPPLEMENT SHALL BE DELIVERED WITHOUT THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM.

PIMCO COMMODITY ALPHA FUND LLC

SUMMARY OF PRINCIPAL TERMS

*The information set forth below is intended only for quick reference, it is neither complete nor exact and is qualified in its entirety by reference to the more detailed information appearing elsewhere in this Confidential Private Placement Memorandum, as amended (the "**Private Placement Memorandum**"), and each supplement accompanying this Private Placement Memorandum, as amended (each, a "**Supplement**" and collectively, the "**Supplements**," and the Supplements, collectively with the Private Placement Memorandum, the "**Memorandum**"). All information in this Memorandum regarding the Limited Liability Company Operating Agreement of PIMCO Commodity Alpha Fund LLC, as amended (the "**Operating Agreemen**t") and all other documents referenced herein, is qualified by the respective terms thereof, as set forth in this Memorandum or its exhibits, or otherwise available, which should be reviewed carefully by any prospective Investor. In the event of any conflict between the terms of the Operating Agreement and this Memorandum or any other document described herein, the Operating Agreement shall prevail.*

The Fund

PIMCO Commodity Alpha Fund LLC (the "**Fund**") is a Delaware limited liability company, providing limited liability in accordance with Delaware law for all investors of the Fund (collectively, the "**Investors**," and each, an "**Investor**"). This Memorandum relates to the offering of one or more classes (each, a "**Class**") of limited liability company interests (the "**Interests**") in the Fund.

Each Class may also have one or more sub-classes (each, a "**Sub-Class**"), and references herein to a Class shall include a Sub-Class wherever appropriate. Classes of Interests may be offered on such terms as the Fund may specify, including without limitation, the following: dealing currency, currency hedging transactions and related assets, dividend policy, the level of fees, expenses and allocations to be charged (including the method of calculating any such fees or allocations), the minimum subscription and minimum holding amounts applicable, frequency of permitted subscriptions and withdrawals, applicable settlement periods upon withdrawal, and the length of lock-up periods and level of withdrawal fees, if any. The Manager (as defined below) shall not require the consent of, and shall not be required to give notice to, any Investor to establish further Classes from time to time.

Interests in particular Classes of the Fund are offered pursuant to separate Supplements setting forth the terms of such offering to the extent different from those Interests offered pursuant to this Private Placement Memorandum. Prospective Investors may be provided some but not all Supplements.

Investment Objective and Strategy

The Fund's primary investment objective is to generate attractive absolute returns on a year-to-year basis, net of the Management Fee (as defined below), the Incentive Allocation (as defined below) and other Fund expenses. The Fund targets a net return of 8-12% per annum (the "**Target Return**") with a targeted volatility of 8-12% (the "**Target Volatility,**" and together with the Target Return, the "**Targets**").[1] These are targets, not projections or predictions; actual returns may be lower and volatility may be higher. See "INVESTMENT CONSIDERATIONS AND RISK FACTORS – Uncertainty of Targets." The Fund's positions are expected to be in the generally liquid derivative markets for commodities, including commodity options, futures and swaps. As collateral for the commodity positions taken by the Fund, the Fund is expected to hold cash, cash equivalents and other fixed income instruments. It is intended that attractive investment opportunities will

[1] The Targets were calculated based on projected cash flows for a model portfolio that is comprised of hypothetical portfolio investments that are consistent with the Fund's investment strategy and takes into consideration (among other factors) assumptions with respect to projected valuations of the hypothetical portfolio investments at future dates, market conditions, broad general macroeconomic factors, the availability of leverage and financing at expected costs and other terms, anticipated contingencies and portfolio investment concentrations in certain assets.

be sourced by the Manager.

The Fund's base currency is the U.S. Dollar, and the Fund will seek to achieve its investment objective in U.S. Dollar terms. Additionally, the Fund will seek to achieve its objective by investing its investable assets in PIMCO Commodity Alpha Master Fund Ltd., an exempted company incorporated under the laws of the Cayman Islands (the "**Portfolio**").

The Portfolio is a long/short commodity hedge fund that will employ a broad market approach to commodity investing. In doing so, the Portfolio will invest across a broad range of commodity markets, relying on top-down macro and bottom-up micro investment approaches to develop a diverse set of trade ideas. While the Portfolio's positions are generally expected to be held across commodity sectors, the Portfolio's exposure to a particular commodity sector (or to a particular commodity within such sector) may be concentrated from time to time. The Portfolio may also invest in other derivative instruments (including without limitation swaps), securities (including without limitation exchange-traded funds ("**ETFs**")) or financial instruments that provide direct or indirect exposure to commodity markets. In addition, the Portfolio may also invest in, and take delivery of, physical commodities from time to time. Further, for the avoidance of doubt, the Portfolio will not invest in equities; provided, however, that (i) the Portfolio may invest in commodity-related ETFs and (ii) subject to ERISA (if applicable), may also invest in pooled investment vehicles and pass-through entities, including affiliated or third-party unregistered investment vehicles, investment companies registered under the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**"), and master limited partnerships (collectively, "**Pooled Investment Vehicles**"). See "INVESTMENT CONSIDERATIONS AND RISK FACTORS – Pooled Investment Vehicles and Pass-through Entities." It should also be noted that from time to time the Portfolio may invest in, or otherwise be exposed to, various non-U.S. currencies.

The Portfolio will utilize fundamental and structural trades in its portfolio construction. Fundamental trades will emanate from the Manager's macroeconomic views, combined with bottom-up fundamental analysis. Structural trades will seek to capture recurring risk premiums in commodity markets. The Portfolio is expected to consist of trades scaled based on conviction and expected risk-return potential for each trade, with no single trade dominating the Portfolio. The combined fundamental and structural trades are intended to be uncorrelated in the aggregate to the broad commodity, fixed income and equity markets over time.

The Portfolio will seek to generate returns by drawing on the expertise of the Manager's portfolio managers who have a deep analytical and practical understanding of the relevant commodity markets. The Manager believes that this expertise, in concert with its fundamental top-down investment process, will differentiate the Portfolio's investment strategy from single-sector focused commodity products. It is anticipated that the Portfolio's investment strategy will rely on (i) the Manager's expertise in macroeconomic analysis, (ii) bottom-up fundamental analysis that examines supply-demand balances and inventory projections for major commodities, (iii) flow analysis that focuses on understanding producer and consumer flows, speculative positioning, and market participants' financial incentives to identify structural mispricings, (iv) quantitative analysis and (v) such other factors as may be deemed relevant by the Manager in its sole discretion.

The Portfolio expects to use a substantial amount of leverage in pursuing its investment objective.

In implementing the investment strategy of the Portfolio, the Manager may utilize whatever investment, hedging, arbitrage or financing techniques it deems to be advisable.

The Manager reserves the right to modify the Fund's investment objective and investment guidelines when deemed appropriate upon written notice to the Investors. Investors will be given the opportunity to withdraw from the Fund before any such modification is implemented (provided such modification is deemed to be material by the Manager, in its sole discretion).

The Targets are not a guarantee, projection or prediction and are not indicative of future results of the Fund. There can be no assurance that the Fund will achieve its Targets and actual results may vary significantly from the Targets. Investors may experience different investment returns as a result of, among other things, having made subscriptions to the Fund at different times. The Targets may be adjusted at the discretion of the Manager in light of available investment opportunities and/or changing market conditions without notice to Investors. The Fund may employ leverage to seek to achieve the Targets. See "INVESTMENT CONSIDERATIONS AND RISK FACTORS — Uncertainty of Target Returns" for certain of the risks associated with the Targets and an investment in the Fund.

An investment in the Fund involves a substantial degree of risk. Investors may not be able to withdraw their Interests for a substantial period of time. Investors may lose some or all of their investment in the Fund. Moreover, an investment in the Fund is not a deposit of a bank and is not guaranteed or insured by any government agency. The Manager does not guarantee the success, repayment of capital or any rate of return on income or capital or investment performance of the Fund. See "INVESTMENT APPROACH," "INVESTMENT CONSIDERATIONS AND RISK FACTORS – Limited Operating History" and "INVESTMENT CONSIDERATIONS AND RISK FACTORS – Limited Liquidity; No Market for Interests."

Risk Factors and Conflicts of Interest

The Fund's ability to achieve its investment objective may be affected by, among other things, (i) the risks attendant to any investment, including those posed by changes in the overall market; (ii) certain risks specific to the Portfolio's investment policies and practices; and (iii) certain risks specific to the investment techniques used by the Manager, including the risks involved with investing in commodity-related securities, and various investment strategies and techniques such as leverage, derivatives and futures and option investing (each of which may magnify the risk of investing in the Fund and potentially create unlimited losses).

There are also certain conflicts of interest relevant to the management of the Fund, arising out of, among other things, (i) activities of the Manager (which includes, for this purpose, its principals, members, officers, employees and other representatives and agents and entities controlling, controlled by or under common control with, the Manager (as "control" is defined in the Investment Company Act), (the "**Manager Affiliates**")) with respect to the management of accounts for other clients and (ii) arrangements between the Fund, on the one hand, and the Manager and/or the Manager Affiliates, on the other hand. See "INVESTMENT CONSIDERATIONS AND RISK FACTORS – Conflicts Generally" and "INVESTMENT CONSIDERATIONS AND RISK FACTORS – Allocation of Investment Opportunities."

Prospective Investors should review carefully the discussion under the caption "INVESTMENT CONSIDERATIONS AND RISK FACTORS" contained herein. An investment in the Fund should only be made by Investors who understand the nature of the investment, do not require liquidity in the investment and can bear the economic risk of the investment. Investors may lose some or all of their investment in the Fund.

Manager

The manager of the Fund and the Portfolio is Pacific Investment Management Company LLC, a Delaware limited liability company (the "**Manager**"). In its role as (i) manager of the Fund within the meaning of the Delaware Limited Liability Company Act (the "**Delaware Act**") and (ii) the investment manager of the Portfolio pursuant to an investment advisory agreement (the "**Investment Management Agreement**") with the Portfolio, the Manager has full and exclusive discretionary authority and responsibility to manage the day-to-day operations of each of the Fund and the Portfolio and to invest and reinvest their assets.

To the fullest extent permitted by law, the Manager may delegate all, or any such part as it deems appropriate, of its discretionary management and investment advisory authority and responsibility.

Administrator and Custodian

Brown Brothers Harriman & Co., a Delaware corporation (the "**Administrator**"), has been appointed to provide administrative and custodial services to the Fund and the Portfolio. The Administrator provides operational trade support, valuation, fund accounting, registrar and transfer agent services and custodial services to the Fund. The Administrator also provides assistance to the Manager in connection with communicating with Investors and other persons with respect to the Fund.

The Administrator is the Fund's and the Portfolio's custodian. See "TERMS OF THE OFFERING – Administrator and Custodian."

Placement Agent

The Fund may appoint one or more brokers or placement agents to assist in the placement of Interests (each, a "**Placement Agent**"). The Portfolio may also appoint one or more Placement Agents. Unless otherwise stated in an applicable Supplement, PIMCO Investments LLC, an affiliate of the Manager, has been designated as Placement Agent by the Manager. The Placement Agent assists with, among other things, the placement of the Interests and communicating with investors. Any agreement on behalf of the Fund and/or the Portfolio with any such Placement Agent can be expected to grant broad rights of indemnification and limitations of liability in favor of such Placement Agent. The Fund and the Portfolio will not pay any compensation to Placement Agents.

The Manager may pay a portion of any fees or other benefit that it receives (including, without limitation, a portion of the Management Fee or Incentive Allocation) to Placement Agents and others in connection with the sale of Interests. In addition, sales charges may be imposed on Investors by Placement Agents and others, including, in certain circumstances, the Manager and/or the Manager Affiliates, in connection with the purchase of Interests. Such charges are paid directly by Investors and would reduce an Investor's net investment.

Eligible Investors

Interests are being offered to sophisticated persons who understand the nature of the investment, do not require liquidity in their investment in the Fund and can bear the economic risk of the investment. Generally, Investors must be "U.S. Persons," which the Fund defines as any "U.S. person" as set forth in Rule 902 of Regulation S promulgated under the Securities Act of 1933, as amended (the "**Securities Act**") and/or any person who is not a "Non-United States person" as defined in Rule 4.7 under the Commodity Exchange Act, as amended ("**Commodity Exchange Act**") (i.e., a U.S. Person for purposes of either or both definitions). However, the Manager may, in its sole discretion, determine to accept subscriptions from "Non-U.S. Persons," which the Fund defines as those Investors that are not U.S. persons as defined by the Fund above.

The Fund will offer Interests to Investors who qualify as: (i) "**accredited investors**" as defined in Regulation D under the Securities Act; (ii) "**qualified purchasers**" or "**knowledgeable employees**" as defined in the Investment Company Act; and (iii) "**qualified eligible persons**" as defined by the Commodity Futures Trading Commission (the "**CFTC**") Rules and Regulations.

Each Investor is responsible for determining if an investment in the Fund of the size contemplated is appropriate for that Investor. The Manager may, in its sole discretion, also impose additional eligibility requirements upon Investors, or may decline to accept all or part of the subscription of any prospective Investor. Investors meeting the investment requirements set by the Fund are referred to herein as "**Eligible Investors**."

Interests are being offered without percentage limit to various Benefit Plan Investors (as defined in "EXHIBIT A – TAX AND ERISA CONSIDERATIONS – ERISA AND CERTAIN OTHER CONSIDERATIONS"), including employee benefit plans subject to Title I of the U.S.

Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), or plans subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), which are also Eligible Investors. The Manager anticipates that the Fund will constitute "plan assets" for purposes of ERISA. And Section 4975 of the Code. See "EXHIBIT A – TAX AND ERISA CONSIDERATIONS – ERISA AND CERTAIN OTHER CONSIDERATIONS."

Related Vehicles

The Fund will invest its investable assets through a "master/feeder" structure in the Portfolio. PIMCO Commodity Alpha Fund Ltd., a Cayman Islands exempted company having a substantially similar investment objective (the "**Offshore Fund**"), will also invest its assets in the Portfolio. The Offshore Fund is suitable for Investors who are (i) Non-U.S. Persons or (ii) U.S. Persons that are exempt from U.S. federal income taxation.

The aggregate asset-based charges and incentive allocation in respect of the Fund and the Portfolio will be the same as the charges and fees that would have been charged to the Fund if the Portfolio had not been used.

In addition, the Manager may in the future organize other investment funds (including additional funds for employees of the Manager) or manage separately managed accounts that may either co-invest with the Fund or follow an investment program similar to or different from the Fund's program (together with the Fund, the Offshore Fund and the Portfolio, the "**Investment Vehicles**"). The Manager may also establish special purpose vehicles or subsidiaries and invest in or act through such special purpose vehicles or subsidiaries.

Capital Contributions

Initial and additional capital contributions (together, "**Capital Contributions**") may generally be made, upon five Business Days' prior notice, as of the first Business Day (as defined below) of each calendar month and on such other days as determined by the Manager, in its sole discretion (each, a "**Subscription Date**"). The Manager may, in its sole discretion, waive or modify the notice requirement. Capital Contributions will be due and payable, and must be received, no later than

12:00 p.m. Eastern time, on the Business Day immediately preceding the proposed Subscription Date (the "**Subscription Payment Date**"**)**, unless otherwise agreed to by the Manager, in its sole discretion. The Manager may, in its sole discretion, permit in-kind contributions.

All Capital Contributions are subject to complete or partial rejection or acceptance by the Fund, in the sole discretion of the Manager. See "TERMS OF THE OFFERING – Capital Contributions."

The term "**Business Day**" refers to any day on which both (i) the New York Stock Exchange is open and (ii) the U.S. Federal Reserve is open. The Fund may, in the Manager's sole discretion, designate additional Business Days.

The subscription terms described above may be modified in respect of one or more Classes, as further specified in the Supplement in respect of each such Class.

Minimum Investment

The minimum initial investment by each Investor is $5,000,000 (or its equivalent in another currency). Subsequent investments will generally be required to be at least $5,000,000 (or its equivalent in another currency). The Manager reserves the right, in its sole discretion, to accept reduced initial and additional subscriptions provided that the minimum initial investment amount will be no less than $100,000 (or its equivalent in another currency). These minimum investment amounts will not apply with respect to any investment by the Manager and the Manager Affiliates.

Withdrawals

Following an initial one year lock-up period for each Capital Contribution (or such shorter period, as determined by the Manager, in its sole discretion), an Investor will generally be permitted to withdraw all or any portion of its capital account(s) (each, a "**Capital Account**") attributable to such Capital Contribution as of the last Business Day of any calendar month upon 30 days' prior written notice to the Administrator (each, a "**Withdrawal Date**"), subject to the Manager's right, in its sole discretion, to waive or modify such lock-up period and notice requirements. Withdrawals as of a date other than a Withdrawal Date or as of a Withdrawal Date, but subject to less than the requisite prior notice, may be permitted by the Manager, in its sole discretion, and may be subject to a Withdrawal Fee (as defined below) as determined by the Manager, in its sole discretion.

Amounts withdrawn will be required to be at least $1,000,000, subject to the Manager’s right to waive or modify such requirement, in its sole discretion.

An Investor also may, in some circumstances, be subject to compulsory withdrawal of all or any portion of its Capital Account(s) and Interests.

One-Third Withdrawal Limitation. If the amount of an Investor’s withdrawal request for a particular Withdrawal Date exceeds one-third of the net asset value (“**NAV**”) of the Capital Account(s) held by such Investor as of such Withdrawal Date, the withdrawal amount requested by such Investor (other than the Manager) may be reduced to the extent necessary to reduce the amount of such withdrawal request to an amount equal to one-third of the NAV of such Capital Account(s) (the “**One-Third Withdrawal Limitation**”) on such date. Any additional withdrawal amounts requested by such Investor will be treated as a withdrawal request as of the next Withdrawal Date.

With respect to a complete withdrawal request by an Investor, the One-Third Withdrawal Limitation will be applied such that, subject to the additional terms and conditions applicable to withdrawals, the complete withdrawal will be effected on three consecutive Withdrawal Dates. The amount available for withdrawal on the second Withdrawal Date will be equal to one-half of the NAV of the Capital Account(s) held by the Investor on such second Withdrawal Date, with the balance to be available for withdrawal on the third Withdrawal Date. Notwithstanding such One-Third Withdrawal Limitation, the Manager also may permit any Investor to withdraw an amount greater than the amount determined in accordance with the foregoing if the aggregate balance in such Investor's Capital Account(s) after the withdrawal would be less than $100,000. For the avoidance of doubt, any withdrawal amount that has not been satisfied by the Fund as a result of the One-Third Withdrawal Limitation, will be subject to the profits and losses of the Fund. The Manager may, in its sole discretion, waive or modify these limitations on withdrawals.

Withdrawal proceeds will be calculated based on the NAV of the applicable Capital Account(s) as of the close of business in New York, New York (normally 4:00 p.m. Eastern time) on the appropriate Withdrawal Date (minus any fees and/or costs of withdrawal).

Withdrawal Fee. Withdrawals from an Investor's Capital Account(s) attributable to any Capital Contribution made during the initial one year lock-up period, if permitted, will be subject to a withdrawal fee of 1% of the amount withdrawn (the "**Withdrawal Fee**"), which will be paid to the Portfolio for the benefit of all Investors in the Portfolio. In addition, if an Investor submits a cancelation request with respect to a scheduled withdrawal as of a particular Withdrawal Date, the Manager may, in its sole discretion, (i) accept or reject such cancellation request, and (ii) if accepted, apply a new one year Withdrawal Fee period with respect to the withdrawal amount, measured from such Withdrawal Date (any such Withdrawal Fees will be paid to the Portfolio for the benefit of all investors in the Portfolio). The Withdrawal Fee may be waived or reduced by the Manager, in its sole discretion. In calculating the Withdrawal Fee, amounts withdrawn will be determined on a first-in, first-out basis.

Amounts withdrawn will generally be paid in U.S. dollars to the withdrawing Investor within 30 days after the Withdrawal Date. In circumstances where the Fund is unable to liquidate securities positions or derivatives in an orderly manner in order to fund withdrawals or where the value of the assets and liabilities of the Fund cannot be reasonably determined, the Fund may take longer than 30 days to effect settlements of withdrawals, or it may even suspend withdrawals. Distributions may be in cash (generally by wire transfer) or, in the Manager's sole discretion, in kind. See "VALUATION – Suspension of the Determination of Net Asset Value."

The Manager shall be permitted, in its sole discretion, to withdraw all or any portion of the balance of its Capital Account(s), if any, at any time without providing notice to or obtaining the consent of the Investors, including, without limitation, amounts related to the Incentive Allocation.

Notwithstanding the foregoing, if an Investor is subject to ERISA or Section 4975 of the Code, and the assets of the Fund are treated as "plan assets" of such Investor (and in the case of item (iii) below, any Investor), such Investor will be permitted, upon request, to withdraw 100% of its Interests in the Fund (as soon as reasonably practicable but no later than the next Withdrawal Date), without being subject to the Withdrawal Fee in the event that (i) the Manager engages in a non-exempt "prohibited transaction" within the meaning of ERISA or Section 4975 of the Code, or takes any action which taken by the Manager would be contrary to the terms of the Operating Agreement, that has a materially adverse effect on the Investors or the value of an Investor's Interests, (ii) the Manager no longer qualifies as an "investment manager" within the meaning of Section 3(38) of ERISA, (iii) the Manager no longer acts as investment adviser to the Fund (provided that any change in the arrangements under which the Manager serves as investment adviser or reorganization or other change in the structure of the Manager that does not constitute an "assignment" under the Investment Advisers Act of 1940, as amended (the "**Advisers Act**"), of the contract for such advisory services shall not be deemed to terminate the Manager as investment adviser), or (iv) the Manager no longer qualifies as a qualified professional asset manager ("**QPAM**") within the meaning of Prohibited Transaction Class Exemption 84-14. For so long as, the Portfolio is deemed to be "plan assets," the Manager will notify Investors in writing in the event that the Manager ceases to be, or reasonably believes that it may no longer qualify as, a QPAM. See "REDEMPTIONS, TRANSFERS AND DIVIDENDS – Redemptions."

Transfers

Investors may not transfer (or pledge) Interests without obtaining the prior written consent of the Manager, which consent may be conditioned, withheld or granted by the Manager, in its sole discretion, for any reason or no reason. Any request for transfer (or notice of involuntary transfer) must be given to the Fund in accordance with the terms of the Operating Agreement. Transfers are not expected to be permitted. See "WITHDRAWALS, TRANSFERS AND DISTRIBUTIONS – Transfer of Interests." There is no market for the Interests and none is expected to develop.

Fund Percentage

The "Fund Percentage" of an Investor (including the Manager) for each Accounting Period (as defined below) is determined by dividing the aggregate value of the Investor's Capital Account(s) as of the start of such Accounting Period by the aggregate value of the Capital Accounts of all Investors as of such date. Accounting Periods generally conform to each calendar month.

Allocations

In general, Net Profits or Net Losses of the Fund as of the end of each Accounting Period will be allocated to the Capital Account(s) of each Investor *pro rata* in accordance with the Investor's Fund Percentage as of the beginning of such Accounting Period, except for amounts attributable to the Management Fee, the Administration Fee and the Incentive Allocation (each as defined below or in the relevant Supplement) will be allocated as described below; provided, however, that Net Profits and Net Losses that are specific to a Class or Sub-Class will be allocated to Investors of such Class or Sub-Class in proportion to their *pro rata* Interests within such Class or Sub-Class.

Distributions

The Manager does not anticipate that any distributions will be paid to Investors out of the Fund's earnings, but rather that such proceeds will be reinvested.

Fees and Expenses; Incentive Allocation

The fees and other charges for the Fund consist of a fixed administration fee ("**Administration Fee**") and a fixed investment management fee (the "**Management Fee**"). In addition, the Manager receives an incentive allocation ("**Incentive Allocation**"). The Management Fee and Incentive Allocation in respect of each Class of Interests are set forth in the applicable Supplement.

The Manager may share the Administration Fee, the Management Fee and/or the Incentive Allocation with any other person or entity, in its sole discretion. The Portfolio does not pay any Administration Fee or Management Fee, nor is any Incentive Allocation applied at the level of the Portfolio.

Administration Fee. The Fund pays the Manager an asset-based Administration Fee, calculated and payable in arrears as of the close of business in New York, New York (normally 4:00 p.m. Eastern time) on the last Business Day of each calendar month in an amount equal to the sum of (i) 0.20% *per annum* of the portion of the NAV of the Fund up to and including $500 million and (ii) 0.15% per annum of the portion, if any, of the NAV of the Fund in excess of $500 million (in each case, as calculated prior to the accrual of the Administration Fee, the Management Fee and the Incentive Allocation, as applicable for such period).

The Administration Fee is adjusted *pro rata* for any Capital Contributions or withdrawals during any calendar month, as applicable.

The Manager pays the Administrator for its services as Administrator to the Fund out of the Administration Fee. See "FEES AND EXPENSES – Administration Agreement."

Manager Expenses. The Manager will be responsible for all fees and expenses incurred in connection with (i) the ongoing routine and non-investment related legal, audit, tax, compliance, administrative, custodian and accounting services for the Fund, (ii) the coordination of services performed by the Administrator, legal counsel, custodian(s), auditors and other third party service providers for the Fund and (iii) certain Investor servicing functions including preparation of routine Investor reports and communications. The Manager will pay the salaries and expenses of its personnel responsible for the day-to-day investment management of the Fund. See "FEES AND EXPENSES – Manager Expenses."

Organizational and Operating Expenses. The Manager and/or the Manager Affiliates initially advanced to the Portfolio all organizational costs and expenses of the Portfolio, the Fund and the Offshore Fund, including legal expenses, incurred in connection with the formation and establishment of the Portfolio, the Fund and the Offshore Fund and the initial offering of Interests in the Fund and shares in the Offshore Fund (the "**Organizational Expenses**"). The Portfolio is reimbursing the Manager over a period not to exceed five years (the "**Five-Year Reimbursement Period**") for the Organizational Expenses advanced. Reimbursement payments will be made monthly in arrears; provided, that the amount of such reimbursement in any 12-month period following the initial closing of the Portfolio will not exceed 0.10% per annum of the Portfolio's NAV, measured as of the close of business on the last Business Day of each calendar month. If the Portfolio is terminated or the Five-Year Reimbursement Period expires prior to the full reimbursement of the Organizational Expenses, the Manager will not seek reimbursement of any remaining amounts.

The Fund will bear all of its extraordinary expenses and all of its other operating expenses, except as noted in "Manager Expenses" above. The Fund also indirectly bears its *pro rata* share of the Portfolio's expenses not specifically assumed by the Manager. The Portfolio may also allocate expenses (including, *e.g.*, investment expenses) among the Fund and the Investment Vehicles, on a *pro rata* basis or otherwise, if its directors, in consultation with the Manager, determine in their sole discretion that such allocation is equitable. See "FEES AND EXPENSES – Fund Expenses."

Amendments to Operating Agreement

Under the terms of the Fund's Operating Agreement, the Manager is authorized to make amendments to the Operating Agreement without the consent of the Investors, so long as written notice is given to the Investors at least 30 days prior to the effective date of the amendment. Investors who disapprove of any such amendment may withdraw their Interests before any such amendment becomes effective. The Manager is also authorized to amend the Operating Agreement in certain other limited circumstances without prior notice to the Investors.

Brokerage and Trading

The Manager is responsible for selecting executing brokers, introducing brokers, prime brokers, dealers, custodians, banks and other financial institutions, counterparties, futures commission merchants and/or clearing firms for exchange or over-the-counter transactions (collectively, "**Brokers**") for the Portfolio. Brokers selected to execute or clear "commodity interest" contracts are referred to herein as "**Commodity Brokers**" and Brokers selected to execute or clear securities trades are referred to herein as "**Securities Brokers**". (For purposes of this Memorandum, "commodity interest" shall have the meaning as such term is defined under CFTC regulations, and generally includes, without limitation, commodities, futures and options on commodities, and certain forwards and swaps.) The Manager generally selects Brokers based on the basis of their reputation, financial strength, stability and responsibility, reliability, execution capability and commission rates. See "BROKERAGE AND TRADING."

Other Activities

The Manager, the Manager Affiliates, the Administrator and the Brokers engage in other business activities and may trade in securities or commodity interests for their own account and manage the accounts of clients other than the Fund and the Portfolio, including other investment funds, in which the Fund and the Portfolio have no interest.

Tax and ERISA Considerations

For a discussion of U.S. tax and ERISA considerations, see "EXHIBIT A – TAX AND ERISA CONSIDERATIONS." Prospective Investors are urged to consult, and must depend on, their own tax advisers to evaluate the tax consequences of an investment in the Fund.

Financial Reports

Audited annual financial statements of the Fund and the Portfolio will be prepared and sent to Investors. Audited financial statements will be sent to Investors within 90 days of the end of each fiscal year. Unaudited monthly performance reports will be provided to each Investor. In general, the financial statements of the Fund and the Portfolio will be prepared in accordance with U.S. generally accepted accounting principles ("**GAAP**").

Fiscal Year End

The Fund's fiscal year ends on December 31, subject to change by the Fund from time to time.

Counsel

Dechert LLP acts as counsel to the Fund in connection with this offering of Interests. Dechert LLP also acts as counsel to the Portfolio and the Manager and their affiliates in other matters.

Dechert LLP's representation of the Fund, the Portfolio and the Manager, and their affiliates is limited to those specific matters upon which it has been consulted. There may exist other matters which would have a bearing on the Fund, the Portfolio and/or the Manager or any of their affiliates upon which Dechert LLP has not been consulted. Dechert LLP does not undertake to monitor the compliance of the Fund, the Portfolio and/or the Manager with the investment program, valuation procedures, and other guidelines set out herein, nor does it monitor compliance with applicable laws. Additionally, Dechert LLP relies upon information furnished to it by the Fund, the Portfolio and/or the Manager, and does not investigate or verify the accuracy and completeness of information set out herein concerning the Fund, the Portfolio and/or the Manager, other service providers, and their affiliates and personnel.

Walkers is Cayman Islands counsel to the Portfolio and the Manager.

Neither Dechert LLP nor Walkers represents the Investors. No independent counsel has been retained to represent the Investors.

Auditors	PricewaterhouseCoopers serves as independent auditors of the Fund and the Portfolio. PricewaterhouseCoopers is an independent public accountant that is registered with and subject to regular inspection by the Public Company Accounting Oversight Board.

THE FUND

Organization

PIMCO Commodity Alpha Fund LLC is a limited liability company formed on November 8, 2012, under the laws of the State of Delaware. This Memorandum relates to the offering of one or more Classes of Interests to Investors. The Fund commenced operations on March 1, 2013.

Nature of the Interests

The Interests offered hereby consist of one or more Classes of limited liability company interests in the Fund. Under Delaware law, the liability of Investors is limited to the amount of their investment in the Fund. Interests shall be designated as being comprised in such Class or Classes as the Manager may determine, in each case by the Manager at the time of issuance of such Interests. Each Class may also have one or more Sub-Classes, and references herein to a Class shall include a Sub-Class wherever appropriate. Classes of Interests may be offered on such terms as the Fund may specify, including without limitation, the following: dealing currency, currency hedging transactions and related assets, dividend policy, the level of fees, expenses and allocations to be charged (including the method of calculating any such fees or allocations), the minimum subscription and minimum holding amounts applicable, frequency of permitted subscriptions and withdrawals, applicable settlement periods upon withdrawal, and the length of lock-up periods and level of withdrawal fees, if any. The Manager shall not require the consent of, and shall not be required to give notice to, any Investor to establish further Classes from time to time.

Interests in particular Classes of the Fund are offered pursuant to separate Supplements setting forth the terms of such offering to the extent different from those Interests being offered pursuant to this Private Placement Memorandum. Prospective Investors may be provided with some but not all Supplements.

Without prior notice to or approval of existing Investors, the Manager may, in its sole discretion, determine to offer Interests of any Class pursuant to one or more Supplements to any number of prospective Investors and to close any such Class upon the acceptance of an initial subscription for such Class or otherwise, each in the sole discretion of the Manager.

Pacific Investment Management Company LLC, a Delaware limited liability company, serves as the manager of the Fund within the meaning of the Delaware Act and as the investment manager of the Portfolio.

Investors generally will have no voting rights, except for limited voting rights with respect to the dissolution of the Fund and removal of the Manager, as described herein. Investors in the Fund do not have any right to participate in the management and control of the Fund except as specifically set forth herein and in the Operating Agreement. The Fund does not anticipate holding annual meetings of Investors.

The Portfolio

The Fund will invest its investable assets through a "master/feeder" structure in the Portfolio. Investment through the Portfolio will permit pooling of the Fund's assets with other investment funds and investors with similar investment objectives in an effort to achieve economies of scale and efficiencies in portfolio management, while preserving the Fund's separate identity and management. In particular, the Offshore Fund will also invest its assets in the Portfolio. In addition, the Manager may in the future organize other investment funds (including additional funds for employees of the Manager) or manage separately managed accounts that may either co-invest with the Fund or follow an investment program similar to or different from the Fund's program. The Manager may also establish special purpose vehicles or subsidiaries and invest in or act through such special purpose vehicles or subsidiaries. The Portfolio will issue a separate class of shares corresponding to each Class and class of shares or other interests of the Investment Vehicles (each such class of shares or other interests, an "**Investment Vehicle Class**"). Investment Vehicles may from time to time invest in the Portfolio, in the Manager's sole discretion. In addition, the Portfolio will issue a separate class of shares corresponding to each Class of the Fund, subject to certain limitations described below. See "INVESTMENT CONSIDERATIONS AND RISK FACTORS – Cross-Class Liability."

To limit the exposure of any Class of Interests to potential liability arising out of any investment activities of other Classes and Investment Vehicle Classes, the Portfolio will only enter into transactions in respect of such investment activities of each such other Class and Investment Vehicle Class with counterparties that have agreed to limit their recourse to the value of the assets of the Portfolio allocated to such Class or Investment Vehicle Class, as the case may be. See "INVESTMENT CONSIDERATIONS AND RISK FACTORS—Cross-Class Liability."

INVESTMENT APPROACH

Investment Objective

The Fund's primary investment objective is to generate attractive absolute returns on a year-to-year basis, net of the Management Fee, the Incentive Allocation and other Fund expenses. The Fund targets a net return of 8-12% per annum with a targeted volatility of 8-12%.[2] The Target Return and Target Volatility are targets, not projections or predictions; actual returns may be lower and volatility may be higher. See "INVESTMENT CONSIDERATIONS AND RISK FACTORS – Uncertainty of Targets." The Fund's positions are expected to be in the generally liquid derivative markets for commodities, including commodity options, futures and swaps. As collateral for the commodity positions taken by the Fund, the Fund is expected to

[2] The Targets were calculated based on projected cash flows for a model portfolio that is comprised of hypothetical portfolio investments that are consistent with the Fund's investment strategy and takes into consideration (among other factors) assumptions with respect to projected valuations of the hypothetical portfolio investments at future dates, market conditions, broad general macroeconomic factors, the availability of leverage and financing at expected costs and other terms, anticipated contingencies and portfolio investment concentrations in certain assets.

hold cash, cash equivalents and other fixed income instruments. It is intended that attractive investment opportunities will be sourced by the Manager.

The Fund's base currency is the U.S. Dollar, and the Fund will seek to achieve its investment objective in U.S. Dollar terms.

Principal Investment Strategies

The Fund will seek to achieve its objective by investing its investable assets in the Portfolio. The Portfolio is a long/short commodity hedge fund that will employ a broad market approach to commodity investing. In doing so, the Portfolio will invest across a broad range of commodity markets, relying on top-down macro and bottom-up micro investment approaches to develop a diverse set of trade ideas. While the Portfolio's positions are generally expected to be held across commodity sectors, the Portfolio's exposure to a particular commodity sector (or to a particular commodity within such sector) may be concentrated from time to time. The Portfolio may also invest in other derivative instruments (including without limitation swaps), securities (including without limitation ETFs) or financial instruments that provide direct or indirect exposure to commodity markets. In addition, the Portfolio may also invest in, and take delivery of, physical commodities from time to time. Further, for the avoidance of doubt, the Portfolio will not invest in equities; provided, however, that (i) the Portfolio may invest in commodity-related ETFs and (ii) subject to ERISA (if applicable), may also invest in pooled investment vehicles and pass-through entities, including affiliated or third-party unregistered investment vehicles, investment companies registered under the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**"), and master limited partnerships (collectively, "**Pooled Investment Vehicles**"). See "INVESTMENT CONSIDERATIONS AND RISK FACTORS – Pooled Investment Vehicles and Pass-through Entities." It should also be noted that from time to time the Portfolio may invest in, or otherwise be exposed to, various non-U.S. currencies.

The Portfolio will utilize fundamental and structural trades in its portfolio construction. Fundamental trades will emanate from the Manager's macroeconomic views, combined with bottom-up fundamental analysis. Structural trades will seek to capture recurring risk premiums in commodity markets. The Portfolio is expected to consist of trades scaled based on conviction and expected risk-return potential for each trade, with no single trade dominating the Portfolio. The combined fundamental and structural trades are intended to be uncorrelated in the aggregate to the broad commodity, fixed income and equity markets over time.

The Portfolio will seek to generate returns by drawing on the expertise of the Manager's portfolio managers who have a deep analytical and practical understanding of the relevant commodity markets. The Manager believes that this expertise, in concert with its fundamental top-down investment process, will differentiate the Portfolio's investment strategy from single-sector focused commodity products. It is anticipated that the Portfolio's investment strategy will rely on (i) the Manager's expertise in macroeconomic analysis, (ii) bottom-up fundamental analysis that examines supply-demand balances and inventory projections for major commodities, (iii) flow analysis that focuses on understanding producer and consumer flows, speculative positioning, and market participants' financial incentives to identify structural mispricings, (iv) quantitative analysis and (v) such other factors as may be deemed relevant by the Manager in its sole discretion.

The Portfolio expects to use a substantial amount of leverage in pursuing its investment objective. The Portfolio may also borrow money for non-investment purposes including, but not limited to, payment of operating expenses, payments of redemptions or distributions and clearance of transactions. Borrowing for non-investment purposes will not be included for purposes of complying with the Portfolio's investment guideline with respect to leverage.

In implementing the Portfolio's investment program, the Manager may utilize whatever investment, hedging, arbitrage or financing techniques it deems to be advisable, regardless of whether any such technique is specifically described herein, is currently in existence or is hereafter created. Such techniques may include long and short positions, total return swaps, short sales, futures contracts, options, variance swaps, warehouse receipts, calendar swaps, basis swaps, warrants, convertible securities, contingent convertible securities, interest rate derivatives, credit derivatives, credit default swaps, swaptions, forward contracts, repurchase agreements and reverse repurchase agreements, as well as other techniques involving commodity currency and interest rate hedging and security hedging, techniques to manage risk relating to, or for the purpose of, leveraging investments and other techniques designed to permit the Portfolio to gain economic exposure to the subject assets. The Manager may also dispose of the Portfolio's investments through whatever manner it deems to be advisable, including through asset sales, repackaging transactions, securitizations, initial public offerings, strategic transactions and other mergers and acquisitions activity, and/or any combination thereof (and including transactions in which an entity owned by or otherwise affiliated with the Portfolio or the Manager serves as a servicer, asset manager or other service provider). See "INVESTMENT CONSIDERATIONS AND RISK FACTORS" for certain of the characteristics and risks of the investment strategy, potential portfolio instruments and certain investment, hedging and disposition techniques that the Manager may utilize in managing the Portfolio.

Investment Guidelines

The following investment guidelines will be employed in managing the Portfolio. For the avoidance of doubt, (i) each of these investment guidelines will be measured at the time of investment, (ii) the netting of exposures contemplated by these investment guidelines is intended to be broad (e.g., the Manager may net across currencies, asset classes, countries, or other characteristics) and (iii) each of these investment guidelines is determined in U.S. Dollar terms.

Interpretations of the day-to-day application of these investment guidelines described below will be made by the Manager, in its sole discretion and the limits of such guidelines will generally be measured, if applicable, based upon good faith estimates using data known to the Manager at such time. The Portfolio will be subject to the investment guidelines described below commencing on March 1, 2014, which is one year after the Portfolio commenced operations.

The Portfolio will not be required to take any action in the event that an investment guideline is exceeded (or otherwise not complied with) subsequently from the time of investment, whether in the event of changes in the market value of the Portfolio's investments, or otherwise. Accordingly, market or other conditions at any time, or from time to time, may

result in one or more investment guidelines becoming exceeded (or lower rated instruments being held as collateral), including for extended periods of time. In addition, the Manager may consider hedging transactions, and cash and cash equivalents in the portfolio, in applying the investment guidelines below.

1. The Portfolio is generally not expected to have gross dollar notional exposure in excess of 8 times its NAV; provided, however, that long and short positions in respect of the same commodity held by the Portfolio will be netted for purposes of applying this investment guideline.

2. The Portfolio is generally expected to have an annualized portfolio volatility of less than 20% on an ex ante basis, as determined by the Manager in its sole and good faith discretion at the time a Portfolio position is established.

3. The Portfolio's net exposure across all commodity markets is generally expected to not exceed 30% on a long or short basis. In applying this guideline, variance swaps will not be included in the calculation as they do not constitute a directional market view.

4. The weighted-average rating of fixed income securities held by the Portfolio as collateral for its derivative positions is generally expected to be A or better by Standard & Poor's Rating Services or Moody's Investor Service, Inc., measured as of the time of purchase.

5. The Portfolio's weighted-average duration from fixed income securities is generally expected to be managed within a targeted range of approximately +/- one year. Duration is a measure of the sensitivity of a security's price to changes in interest rates.

Investors should be aware that, the above investment guidelines are indicative targets only, and are not mandatory investment restrictions. Accordingly, the Portfolio is not limited in its investment and trading activities.

The Manager reserves the right to modify the Fund's investment objective and investment guidelines when deemed appropriate upon written notice to the Investors. Investors will be given the opportunity to withdraw the aggregate balance of their Capital Account(s) before any such modification is implemented (provided, such modification is deemed to be material by the Manager, in its sole discretion). Payment of such withdrawal amounts may occur after the effective date of the change.

The return and volatility targets listed above (i) are intended to illustrate the intended return profile of the investments that the Manager will seek to make on behalf of the Fund (taking into account the effects of leverage), (ii) are not a guarantee, projection or prediction and (iii) are not indicative of future results of the Fund.

There can be no assurance that the Fund or the Portfolio will achieve its investment objective or the target return, and actual results may vary significantly from the target return. Investors may experience different investment returns as a result of, among other things, having made subscriptions to the Fund at different times. The Fund's target return and volatility may be adjusted at the discretion of the Manager in light of available investment opportunities and/or changing market conditions. A broad range of risk factors could cause the Fund to fail to achieve the target return or lose money.

Diversification

There are no specific limits or requirements on diversification of assets among issuers, industry sectors, markets or geographic regions for the Portfolio. Accordingly, the Portfolio's investments may be concentrated within a single issuer, industry sector (or particular commodity within such sector), market or geographic region.

Use of Cash, Cash Equivalents and Other Fixed Income Instruments as Collateral

The Fund's assets will be invested in the Portfolio. Although the Manager expects that the Portfolio generally will be fully invested, the Portfolio is expected to hold cash, cash equivalents and other fixed income instruments as collateral for the commodity positions taken by the Portfolio. Such holdings may be a significant percentage of the Portfolio's assets from time to time. While the Manager will seek to achieve returns on this portion of the portfolio, the preservation of capital and liquidity are expected to be significant considerations. Further, in the event that the Manager believes, in its sole discretion, that there is not sufficiently good value in any securities or derivatives suitable for investment of the Portfolio's capital, all such capital may be held in cash or cash equivalents. Moreover, while the Manager expects to use the various investment techniques described above, the Portfolio may from time to time not utilize a particular technique or techniques based on market conditions or other factors determined by the Manager in its discretion.

MANAGEMENT

Manager

The Manager of the Fund is Pacific Investment Management Company LLC, a Delaware limited liability company.

The Manager had approximately $1.87 trillion of assets under management, including $1.47 trillion in third-party client assets, as of September 30, 2014. Effective March 31, 2012, the Manager began reporting the assets managed on behalf of its parent's affiliated companies as part of its assets under management.

The Manager is registered as an investment adviser with the U.S. Securities and Exchange Commission (the "**SEC**") and as a Commodity Pool Operator ("**CPO**") with the Commodity Futures Trading Commission ("**CFTC**"). However, with respect to the Fund and the Portfolio, the Manager has filed with the National Futures Association a claim pursuant to CFTC Rule 4.7 for exemption from most of the disclosure, reporting and record keeping requirements applicable to a CPO.

The Manager is a majority owned subsidiary of Allianz Asset Management AG with a minority interest held by PIMCO Partners, LLC. PIMCO Partners, LLC is owned by the current managing directors and executive management of the Manager. Through various holding company structures, Allianz Asset Management AG is majority owned by Allianz SE.

Allianz SE is a European based, multinational insurance and financial services holding company and a publicly traded German company.

Any goodwill or other intangibles associated with the names of the Manager, the Fund and the Portfolio, or the operation of the Manager, the Fund or the Portfolio as a going concern belong solely to the Manager and will not be for the benefit of the Fund, the Portfolio or any Investor.

The Manager has full and exclusive discretionary authority and responsibility to manage the day-to-day operations of each of the Fund and the Portfolio and to invest and reinvest their assets. To the fullest extent permitted by law, the Manager has the authority to sell, exchange, or otherwise transfer all or any portion of the assets of the Fund and the Portfolio, and to delegate all, or any such part as it deems appropriate, of its discretionary management and investment advisory authority and responsibility. None of the foregoing actions requires the approval of any Investor. The Manager also coordinates the activities of, and acts as liaison with, each party providing legal, audit, tax, administrative, brokerage and trading, custodian, accounting and other services to the Fund. The Manager may delegate certain day-to-day administrative functions of the Fund and the Portfolio to the Administrator.

Under the Operating Agreement, the Manager (which includes, for this purposes, the Manager Affiliates) will not be liable to the Fund or to its Investors for any loss suffered by the Fund or its Investors which arises out of any action or inaction of the Manager, except a loss resulting from the breach of fiduciary duty under ERISA, the gross negligence, willful default, fraud or dishonesty of the Manager in its performance or non-performance of its obligations or duties under the Operating Agreement, and except as otherwise required by applicable law (including ERISA). In addition, the Fund will indemnify and hold harmless the Manager (which includes, for this purpose, the Manager Affiliates), to the fullest extent permitted by applicable law (including ERISA), against any loss resulting from claims or threatened claims with respect to the Manager’s performance or non-performance of its obligations pursuant to the Operating Agreement, except for any such loss resulting from the breach of fiduciary duty under ERISA, gross negligence, willful default, fraud or dishonesty of the Manager.

The Manager manages the investment of, and provides certain services to, the Portfolio pursuant to the Investment Management Agreement between the Manager and the Portfolio, as amended. Subject to certain restrictions, the Investment Management Agreement will remain in effect until terminated by the Portfolio or Manager, upon 90 days’ prior written notice. No compensation is paid by the Portfolio to the Manager under the Investment Management Agreement.

The U.S. federal and state securities or other laws impose liabilities under certain circumstances that cannot be waived by contract, other agreements or documents. Therefore, the Investment Management Agreement also provides that nothing therein shall be deemed to, or construed in a manner that purports to, waive or limit any right or obligation to the extent (but only to the extent) that it cannot be waived or limited under applicable law.

Mihir Worah, Nicholas Johnson, Greg Sharenow and Gillian Rutherford will be responsible for the day-to-day management of the Portfolio’s assets. Bob Greer will be responsible for all marketing, distribution and client relationship functions with respect to the Fund. This team of investment professionals may be adjusted by the Manager in its sole discretion, and without notice to Investors. Their respective biographies are set forth below.

Mihir P. Worah. Mr. Worah is a Chief Investment Officer – Real Return and a managing director in the Newport Beach office. He leads both the Real Return (which includes commodities) and Asset Allocation portfolio management teams, is one of three portfolio managers for the PIMCO's Total Return Fund, and has management responsibilities within the Portfolio Management group. The Manager's commodity team is responsible for guiding its views on the commodity markets and implementing commodity-related trades in client portfolios, which represent over $20 billion in assets. Mr. Worah's involvement in the commodity markets began in 2002 with the launch of the innovative PIMCO CommodityRealReturn strategy, which is currently one of the world's largest commodity strategies with over $11 billion in assets under management. He has been managing the strategy and leading the Manager's commodity team since 2008. Mr. Worah is the author of several articles and book chapters on real asset investing, and is frequently a featured speaker at investment conferences. Most recently, with his colleagues Nicholas J. Johnson and Bob Greer, he co-authored the book, "Intelligent Commodity Indexing," which lays out enhanced strategies for investors in commodities. Prior to joining the Manager in 2001, he was a postdoctoral research associate at the University of California, Berkeley, and the Stanford Linear Accelerator Center, where he built models to explain the difference between matter and anti-matter. He holds a Ph.D. in theoretical physics from the University of Chicago.

Nicholas J. Johnson. Mr. Johnson is an executive vice president in the Newport Beach office and a portfolio manager focusing on commodities. He is the primary or co-portfolio manager across the Manager's commodity mandates, representing over $20 billion in assets. Mr. Johnson has deep understanding of structural risk premiums, while incorporating fundamental understanding of the markets to develop relative value views across a range of commodity sectors. He also works with Mr.Worah to oversee the overall commodity portfolio risk allocation and construction process. He joined the Manager in 2004 and managed the portfolio analyst group prior to joining the commodity portfolio management team in 2007. With his colleagues Mr. Worah and Mr. Greer, he co-authored the book, "Intelligent Commodity Indexing," which lays out some of the structural opportunities for investors in commodities. Prior to joining the Manager, he worked at NASA's Jet Propulsion Laboratory, developing Mars missions and new methods of autonomous navigation. He has ten years of investment experience and holds a master's degree in financial mathematics from the University of Chicago and an undergraduate degree in mechanical engineering from California Polytechnic State University.

Greg E. Sharenow. Mr. Sharenow is an executive vice president in the Manager's Newport Beach office and a portfolio manager focusing on commodities. He has an industry-wide reputation for his specialization in fundamental research and analysis of the energy markets, including petroleum and natural gas. Mr. Sharenow is also responsible for informing the Manager's broader views on energy and guiding other portfolio managers on developments in this space. Prior to joining the Manager in 2011, he was an energy trader at Hess Energy Trading, Goldman Sachs and DE Shaw, working in a pure proprietary trading capacity. Mr. Sharenow started his career as a senior energy economist at Goldman Sachs, where he supported traders and marketers as an analyst responsible for North American energy research and global petroleum markets. Together with two Goldman colleagues, Mr. Sharenow authored "Beating Benchmarks: A Stockpicker's Reality, Part II," which was published in "The Journal of Portfolio Management" and received the Second Annual Bernstein Fabozzi/Jacobs Levy Award for Outstanding Article during volume year 1999-2000. He has 15 years of investment experience and holds bachelor's degrees in mathematical methods in the social sciences and in economics from Northwestern University.

Gillian Rutherford. Ms. Rutherford is a senior vice president and commodities portfolio manager in the Manager’s Newport Beach office. Prior to joining the Manager in 2013, she was an agricultural analyst at Armajaro Asset Management. Previously, she led desk research and strategy in agricultural commodities for OTC trading at J.P. Morgan, identifying trading opportunities across grains and softs markets. Ms. Rutherford also spent several years at Rabobank in a role related to agricultural finance and investment. She has ten years of investment experience and holds a bachelor's degree in agricultural economics from the University of New England, Armidale, Australia.

Bob Greer. Mr. Greer is an executive vice president and manager of Real Return products at the Manager. This product line embraces commodities, inflation-linked bonds, real estate and active asset allocation. Mr. Greer and his team lead the effort to organize and manage the business aspects of the Manager’s Real Return products, including the Portfolio, coordinating the interface with account managers as well as with internal legal and operational personnel. Prior to joining the Manager in 2002, Mr. Greer spent eight years managing the commodity index business first for Daiwa Securities and then for Chase Manhattan Bank and JP Morgan. Prior to this, he spent 10 years in the investment real estate business. Mr. Greer is the first person to define an investable commodity index and is a pioneer in explaining why commodity indexes are an asset class distinct from stocks and bonds. He developed one of the two common methods of explaining sources of commodity index returns and has spoken on this asset class on national television, at industry conferences, at trade meetings globally, and at college lectures at Yale, Oxford, Columbia, Princeton and elsewhere. He has also published articles on the subject in ”The Journal of Portfolio Management,” “The Journal of Derivatives,” “The Journal of Alternative Investments” and “Pensions & Investments.” He has consulted on the subject of commodities for the CIA, the Bank of England and the New York Federal Reserve, and was invited by the CFTC to participate in its Agricultural Roundtable in April 2008. Mr. Greer wrote “The Handbook of Inflation Hedging Investments,” oriented to the institutional investment community, which was published by McGraw-Hill in December 2005. With Mr. Worah and Mr. Johnson, he co-authored “Intelligent Commodity Indexing,” also published by McGraw-Hill in 2012. Mr. Greer received a bachelor’s degree in mathematics and economics from Southern Methodist University. He earned an MBA from the Stanford Graduate School of Business.

Administrator and Custodian

Brown Brothers Harriman & Co. has been appointed to provide administrative and custodial services to the Fund and the Portfolio. Pursuant to an administration agreement and a custody agreement, each as amended (such agreements, collectively, the “**Administration and Custodian Agreements**”), the Administrator will provide day-to-day administrative and custodial services, including (i) accepting subscriptions of new Investors, including implementing anti-money laundering verification processes, (ii) maintaining the Fund’s principal corporate records and books of accounting, (iii) arranging for and coordinating the audit of the Fund’s financial statements by independent auditors, (iv) disbursing distributions with respect to the legal fees, accounting fees, and officers’ and directors’ fees on behalf of the Portfolio, (v) calculating the net asset value of the Interests, (vi) calculating the withdrawal price of the

Interests and making withdrawals of the Interests, (vii) assistance in communicating with Investors and the general public with respect to the Fund, (viii) the receipt and delivery of securities purchased, sold, borrowed and loaned, (ix) the making and receiving of payments thereof, (x) custody of securities fully paid for or not fully paid for and, therefore, compliance with margin and maintenance requirements and (xi) custody of all cash, dividends and exchanges, distributions and rights accruing to an account. The Administrator may delegate all, or any such part as it deems appropriate, of its responsibility to the Fund and the Portfolio under the Administration and Custodian Agreements.

The Administration and Custodian Agreements contain limitations on liability and indemnifications in favor of the Administrator, provided that the Administrator's actions do not constitute negligence, willful misconduct or bad faith. Either party may, in its discretion, terminate the Administration and Custodian Agreements for any reason by giving the other party at least 60 days' prior written notice, except as set forth therein. In the event the Administrator is terminated or resigns as the Administrator to the Fund and the Portfolio, the Manager reserves the ability to assume the Administrator's role, on the same or similar terms in providing administrative and custodial services to the Fund and the Portfolio.

Placement Agents

The Fund may appoint one or more Placement Agents. The Portfolio may also appoint one or more Placement Agents. Unless otherwise stated in an applicable Supplement, PIMCO Investments LLC, an affiliate of the Manager, has been designated as Placement Agent by the Fund. The Placement Agent assists with, among other things, the placement of the Interests and communicating with investors. Any agreement on behalf of the Fund and/or the Portfolio with any such Placement Agent can be expected to grant broad rights of indemnification and limitations of liability in favor of such Placement Agent. The Fund and the Portfolio will not pay any compensation to Placement Agents. The Manager may pay a portion of any fees or other benefit that it receives (including, without limitation, a portion of the Management Fee or Incentive Allocation) to Placement Agents and others in connection with the sale of Interests. In addition, sales charges may be imposed on Investors by Placement Agents and others, including, in certain circumstances, the Manager and/or the Manager Affiliates, in connection with the purchase of Interests. Such charges are paid directly by Investors and would reduce an Investor's net investment. See "FEES AND EXPENSES – Placement Fees."

INVESTMENT CONSIDERATIONS AND RISK FACTORS

No guarantee or representation is made that the Fund or the Portfolio will achieve its investment objective. An investment in the Fund involves investment considerations and risk factors which prospective Investors should consider before subscribing. An investment includes risk of the loss of capital. No guarantee or representation is made that the Portfolio's program will succeed. Certain of the characteristics and risks of the portfolio instruments and investment techniques which the Manager may utilize in managing the Portfolio are set forth below. However, this is not intended to be a complete description of portfolio instruments or risks. There is no assurance that the Manager's judgment will result in profitable investments by the Portfolio nor is there any assurance that the Portfolio will not incur losses. The Portfolio may also invest in instruments other than those described below, including instruments that are not in existence as of the date of this Memorandum.

The Fund is expected to be treated as constituting “plan assets” with respect to Investors subject to ERISA or Section 4975 of the Code. Accordingly, for so long as the Fund constitutes “plan assets” for purposes of ERISA or Section 4975 of the Code, the Manager intends to manage the Portfolio in accordance with the applicable requirements of ERISA and Section 4975 of the Code. This may require the Manager to forego investments or other arrangements on behalf of the Portfolio that might otherwise have been desirable for it. In addition, such Investors should review the discussion below in “EXHIBIT A – TAX AND ERISA CONSIDERATIONS – ERISA AND CERTAIN OTHER CONSIDERATIONS.”

Certain Investment and Trading Risks

<u>Commodity-Related Instruments and Commodity Markets Risk</u>. The Portfolio will invest in commodities and commodity-related instruments, including, by way of example and not of limitation, options, futures contracts, swaps and ETFs. The Portfolio may invest in various categories of physical commodities. Substantial risks are involved in investing in and/or trading futures, options, swaps, ETFs and physical commodities based upon commodity price movements. A potential investor should note that the prices of such investments may be highly volatile and market movements are difficult to predict. Furthermore, the value of commodity-related derivatives may fluctuate more than the relevant underlying commodity, commodities or commodity index.

Commodity prices are influenced by a wide range of factors, including: changes in overall market movements; developments affecting a particular industry or commodity, such as war, terrorism or related geopolitical events affecting supply and demand, crime, corruption, drought, flood or other weather conditions, livestock disease, trade embargoes, competition from substitute products, transportation bottlenecks or shortages, general fluctuations in supply and demand, and tariffs; real or perceived inflationary trends; commodity index volatility; changes in interest rates or currency exchange rates; population growth and changing demographics; nationalization, expropriation, or other confiscation; international regulatory, political, and economic developments (*e.g.*, regime changes and changes in economic activity levels); government trade, fiscal, monetary and exchange control programs and policies; and the inherent volatility of the marketplace. In addition, U.S. and non-U.S. governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly.

With respect to the use of “commodity interest” contract trades, certain risks arise because of the possibility of imperfect correlations between movements in the prices of commodity interest contracts and movements in the prices of the underlying securities, securities index, currencies or other commodities or of the securities or currencies in the Portfolio’s portfolio which are the subject of the hedge (to the extent the Portfolio uses commodity interest contracts for hedging purposes). The successful use of commodity interest contract trades further depends on the Manager’s ability to forecast market or interest rate movements correctly. Other risks arise from the Portfolio’s potential inability to close out its commodity interest contract trades positions, and there can be no assurance that a liquid secondary market will exist for any commodity interest contract trade at a particular time. The use of commodity interest contract trades for purposes other than hedging is regarded as speculative. Certain regulatory requirements may also limit the Portfolio's ability to engage in commodity interest contract trades transactions.

<u>Commodity Futures Contracts</u>. The Manager will buy and sell commodity futures contracts on behalf of the Portfolio. Commodity futures contracts are standardized contracts that are traded on commodity exchanges. A futures contract calls for the future delivery of a specified quantity of a particular commodity (including a securities index or an interest-bearing security) at a specified time, place, and price. The size and term of futures contracts on a particular commodity are identical and are not negotiated by the buyer and seller. Futures contracts are traded on various commodities, including agricultural and tropical commodities, industrial commodities, currencies, financial instruments, securities and commodities indices, energy, and metals. A futures contract may be satisfied (i) by taking (for a buyer) or making (for a seller) physical delivery of a particular commodity, (ii) by making an offsetting sale or purchase of an equivalent but opposite futures contract on the same exchange prior to the designated delivery date of the commodity or (iii) by paying (or receiving) the loss (or gain) related to the contract in cash when the contract expires. There are several special risks associated with transactions in commodity futures contracts:

High Leverage: Commodity futures contract trading is highly leveraged. A leveraged investment is one in which an investor can gain or lose an amount larger than the value of the margin deposited by the investor for that investment. Commodity futures contract trading generally requires only a small margin deposit (typically between 2% and 15% of the value of the contract). Accordingly, there is an extremely high degree of leverage in such trading, and a relatively small movement in the price of a commodity futures contract can result in substantial losses to the Portfolio. Thus, like other leveraged investments, any purchase or sale of a commodity futures contract may result in losses in excess of the amount initially invested.

Illiquidity: Commodity futures contract trading may be illiquid. An illiquid market is one in which an investor is unable to buy or sell an investment at current price levels. Commodity interest or securities market illiquidity can be caused by numerous factors, such as the following: (i) a commodity exchange may prohibit trading outside of a designated price range, referred to as a "daily limit" (prices in various commodity interest contracts have occasionally moved the daily limit for several consecutive days with little or no trading); (ii) a commodity exchange, securities exchange or the CFTC may suspend or limit trading in a particular contract or security, order immediate liquidation and settlement of a particular contract or security, or order that trading in a particular contract or security be conducted for liquidation only, as applicable; (iii) some commodity exchanges that trade commodity index futures contracts and some securities exchanges have adopted rules referred to as "circuit breakers" or limited prices that automatically halt trading when certain commodity or stock indices (as applicable) rise or decline to specified levels; and (iv) little trading in a particular commodity interest contract could cause the Portfolio to accept or make delivery of the commodity underlying a particular contract if the position cannot be liquidated prior to its delivery or expiration date. Illiquid commodity futures contracts may be more difficult to value, especially in rapidly changing markets.

Storage: Unlike the financial futures markets, in the commodity futures markets there are costs of physical storage associated with purchasing the underlying commodity. The price of the commodity futures contract will reflect the storage costs of purchasing the physical commodity, including the time value of money invested in the physical commodity. To the extent that the storage costs for an underlying commodity change while the Portfolio is invested in futures contracts on that commodity, the value of the futures contract may change proportionately.

Contract Expiration and Delivery: Market participants that inadvertently hold a commodity futures contract beyond the contract's expiration date, or "First Notice Day," may be required to physically deliver (for a seller) or accept physical delivery of (if a buyer) the underlying commodity. In the case of a seller, such seller must have the required quantity and quality of the deliverable commodity on hand. In the case of a buyer, such buyer must take physical delivery of and pay the full value for the underlying commodity. The failure to offset or otherwise settle a commodity futures contract prior to its expiration could result in unexpected costs and expenses incurred in connection with satisfying the delivery or acceptance obligations of the underlying contract.

Reinvestment: In the commodity futures markets, producers of the underlying commodity may decide to hedge the price risk of selling the commodity by selling futures contracts today to lock in the price of the commodity at delivery tomorrow. In order to induce speculators to purchase the other side of the same futures contract, the commodity producer generally must sell the futures contract at a lower price than the expected future spot price. Conversely, if most hedgers in the futures market are purchasing futures contracts to hedge against a rise in prices, then speculators will only sell the other side of the futures contract at a higher futures price than the expected future spot price of the commodity. The changing nature of the hedgers and speculators in the commodity markets will influence whether futures prices are above or below the expected future spot price, which can have significant implications for the Portfolio. If the nature of hedgers and speculators in futures markets has shifted when it is time for the Portfolio to reinvest the proceeds of a maturing contract in a new futures contract, the Fund might reinvest at higher or lower futures prices, or choose to pursue other investments.

Other Economic and Non-Economic Factors: The commodities which underlie commodity futures contracts may be subject to additional economic and non-economic variables, such as war, terrorism or related geopolitical events affecting supply and demand, crime, corruption, drought, floods or other weather conditions, livestock disease, trade embargoes, competition from substitute products, transportation bottlenecks or shortages, general fluctuations in supply and demand, tariffs, and international economic, political and regulatory developments. These factors may have a larger impact on commodity prices and commodity-linked instruments, including futures contracts than on traditional securities. Certain commodities are also subject to limited pricing flexibility because of supply and demand factors. Others are subject to broad price fluctuations as a result of the volatility of the prices for certain raw materials and the instability of supplies of other materials. These additional variables may create additional investment risks which subject the Portfolio's investments to greater volatility than investments in traditional securities.

Cash and Other Investments. The Portfolio may invest all or a portion of its assets in cash or cash items for investment or collateral purposes, pending other investments or as provision of margin for derivative positions. These cash items may include a number of money market instruments such as negotiable or non-negotiable securities issued by or short-term deposits with the U.S. and non-U.S. governments and agencies or instrumentalities thereof, bankers' acceptances, high quality commercial paper, repurchase agreements, bank certificates of deposit, and short-term debt securities of U.S. or non-U.S. issuers deemed to be creditworthy by the Manager. The Portfolio may also hold interests in investment vehicles that hold cash or cash items. While investments in cash items generally involve relatively low risk levels, they may produce lower than expected returns, and could result in losses. Investments in cash items and money market funds may also provide less liquidity than anticipated by the Portfolio at the time of investment.

Options. The Portfolio will invest in options on a futures contract or on a physical commodity (a "commodity option"), each of which gives the buyer of the option the right to take a position on or by a specified date at a specified price (i.e., the "strike price") in the underlying futures contract or commodity. The buyer of a "call" option acquires the right to take a long position (i.e., the right to take delivery of a specified amount of a specified commodity) in the underlying futures contract or commodity, and the buyer of a "put" option acquires the right to take a short position (i.e., the right to make delivery of a specified amount of a specified commodity) in the underlying futures contract or commodity. The seller (or "writer") of an option is obligated to take a futures or physical position at a specified price opposite to the option buyer if the option is exercised. Thus, the seller of a call option must stand ready to take a short position in the underlying futures contract or commodity at the strike price if the buyer exercises the option. The seller of a put option, on the other hand, must stand ready to take a long position in the underlying futures contract or commodity at the strike price if the buyer exercises the option.

Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying securities. In theory, an uncovered call writer's loss is potentially unlimited. The risk for a writer of a put option is that the price of the underlying securities may fall below the exercise price. The ability to trade in or exercise options may be restricted in the event that trading in the underlying securities interest becomes restricted.

Furthermore, the risks involved with options trading are somewhat different than the risks involved with futures contracts trading, because the specific market movements of the underlying futures contract or commodity must be predicted accurately. For example, if the Portfolio buys an option (either to sell or buy a futures contract or commodity) it will pay a "premium" representing the market value of the option. Unless the price of the futures contract or commodity underlying the option changes and it becomes profitable to exercise or offset the option before it expires, the Portfolio may lose the entire amount of the premium. Conversely, if the Portfolio sells an option (either to sell or buy a futures contract or commodity), it will receive the premium but will be required to deposit margin to secure its potential obligation to take or make delivery of the underlying futures contract or commodity in the event the option is exercised. Traders who sell options are subject to the loss (in the case of a put) or gain (in the case of a call) that occurs in the underlying futures contract or commodity less the amount of any premium that they had been paid.

The Portfolio may also trade over-the-counter options with respect to U.S. and foreign commodities. Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of over-the-counter options (options not traded on exchanges) are generally established through negotiation with the other party to the option contract. While this type of arrangement allows the Portfolio greater flexibility to tailor an option to its needs, over-the-counter options generally involve greater credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded.

Spot and Forward Contracts. The Portfolio may invest in spot and forward contracts. A spot contract is a cash market transaction to buy or sell immediately a specified quantity of a commodity or foreign currency, usually with settlement in two days. A forward contract is a contract to buy or sell a specified quantity of a commodity or foreign currency at a specified date in the future at a specified price. A non-deliverable forward (a "**NDF**") is a forward contract in which counterparties settle in cash the difference between the contracted NDF price or rate and the prevailing spot price or pre-agreed fixing price or rate on an agreed notional amount.

Spot and forward contracts involve the risks described above with respect to futures in addition to other risks because spot and forward contracts are not traded on exchanges and are subject to limited oversight by regulatory authorities. Therefore, the Portfolio will not benefit from CFTC and exchange rules that are aimed at maintaining orderly and stable markets and protecting investors with respect to such over-the-counter contracts. The spot and forward markets can experience periods of illiquidity, sometimes of significant duration, including liquidity problems. There have been periods during which certain counterparties have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which the counterparty is prepared to buy and that at which it is prepared to sell. Forward contracts also generally cannot be modified or terminated prior to maturity unless special agreement is reached with the counterparty.

Trading on Foreign Exchanges. The Portfolio may trade commodity futures contracts on exchanges located outside of the United States where CFTC and SEC regulations do not apply. Some foreign commodity exchanges are "principals markets" in which contract performance is the responsibility only of an individual member and not of the exchange or clearinghouse. Consequently, the Portfolio is subject to the risk that its counterparty may be unable or unwilling to perform.

The United States dollar value of commodity interest contracts and securities traded on foreign markets may be subject to risks that arise from fluctuating currency rates. This risk arises because investments on foreign markets are denominated in the currency of the foreign country. The Portfolio may hedge (but is not required to do so) its foreign currency positions to minimize the impact of foreign currency fluctuations.

Trading of commodity interest contracts and securities on foreign exchanges may involve certain other risks not applicable to trading on U.S. exchanges, such as exchange control regulations, risk of expropriation, lack of government supervision and regulation, high taxes, moratoriums, or market disruptions caused by political events.

Swaps. The Portfolio will utilize swaps and other derivative transactions, including, but not limited to, inflation, interest rate and commodity swaps. Notional amounts of swap transactions are not subject to any limitations, and swap contracts may expose the Portfolio to unlimited risk of loss. Swaps may be used as an alternative to futures contracts. To the extent the Portfolio invests in swaps, futures, options and other "synthetic" or derivative instruments, counterparty exposures can develop and the Portfolio takes the risk of nonperformance by the other party on the contract. Swap contracts are not necessarily traded on exchanges and may not otherwise be regulated if they are traded between eligible contract participants and not on an exchange-like electronic platform, and as a consequence investors in such contracts may not benefit from regulatory protections. This risk may differ materially from those entailed in exchange-traded transactions which may be supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not necessarily benefit from such protections and may expose the parties to the risk of counterparty default. In the international securities markets, the existence of less mature settlement structures and systems can result in settlement default and exposure to counterparty credits. The Portfolio may enter into swaps for speculative or hedging purposes.

The use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary securities transactions. Inflation and interest rate swaps, for example, do not typically involve the delivery of securities, other underlying assets or principal. Accordingly, the market risk of loss with respect to an interest rate swap is often limited to the amount of interest payments that the Manager is contractually obligated to make on a net basis. Because the nature of the references of these instruments, the counterparties may lack effective hedging opportunities which could increase the risk of default or the cost of the position.

Under recently adopted rules and regulations, transactions in some types of swaps (including interest rate swaps and credit default swaps on North American and European indices) are required to be centrally cleared. In a transaction involving those swaps ("cleared derivatives"), the Portfolio's counterparty is a clearing house, rather than a bank or broker. Since the Portfolio is not a member of clearing houses and only members of a clearing house ("clearing members") can participate directly in the clearing house, the Portfolio will hold cleared derivatives through an account at one or more clearing members. For cleared derivatives positions, the Portfolio will make payments (including margin payments) to and receive payments from a clearing house through its accounts at clearing members. Clearing members guarantee performance of their clients' obligations to the clearing house.

Some types of cleared derivatives 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 Portfolio. For example, swap execution facilities typically charge fees, and if the Portfolio executes derivatives on a swap execution facility through a broker intermediary, the intermediary may impose fees as well. In addition, the Portfolio may indemnify a swap execution facility, or a broker intermediary who executes cleared derivatives on a swap execution facility on the Portfolio's behalf, against any losses or costs that may be incurred as a result of the Portfolio's transactions on the swap execution facility.

These and other new rules and regulations could, among other things, further restrict the Portfolio's ability to engage in, or increase the cost to the Portfolio of, derivatives transactions, for example, by making some types of derivatives no longer available to the Portfolio, increasing margin or capital requirements, or otherwise limiting liquidity or increasing transaction costs. These regulations are new and evolving, so their potential impact on the Portfolio and the financial system are not yet known. While the new regulations and central clearing of some derivatives transactions are designed to reduce systemic risk (i.e., the risk that the interdependence of large derivatives dealers could cause them to suffer liquidity, solvency or other challenges simultaneously), there is no assurance that the new clearing mechanisms will achieve that result, and in the meantime, as noted above, central clearing and related requirements exposes the Portfolio to new kinds of risks and costs.

<u>Risks of Derivative Instruments Generally</u>. The Portfolio may engage in a variety of derivative transactions. All derivative instruments, including options, futures contracts and swap contracts involve risks different from, and, in certain cases, greater than the risks presented by more traditional investments. The Portfolio's use of derivatives may result in losses, reduce the Portfolio's return and/or increase the volatility of the Portfolio, especially in unusual or extreme market conditions. The following is a general discussion of important risk factors and issues concerning the use of derivatives that Investors should understand before investing in the Fund.

Market Risk: This is the general risk attendant to all investments that the value of a particular investment will change in a way detrimental to the Portfolio's interests.

Management Risk: Derivative products 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 Fund's portfolio.

Counterparty Credit Risk: The Portfolio may enter into transactions in over-the-counter markets. This is the risk that a loss may be sustained by the Portfolio 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 contract. The credit risk for exchange-traded derivatives is generally less than for over-the-counter derivatives, because the clearing house, which is the issuer or counterparty to each exchange-traded derivative, provides additional protections in the event of non-performance by the counterparty. For operational reasons, the Portfolio may allow a Broker to retain possession of collateral. To the extent the Portfolio allows a Broker or any over-the-counter derivative counterparty to retain possession of any collateral, the Portfolio may be treated as an unsecured creditor of such counterparty in the event of the counterparty's insolvency.

The Portfolio may post or receive collateral related to changes in the market value of a derivative. The Portfolio also may invest in derivatives that (i) do not require the counterparty to post collateral, (ii) require collateral but that do not provide for the Portfolio'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, the Portfolio runs the risk of having limited recourse if the counterparty defaults. Even when obligations are required by contract to be collateralized, the Portfolio may not receive the collateral the day the collateral is called, which means that the Portfolio remains subject to counterparty risk during that time, leaving the Portfolio subject to counterparty risk until it receives the collateral. (See "INVESTMENT CONSIDERATIONS AND RISK FACTORS – Custodial Risk" and "INVESTMENT CONSIDERATIONS AND RISK FACTORS – Counterparty Risk.")

Documentation Risk: Many derivative instruments also have documentation risk. Also, payment amounts calculated in connection with standard industry conventions for resolving contractual issues (e.g., 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 derivatives contract (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 over-the-counter 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 over-the-counter derivatives or the credit markets), 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, the Portfolio may have a greater need for cash to provide collateral for large swings in the mark-to-market obligations arising under the derivative instruments used by the Portfolio. These risks may be further exacerbated by requirements under rules issued pursuant to recently enacted financial reform legislation.

Leverage Risk: Because many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, rate or index may result in a loss substantially greater than the amount invested in the derivative itself. Certain derivatives have the potential to expose the Portfolio to unlimited loss, regardless of the size of the initial investment in the derivative.

Regulatory Risk: The derivatives market is subject to various risks related to new and impending 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 the Portfolio's derivatives transactions and cause the Portfolio to lose value. They may also render certain strategies in which the Portfolio might otherwise engage impossible or so costly that they will no longer be economical to implement.

Position Limits. The Dodd-Frank Act includes a provision for the CFTC to establish position limits with respect to over-the-counter derivatives and exchange traded commodity interests. (See "INVESTMENT CONSIDERATIONS AND RISK FACTORS — "Financial Crisis and Government Regulation.") Additionally, certain exchanges, including non-U.S. exchanges, institute separate position limits with respect to particular contracts and participants. Such limits may restrict dealers' capacity to offer over-the-counter derivatives exposure to certain commodities for traders and may require aggregation of positions held by a single entity and its affiliates in certain situations that were not previously subject to aggregation, or require traders to file exemptive notices with the CFTC to disaggregate positions. In the event that such position limits were deemed to be exceeded with respect to the Fund's investments (e.g., due to a failure to monitor such limits or due to such limits becoming further restrictive), the Manager could suffer fines, be required to unwind position, or otherwise incur additional costs or expenses in connection thereto. The Manager's overall trading (including accounts in addition to the Portfolio) may be aggregated for purposes of determining compliance with these limits, which may impact the Portfolio's ability to establish or maintain certain positions.

ETFs. The Portfolio may also have positions in ETFs that provide direct or indirect exposure to commodity markets. ETFs (which are investment companies registered under the Investment Company Act) are effectively portfolios of commodities or securities. Although the risks associated with investments in ETFs may be considered by some to be lower relative to direct investments in such underlying commodities or securities, the Portfolio may invest in industry- and sector-specific ETFs, which would not be as diversified as the market as a whole. The trading mechanisms are generally designed so that the price of the shares of an ETF approximates the value of its assets. However, an ETF may not achieve this result, and its performance may be disrupted in certain circumstances. Lastly, it should also be noted that the Investment Company Act places certain restrictions on the percentage of ownership that a private investment fund may have in a registered investment company.

Physical Commodities. The Portfolio may acquire and hold a portfolio of physical commodities pursuant to warehouse receipts providing proof of ownership of such commodities. Warehouse receipts may be negotiable or non-negotiable. Negotiable warehouse receipts allow transfer of ownership of that commodity without having to deliver the physical commodity. Accepting delivery of physical commodities entails risks that are not faced by commodities trading funds that limit their investments to futures contracts, options on futures and other derivatives. These risks include substandard quality, infestation, degradation, spoilage and shrinkage, for example, as well as fraud, documentation errors, storage, transportation, and insurance. The Manager may, in its sole discretion, obtain property insurance to cover the risk of loss or damage to the physical commodities of the Fund. However, losses may be incurred, and the physical aspect of the commodities may result in delays in the liquidation of the commodities as there can be no assurance of a readily liquid market for such commodities.

Counterparty Risk. The Portfolio is exposed to counterparty risk to the extent it uses over-the-counter derivatives, listed derivatives and futures, enters into repurchase agreements, lends its portfolio securities or allows a prime broker, if any, or an over-the-counter derivative counterparty to retain possession of collateral and/or other assets. If a counterparty fails to meet its contractual obligations, goes bankrupt, or otherwise experiences a business interruption, the Portfolio could miss investment opportunities or otherwise hold investments it would prefer to sell, resulting in losses for the Portfolio. The Portfolio is not subject to any limits on its exposure to any one counterparty nor to a requirement that counterparties maintain a specific rating by a nationally recognized rating organization to be considered for potential transactions. To the extent that the Manager's view with respect to a particular counterparty changes (whether due to external events or otherwise), existing transactions are not required to be terminated or modified.

Additionally, new transactions may be entered into with a counterparty that is no longer considered eligible if the transaction is primarily designed to reduce the overall risk of potential exposure to that counterparty (for example, re-establishing the transaction with a lesser notional amount). Counterparty risk is pronounced during unusually adverse market conditions and is particularly acute in environments (like those of 2008) in which financial services firms are exposed to systemic risks of the type evidenced by the insolvency of Lehman Brothers and subsequent market disruptions. In addition, during those periods, the Portfolio may have a greater need for cash to provide collateral for large swings in its mark-to-market obligations under the derivatives in which it has invested.

Certain markets in which the Portfolio may effect transactions are "over-the-counter" or "interdealer" markets, and may also include unregulated private markets. The lack of a common clearing facility creates counterparty risk. The participants in such markets typically are not subject to the same level of credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the Portfolio to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Portfolio to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Portfolio has concentrated its transactions with a single or small group of counterparties. The Portfolio may also be exposed to similar risks with respect to non-U.S. brokers in jurisdictions where there are delayed settlement periods.

There can be no assurance that a counterparty will be able or willing to make timely settlement payments or otherwise meet its obligations, especially during unusually adverse market conditions. A default of a counterparty may cause trades with such counterparty not to settle. The Portfolio typically may only close out over-the-counter transactions with the relevant counterparty, and may only transfer a position with the consent of the particular counterparty. When a counterparty's obligations are not fully secured by collateral, then the Portfolio is essentially an unsecured creditor of the counterparty. If the counterparty defaults, the Portfolio will have contractual remedies, but there is no assurance that a counterparty will be able to meet its obligations pursuant to such contracts or that, in the event of default, the Portfolio will succeed in enforcing contractual remedies. Counterparty risk still exists even if a counterparty's obligations are secured by collateral because the Portfolio's interest in collateral may not be perfected or additional collateral may not be promptly posted as required. Counterparty risk also may be more pronounced if a counterparty's obligations exceed the amount of collateral held by the Portfolio (if any), the Portfolio is unable to exercise its interest in collateral upon default by the counterparty, or the termination value of the instrument varies significantly from marked-to-market value of the instrument. To the extent the Portfolio allows a prime broker, if any, or any over-the-counter derivative counterparty to retain possession of any collateral and/or other assets, the Portfolio may be treated as an unsecured creditor of such counterparty in the event of the counterparty's insolvency.

Due to the nature of the Portfolio's investments, the Portfolio may invest in over-the-counter derivatives and/or execute a significant portion of its securities transactions through a limited number of counterparties and events that affect the creditworthiness of any of those counterparties may have a pronounced effect on the Portfolio. Additionally, the Portfolio may be exposed to documentation risk, including the risk that the parties may disagree as to the proper interpretation of the terms of a contract (e.g., the definition of default). In addition, the creditworthiness of a counterparty may be adversely affected by larger than average volatility in the markets, even if the counterparty's net market exposure is small relative to its capital.

The Manager evaluates the creditworthiness of the counterparties to the Portfolio's transactions or their guarantors at the time the Portfolio enters into a transaction.

The Portfolio is not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty. The ability of the Portfolio to transact business with any one of a number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Portfolio. Similar risks also arise in connection with derivative instruments and brokerage arrangements that the Fund may put in place. (See "INVESTMENT CONSIDERATIONS AND RISK FACTORS—Custodial Risk.")

Counterparty risk with respect to derivatives will be affected by new rules and regulations affecting the derivatives market. Certain derivatives transactions are required to be centrally cleared, and a party to a cleared derivatives transaction is subject to the credit risk of the clearing house and the clearing member through which it holds its cleared position, rather than the credit risk of its original counterparty to the derivatives transaction. Credit risk of market participants with respect to derivatives that are centrally cleared is concentrated in a few clearing houses, and it is not clear how an insolvency proceeding of a clearing house would be conducted and what impact an insolvency of a clearing house would have on the financial system. A clearing member is obligated by contract and by applicable regulation to segregate all funds received from customers with respect to cleared derivatives transactions from the clearing member's proprietary assets. However, all funds and other property received by a clearing member from its customers with respect to cleared derivatives are generally held by the clearing member on a commingled basis in an omnibus account, and the clearing member may invest those funds in certain instruments permitted under the applicable regulations. Therefore, the Portfolio might not be fully protected in the event of the bankruptcy of the Portfolio's clearing member because the Portfolio would be limited to recovering only a pro rata share of all available funds segregated on behalf of the clearing member's customers for a relevant account class. Also, the clearing member is required to transfer to the clearing house the amount of margin required by the clearing house for cleared derivatives, which amounts are generally held in an omnibus account at the clearing house for all customers of the clearing member.

Regulations promulgated by the CFTC require that the clearing member notify the clearing house of the initial margin provided by the clearing member to the clearing house that is attributable to each customer. However, if the clearing member does not accurately report the Portfolio's initial margin, the Portfolio is subject to the risk that a clearing house will use the Portfolio's assets held in an omnibus account at the clearing house to satisfy payment obligations of a defaulting customer of the clearing member to the clearing house. In addition, clearing members generally provide to the clearing house the net amount of variation margin required for cleared swaps for all of its customers in the aggregate, rather than individually for each customer. The Portfolio is therefore subject to the risk that a clearing house will not make variation margin payments owed to the Portfolio if another customer of the clearing member has suffered a loss and is in default, and the risk that the Portfolio will be required to provide additional variation margin to the clearing house before the clearing house will move the Portfolio's cleared derivatives transactions to another clearing member. In addition, if a clearing member does not comply with the applicable regulations or its agreement with the Portfolio, or in the event of fraud or misappropriation of customer assets by a clearing member, the Portfolio could have only an unsecured creditor claim in an insolvency of the clearing member with respect to the margin held by the clearing member.

Commodity Brokers. With respect to trading futures and other commodity interest contracts, the Manager currently expects to appoint one or more Commodity Brokers who will provide execution and clearing services on behalf of the Portfolio, as set forth in "BROKERAGE AND TRADING – Commodity Brokers". Notwithstanding any regulatory protections with respect to the segregation of customer assets (as set forth in "BROKERAGE AND TRADING – Commodity Brokers"), in the event of a Commodity Broker facing financial difficulties, particularly with respect to non-U.S. Commodity Brokers who are not required to segregated customer assets, the Portfolio's assets may be at risk. Furthermore, in the event of the bankruptcy of one of the Commodity Brokers, the Portfolio could be limited to recovering only a pro rata share of all available funds segregated on behalf of the Commodity Broker's combined customer accounts with respect to the relevant asset class, even though certain property specifically traceable to the Portfolio was held by the Commodity Broker. Financial difficulty, fraud or misrepresentation at any of these institutions could lead to significant losses as well as impair the operational capabilities or capital position of the Portfolio.

Long/Short Bias. The Portfolio is designed to pursue an investment strategy that utilizes a long/short broad market approach to commodity investing, and may at any time have a long or short bias. The Portfolio seeks to buy and sell commodity investments long or short based on a variety of factors, as set forth in "INVESTMENT APPROACH - Principal Investment Strategies," and may also maintain long or short directional exposure.

Financial Market Fluctuations. General fluctuations in the market prices of securities may affect the value of the investments held by the Portfolio. Instability in the securities markets will also likely increase the risks inherent in the Portfolio's investments. There is no guarantee that ordinary and prudent precautions for war, terrorism, related geopolitical events, market manipulation, government shutdowns, and natural and other disasters will provide an effective connection between the Manager and markets in the event of large-scale disruptions in the United States or, alternatively, in the countries where the Manager executes trades. See

"INVESTMENT CONSIDERATIONS AND RISK FACTORS – Market Disruption and Geopolitical Risk."

Leverage. The Manager is expected to utilize significant leverage in investing the Portfolio's assets, including inherently through the use of derivative instruments (and the pledge of securities as collateral for such instruments) and through engaging in trading on margin by borrowing funds. The use of leverage by the Portfolio results in certain risks to the Portfolio. For example, the Portfolio could be subject to "margin calls" from brokers or counterparties in connection with its derivative positions when such positions are marked down below a certain level. Pursuant to a margin call, the Portfolio would be required to either deposit additional funds or pledge additional securities as collateral with the broker or counterparty in order to maintain any required margin. In the event the Portfolio does not meet a margin call, the broker or counterparty may close out the Portfolio's position at a disadvantageous time for the Portfolio and liquidate any pledged securities to compensate for the decline in value. Further, in order to meet a margin call, the Portfolio may need to close out other unrelated positions to generate funds or free collateral at times that the Manager was not otherwise planning on doing so. In particular, a sudden, precipitous drop in value of the Portfolio's assets accompanied by corresponding margin calls could force the Portfolio to liquidate assets quickly, and not for what the Manager perceives to be their fair value, in order to meet its margin obligations. With respect to the use of borrowed funds, while borrowed funds increase returns if the Portfolio earns a greater return on the incremental investments purchased with borrowed funds over its cost for such funds, the use of such leverage decreases returns if the Portfolio fails to earn as much on such incremental investments as it pays for such funds. Additionally, because the terms of such borrowings require the Portfolio to repay the amount of the borrowing (not adjusted for any Portfolio losses), borrowing for investment purposes will magnify losses where the Portfolio's investments lose value. The effect of leverage may result in a greater decrease in the net asset value of the Portfolio than if the Portfolio were not so leveraged.

Currency Risk. The Portfolio may invest in, or otherwise be exposed to, various non-U.S. currencies, and may also hold currencies for hedging purposes. In addition, investments of the Portfolio that are not denominated in the U.S. dollar are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Officials in foreign countries may from time to time take actions in respect of their currencies that could significantly affect the value of the Portfolio's assets denominated in those currencies or the liquidity of such investments. For example, a foreign government may unilaterally devalue its currency against other currencies, which would typically have the effect of reducing the U.S. dollar value of investments denominated in that currency. A foreign government may also limit the convertibility or repatriation of its currency or assets denominated in that currency. When investing in foreign currencies, the Portfolio may invest in foreign currency futures contracts and options thereon, forward foreign currency exchange contracts, or any combination thereof, the prices of which are determined with reference to currencies other than the U.S. dollar and which are subject to the risks described above. There can be no assurance that any currency hedging strategies will be implemented, or if implemented, will be effective.

Investment in Non-U.S. Financial Instruments. The Portfolio may invest in non-U.S. financial instruments. Such investments may be subject to a greater risk than U.S. investments due to non-U.S. economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of taxes on dividends, interest payments, or capital gains, the need for approval by government or other authorities to make investments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities and other factors beyond the control of the Manager. Furthermore, issuers of non-U.S. financial instruments are subject to different, often less comprehensive accounting, reporting or disclosure requirements than U.S. issuers. The financial markets of some countries in which the Portfolio may invest have substantially less volume than those in the United States, and financial instruments of certain companies in these countries are less liquid and more volatile than instruments of comparable U.S. companies. Accordingly, these markets may be subject to greater influence by adverse events generally affecting the market, and by large investors trading significant blocks of securities, than is usual in the United States. Brokerage commissions and other transaction costs on securities exchanges in non-U.S. countries are generally higher than in the United States. Settlements of non-U.S. financial instruments may in some instances be subject to delays and related administrative uncertainties. In some countries there are restrictions on investments or investors such that the only practicable way for the Portfolio to invest in such markets is by entering into swaps or other derivative transactions with its prime brokers or others. Such transactions involve counterparty risks which are not present in the case of direct investments and which may not be controllable by the Manager. Also, the regulatory environment applicable to the Portfolio's investments (including the underlying commodities of such investments) may evolve, and the effect of any regulatory or tax changes that may be implemented in the future on the markets or instruments in which the Portfolio invests is difficult to predict, and could adversely affect the performance of the Portfolio.

Euro-Related Risk. The recent global economic crisis brought several small economies in Europe to the brink of bankruptcy and many other economies into recession and weakened the banking and financial sectors of many European countries. For example, the governments of Greece, Spain, Portugal, and the Republic of Ireland have all recently experienced large public budget deficits, the effects of which are still yet unknown and may slow the overall recovery of the European economies from the recent global economic crisis. In addition, due to large public deficits, some European countries may be dependent on assistance from other European governments and institutions or multilateral agencies and offices. Assistance may be dependent on a country's implementation of reforms or reaching a certain level of performance. Failure to reach those objectives or an insufficient level of assistance could result in a deep economic downturn which could significantly affect the value of the Portfolio's European investments.

The Economic and Monetary Union of the European Union ("EMU") is comprised of the European Union members that have adopted the euro currency. By adopting the euro as its currency, a member state relinquishes control of its own monetary policies. As a result, European countries are significantly affected by fiscal and monetary controls implemented by the EMU. The euro currency may not fully reflect the strengths and weaknesses of the various economies that comprise the EMU and Europe generally.

It is possible that EMU member countries could abandon the euro and return to a national currency and/or that the euro will cease to exist as a single currency in its current form. The effects of such an abandonment or a country's forced expulsion from the euro on that country, the rest of the EMU, and global markets are impossible to predict, but are likely to be negative. The exit of any country out of the euro would likely have an extremely destabilizing effect on all eurozone countries and their economies and a negative effect on the global economy as a whole. In addition, under these circumstances, it may be difficult to value investments denominated in euros or in a replacement currency.

Credit Market Illiquidity. Credit markets have recently experienced periods with a significant lack of liquidity. This lack of liquidity creates a number of risks. There can be no assurance that the market will, in the future, become more liquid and it may well continue to be volatile for the foreseeable future. It is also possible that illiquidity in the market could cause prices to decline further, which may force the Portfolio, to the extent it is leveraged, or other leveraged investment vehicles to sell assets to satisfy requirements under their borrowing arrangements or to meet margin calls, which could, in turn, create further downward price pressure. If there is a substantial decline in the market value of the Portfolio's portfolio of investments, investments may need to be liquidated quickly, and may not be liquidated at what the Manager perceives to be fair value. Upheavals in the credit markets may cause margin borrowing costs and securities borrowing costs to increase or to make such arrangements unavailable. Such increases in borrowing costs may impact the Portfolio's ability to utilize leverage and generate returns.

Short Sales. The Portfolio may directly or indirectly make short sales of investment securities and other assets through the use of derivatives or ETFs. In a short sale, the seller sells an investment that it does not own, typically a security or other investment borrowed from a broker or dealer. Because the seller remains liable to return the underlying asset that it borrowed from the broker or dealer, the seller must purchase the asset prior to the date on which delivery to the broker or dealer is required. As a result, the Portfolio engages in short sales only where it believes the value of the asset will decline (either in an absolute sense or relative to another position) between the date of the sale and the date the Portfolio is required to return the borrowed asset. The making of short sales exposes the Portfolio to the risk of liability for the market value of the asset that is sold, which is an unlimited risk due to the lack of an upper limit on the price to which an asset may rise. In addition, there can be no assurance that assets necessary to cover a short position will be available for purchase or that securities will be available to be borrowed by the Portfolio at reasonable costs. If a request for return of borrowed securities or other assets occurs at a time when other short sellers of the asset are receiving similar requests, a "short squeeze" can occur due to a lack of deliverable securities or other assets, and the Portfolio may be compelled to replace borrowed securities or other assets previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short. Any of these factors could make the Fund unable to execute its investment strategy.

In September 2008, in response to spreading turmoil in the financial markets, the SEC temporarily banned short selling in the stocks of numerous financial services companies, and also promulgated new disclosure requirements with respect to short positions held by investment managers. Various international regulatory bodies, including the U.K. Financial Services

Authority, also promulgated restrictions on short selling at that time. Many of such bans and restrictions on short selling have expired. However, in August 2011 regulators throughout Europe, Asia and other jurisdictions re-imposed bans and other restrictions on short selling stocks of financial services companies (both directly and indirectly as a result of their inclusion in indices). Similar restrictions and/or additional disclosure requirements may be promulgated at any time, especially if market turmoil persists. If investment funds are subject to new restrictions, they may be forced to cover short positions more quickly than otherwise intended and may suffer losses as a result. Such restrictions may also adversely affect the ability of investment funds to execute their investment strategies generally if short selling is a fundamental element of their strategies. Accordingly, the Fund may be adversely affected by such restrictions to the extent it invests in ETFs.

Securities Lending. The Portfolio may make secured loans of portfolio securities amounting to not more than 100% of its total assets. The risks in lending portfolio securities, as with other extensions of credit, consist of possible delay in recovery of the securities or possible loss of rights in the collateral should the borrower fail financially, including impairing its ability to vote. However, such loans will be made to broker-dealers that the Manager believes to be of relatively high credit standing pursuant to agreements requiring that the loans be collateralized by cash or liquid securities with a value at least equal to the market value of the loaned securities (marked to market daily). The borrower pays to the lender an amount equal to any dividends or interest received on the securities lent. The Portfolio may invest any cash collateral received from the borrower for its own account, in one or more money market funds (in which case the Portfolio will bear its *pro rata* shares of such money market fund's fees and expenses), or directly in interest-bearing, short-term securities and typically pays a fee to the borrower that normally represents a portion of the Portfolio's earnings on the collateral. The Portfolio bears the risk of total loss with respect to the investment of collateral. In the case of loans collateralized by cash, the lender typically pays a fee to the borrower.

Lack of Liquidity in Markets. The markets for many securities and other investments are thinly traded from time to time. This lack of liquidity and market depth could disadvantage the Portfolio, both in the realization of the prices which are quoted and in the execution of orders at desired prices or in desired quantities. Furthermore, it is possible that a market once deemed liquid can become illiquid under certain circumstances with little or no warning. In an illiquid market, it may not always be possible to execute a buy or sell order at the desired price or to liquidate an open position, either due to market conditions on exchanges or due to the operation of daily price fluctuation limits (*e.g.*, the maximum permitted fluctuation in the price of a futures or options contract during any trading day) or "circuit breakers." Also, domestic and international securities exchanges and the SEC and other regulatory authorities have authority to suspend trading in a particular security without notice.

Concentration of Investments. The Portfolio is not subject to specific limits or requirements on diversification of assets among issuers, industry sectors, commodities, markets or geographic regions. Accordingly, any such non-diversification would increase the risk of loss to the Portfolio if there was an adverse movement in the value of the securities of a single issuer, industry sector, market or geographic region in which the Portfolio had invested a large percentage of its assets. Investment in a non-diversified fund will generally entail greater risks than investments in a diversified fund.

Financial Crisis and Government Regulation. Governmental and regulatory authorities, including in the United States and the EU, have taken unprecedented action to attempt to stabilize financial markets and improve and increase regulatory oversight in response to events in recent years, including the recent global financial market crisis. Attention has been focused on the need for financial institutions, trading firms, and private investment funds to maintain adequate risk controls, capital reserves and compliance procedures. Events have also raised concerns and prompted regulatory responses as to the manner in which certain exchanges and regulators monitor trading activities and protect customer funds. Disruptions and adverse events in the equity, securitization, derivative, and money markets and the freezing of the credit markets have increased the call for additional and consolidated regulatory oversight of the global financial markets. As a result, the regulatory environment for private investment funds, such as the Portfolio, is evolving and the effect of any regulatory or tax changes currently being implemented or which may be implemented in the future on the Manager and the Portfolio, the markets and instruments in which the Portfolio invests, and the counterparties with which the Portfolio conducts business is difficult to predict.

United States. In the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") was signed into law in July 2010. The Dodd-Frank Act contains major changes to the existing regulatory structure in the United States and is intended to establish rigorous oversight standards to protect the U.S. economy and American consumers, investors and businesses. The Dodd-Frank Act and related CFTC and SEC rulemakings require additional regulation of hedge fund and derivative managers, including requirements for such managers to register as investment advisers under the Advisers Act, and disclose certain information to regulators about their funds, investors, positions, counterparties, and exposures. The Dodd-Frank Act is in the process of being implemented based on the adoption of various regulations and reports being promulgated by various authorities over a period of time. While certain significant rules have gone into effect, the regulators are currently in the process of proposing and promulgating additional regulations, and it is unknown in what form, when, and in what order all of the regulations may be implemented or the impact any such implemented regulations will have on the Manager and the Portfolio.

The Dodd-Frank Act includes provisions that will significantly alter the regulation of commodity interests and comprehensively regulate the over-the-counter derivatives markets for the first time in the United States. Provisions in the new law (which began going into effect in 2013) include: new registration (with the SEC and/or the CFTC), recordkeeping, reporting, capital, and margin requirements for "swap dealers" and "major swap participants" as determined by the new law and applicable regulations; and the requirement that a substantial portion of over-the-counter derivatives be executed in regulated markets, submitted for clearing through regulated clearinghouses, and subject to mandated margin requirements. Regulators also have discretion to set margin requirements for over-the-counter trades which do not take place through exchanges and clearinghouses. Over-the-counter dealers will be required to post margin to the clearinghouses through which they clear their customer trades instead of using such margin in their operations as they are currently permitted to do. Mandatory clearing of over-the-counter derivatives will occur on a rolling basis as the CFTC issues clearing determinations for contracts. Already, certain credit default swaps and interest rate swaps have been approved for clearing. This may materially increase the dealers' costs and may be passed through to market participants, such as the Portfolio, in the form of higher fees or spreads and less favorable dealer marks. This may also affect the manner in which certain market participants safeguard collateral posted with dealers. There are also new requirements relating to derivatives reporting, recordkeeping, and collateral segregation.

The Dodd-Frank Act also includes a mandate for the CFTC to establish position limits with respect to over-the-counter derivatives and exchange traded commodity interests. The CFTC has issued regulations regarding commodity position limits that would count traders' positions in contracts on the same or similar commodity traded across U.S. exchanges, certain non-U.S. exchanges and the over-the-counter markets together for determination of compliance with such limits. These regulations could limit dealers' capacity to offer over-the-counter derivatives exposure to certain commodities for traders and may require aggregation of positions held by a single entity and its affiliates in certain situations that were not previously subject to aggregation, or require traders to file exemptive notices with the CFTC to disaggregate positions. Such regulations may also impact the trading decisions of the Manager and/or require the Portfolio to adjust or liquidate certain positions that it would otherwise hold. The modification of investment decisions or the compelled elimination of certain open positions, may adversely affect the profitability of the Portfolio. These new position limit rules have been successfully challenged in U.S. federal court, thereby forestalling implementation, although revised rules are expected to be issued shortly.

Additionally, CFTC and SEC regulations require a registered CPO, a registered commodity trading adviser ("**CTA**") or registered investment adviser, such as the Manager, to file certain additional reports with the respective regulating authority detailing the nature of its business and the clients for which it acts. These increased reporting obligations may increase costs to the Portfolio.

Further, there is a possibility of future regulatory changes to derivatives markets, which may alter, perhaps to a material extent, the nature of an investment in the Portfolio or the ability of the Portfolio to continue to implement its investment strategy. In addition, the SEC, CFTC and the exchanges are authorized to take extraordinary actions in the event of a market emergency, including, for example, the implementation or reduction of speculative position limits, the implementation of higher margin requirements, the establishment of daily price limits and the suspension of trading. The regulation of futures, options and swaps transactions in the U.S. is a rapidly changing area of law and is subject to modification by government and judicial action.

Some state insurance departments have announced that they may regulate certain credit default swaps as insurance contracts. It is possible that any statutory and regulatory changes enacted in the future as a result of the proposals at the U.S. federal and state levels could adversely impact market participants, potentially including the Portfolio.

Short Positions. As a consequence of regulatory and/or legislative action taken by authorities around the world as a result of recent conditions in the global financial markets, taking short positions in certain securities (including but not limited to widely held futures on certain equity indices that contain restricted single name equities) has been prohibited and/or restricted and/or subject to more onerous disclosure requirements. For example, in September 2008, the SEC issued emergency orders that temporarily banned short selling of equity securities of more than 900 financial firms, and required institutional investment managers, including large private investment fund managers, to make weekly disclosures of all new short sales in a broad range of publicly traded securities. While such suspension has been lifted, the SEC has adopted regulations regarding short selling and reporting and imposed certain price circuit breakers that temporarily suspend trading in stocks. In the EU, member states have existing, varying and changing short-selling trading and reporting requirements. The SEC actions described above are similar to recently adopted measures by the European Commission for regulating short selling uniformly within the EU. Among other things, the European Commission regulations include provisions which would require all short positions which reach an initial threshold level to be reported to the appropriate regulator and, once a second threshold is reached, to be reported publicly. The levels of restriction and disclosure vary across different jurisdictions and are subject to change (including expansion, imposition or removal without warning) in the short to medium term. Such restrictions and/or disclosure requirements have made it difficult and in some cases impossible for numerous market participants either to continue to implement their investment strategies or to control the risk of their open positions or have increased the risk for such participants to do so. The Manager may not be in a position to fully express its short views in relation to certain instruments or to hedge its exposure to such instruments, and thus the Manager's compliance with the various and changing short-selling requirements could affect its ability to fulfil the investment objective of the Portfolio.

The SEC, CFTC and non-U.S. governmental and regulatory authorities have broad authority pursuant to other statutes, regulations, and directives to intervene, directly and by regulation, in certain markets, and may restrict or prohibit market practices or impose reporting, registration, or other requirements. The length and scope of any such measures may vary from country to country and may significantly affect the value of the Portfolio's holdings.

On July 21, 2011, the Alternative Investment Fund Managers Directive (the "**AIFM Directive**") to regulate alternative investment fund managers ("**AIFMs**") entered into force. Member states of the EU are required to implement the AIFM Directive into national legislation by July 22, 2013. If the Fund is deemed to be marketed within the EU, an entity will need to be designated as the AIFM for the Fund and will be required to ensure that the Fund complies with certain restrictions and/or meets certain conditions, which may include (depending upon the Fund's operations and marketing activities) restrictions and/or conditions as to its liquidity profile, redemption policy, use of leverage, transparency, appointment of a depositary, and disclosure obligations concerning the acquisition of major holdings and control of unlisted companies. Where applicable, such restrictions and/or conditions could also apply to the Portfolio, could result in changes in their operations and/or relationships with certain service providers, and could increase their ongoing costs.

The Manager will continue to monitor these enacted and proposed laws, rules, regulations and directives and will seek to comply with all applicable laws, rules and regulations. In the future, other laws, rules, and regulations, including ones which may relate to the USA PATRIOT Act, may require the Fund to conduct additional verification of both the identity of any person submitting a completed Subscription Agreement, the source of each person's investment, and the bank accounts remitting subscription monies or receiving withdrawal proceeds. Entity Investors may also be required to produce certain information to the Fund confirming other information already required by the Fund in its Subscription Agreement. Governmental authorities are continuing to consider appropriate measures to implement know your customer and anti-money laundering laws, and it is unclear what additional steps the Manager and the Fund may be required to take; however, these steps may include prohibiting Investors from making further purchases of Interests, or depositing distributions and withdrawals to which Investors would otherwise be entitled to an escrow account, and/or causing the withdrawal of Investors. It also is possible that, in connection with the establishment of anti-money laundering procedures or for other reasons, certain legislation or other regulation may require the Fund, the Manager, or other service providers to the Fund to share information with governmental and regulatory authorities with respect to Investors. The Fund reserves the right to require and produce such information as is necessary to comply with any request for information by courts, tribunals, central banks, exchanges, or governmental or regulatory authorities.

Market Disruption and Geopolitical Risk. The Portfolio is subject to the risk that war, terrorism, and related geopolitical events may lead to increased short-term market volatility and have adverse long-term effects on the U.S. and world economies and markets generally, as well as adverse effects on issuers of securities and the value of the Portfolio's investments. War, terrorism, related geopolitical events and natural and other disasters have led, and in the future may lead, to increased short-term market volatility and may have adverse long-term effects on U.S. and non-U.S. economies and markets generally. Those events as well as other changes in U.S. and non-U.S. economic and political conditions also could adversely affect individual issuers or related groups of issuers, securities markets, futures markets, interest rates, credit ratings, inflation, investor sentiment and other factors affecting the value of the Portfolio's investments. At such times, the Portfolio's exposure to a number of other risks described elsewhere in this section can increase.

Portfolio Turnover. The Portfolio has not placed any limit on the rate of portfolio turnover (other than the Portfolio's targeted weighted-average duration), and portfolio securities and other assets may be sold without regard to the time they have been held when, in the opinion of the Manager, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate, may act to reduce the Portfolio's investment gains, or create a loss for Investors and may result in taxable costs for Investors depending on the tax provisions applicable to such Investors.

Pooled Investment Vehicles and Pass-through Entities. The Portfolio may invest or take short positions in Pooled Investment Vehicles. These Pooled Investment Vehicles may be subject to fees, including other asset-based or performance-based compensation. To the extent such compensation is due with respect to a Pooled Investment Vehicle advised by or affiliated with the Manager, the Manager will reduce or waive its management, administration and incentive fees, as applicable, to the extent necessary to ensure that Investors do not pay amounts in excess of what they would have paid if the Pooled Investment Vehicle were not subject to management, administration and incentive fees, as applicable. To the extent the Portfolio invests directly in Pooled Investment Vehicles and other "pass-through" entities which are treated as partnerships for federal income taxation purposes, the Portfolio must rely on such vehicles to deliver to it certain tax information that is necessary to complete the own tax returns. If this information is not delivered to the Portfolio in a timely fashion, the Portfolio will be delayed in providing tax information to the Investors. To the extent the Portfolio's investment in a Pooled Investment Vehicle is via a derivatives instrument, such as a swap agreement, the Portfolio's counterparty assumes responsibility for any such tax reporting. See "INVESTMENT CONSIDERATION AND RISK FACTORS – Conflicts Generally."

Other Instruments and Future Developments. The Portfolio may take advantage of opportunities in the area of swaps, options on various underlying instruments and swaptions and certain other customized "synthetic" or derivative investments in the future. In addition, the Portfolio may take advantage of opportunities with respect to certain other "synthetic" or derivative instruments which are not presently contemplated for use by the Portfolio or which are currently not available, but which may be developed to the extent such opportunities are both consistent with the Portfolio's investment objective and legally permissible for the Portfolio. Special risks may apply to the Portfolio's investments in the future.

Custodial Risk. The Portfolio's Brokers will have custody of the Portfolio's securities, cash, distributions and rights accruing to the Portfolio's securities accounts. SEC rules require the Brokers to maintain physical possession and control of fully paid securities held in the Portfolio's account and to establish certain reserves for the benefit of customers. However, subject to these limitations, the Brokers generally have the ability to loan, pledge, and rehypothecate the securities in the Portfolio's account, as is typical market practice, and may have insufficient assets to meet all of its obligations to customers in the event of an insolvency of the Brokers. In such an event, the Portfolio would typically not have a right to recover its securities held by the Brokers, but would rather have only an unsecured claim against the Brokers and participate *pro rata* with other customers of the Brokers in the proceeds of the sale of customer securities. Also, even if the Brokers do have sufficient assets to meet all customer claims, there could be a delay before the Portfolio receives assets to satisfy its claims. In order to manage the risks associated with Broker insolvency, the Portfolio may establish relationships with multiple Brokers. However, there can be no assurance that the Portfolio will be able to establish or maintain such relationships. In addition, the Portfolio may not be able to identify potential solvency concerns with respect to the Portfolio's Brokers or to transfer assets from one Broker to another Broker in a timely manner.

The Brokers may hold the Portfolio's securities through third parties such as clearing corporations, other brokers or banks. In addition, the Portfolio may hold securities, cash and other assets directly with banks or other third parties not associated with the Brokers. As a result, the Portfolio may be subject to credit risk with respect to such third parties as well as with respect to the Brokers. In addition, certain of the Portfolio's assets may be held by non-U.S. affiliates of the Portfolio's Brokers and entities other than the Brokers. Assets held by such non-U.S. affiliates may be subject to legal regimes that provide fewer or different investment protections than the U.S. For example, the Portfolio may provide certain of its assets as collateral to counterparties in connection with "over-the-counter" derivatives contracts such as swaps and certain options, and is likely to be an unsecured creditor of any such counterparty in the event of its insolvency.

Information. Many of the non-U.S. securities that the Portfolio may invest in will not be registered with, nor will the issuers thereof be subject to reporting requirements of, the SEC. Accordingly, there may be less publicly available information about such securities and about the non-U.S. company or government issuing them than is available about a U.S. company or government entity. Non-U.S. companies are generally subject to financial reporting standards, practices and requirements that are not uniform or are less rigorous than those applicable to U.S. companies.

Other Risks of Investing in the Fund

Limited Operating History. The Fund and the Portfolio are recently formed entities and, accordingly, have limited performance history. There can be no assurance that the Fund or the Portfolio will achieve its investment objective. The past investment performance of the Manager cannot be construed as an indication of the future results of an investment in the Fund.

Charges to and Allocations from the Fund. Brokerage commissions are inherent to the Portfolio's trading activities and must be borne by the Portfolio before there are any trading profits. Certain Classes of Interests bear a Management Fee and/or an Administrative Fee which is calculated based on the NAV of the Fund, regardless of whether the Fund realizes any profits. Certain Classes of Interests allocate to the Manager an Incentive Allocation based on cumulative increases in a Class's NAV, even if such increases may never be realized. The Fund, therefore, will be required to make trading profits in the amount of such charges, fees and allocations to avoid depletion of its assets by these charges, fees and allocations.

Incentive Allocation. The Manager receives an Incentive Allocation based upon the performance of the Fund. This Incentive Allocation may lead the Manager to make investments for the Portfolio that are riskier than would otherwise be the case. In addition, the Incentive Allocation is calculated based on unrealized as well as realized gains and hence may arise although the relevant gains are not realized. Moreover, it is anticipated that the Administrator will consult with (and in many cases rely entirely on) the Manager in valuing the Portfolio's assets. The Management Fee and Incentive Allocation are based upon such valuation.

Lack of Regulatory Oversight. Neither the Fund nor the Portfolio is or will be registered under the Investment Company Act. As a result, the Fund and the Portfolio are not subject to the provisions of the Investment Company Act that apply to registered investment companies. These provisions, among other things (1) place restrictions on certain investment practices, such as short sales and leverage, (2) require investment companies to have a certain percentage of disinterested directors, (3) require securities held in custody for the account of the investment company to be segregated from the securities of any other person and marked to clearly identify the securities as the property of the investment company, and (4) regulate the relationship between the investment company and its investment adviser and its affiliates. In addition, although the Manager is currently registered with the CFTC as a CPO and is the Fund's and the Portfolio's CPO, the Manager has filed with the National Futures Association a claim pursuant to CFTC Rule 4.7 for exemption from most of the disclosure, reporting and record keeping requirements applicable to a CPO.

Limited Liquidity; No Market for Interests. An investment in the Fund is a relatively illiquid investment because Interests are not generally transferable and the withdrawal rights of the Investors are restricted. (See "WITHDRAWALS AND TRANSFERS – Withdrawals.") In addition, transfer of the Interests may be affected by restrictions on resales imposed by U.S. federal and state securities laws and/or similar laws of other jurisdictions, and the requirement that the Fund consents. The Fund is not intended as a complete investment program and is designed only for persons who are able to bear economic risk of investment and are sophisticated persons in connection with financial and business matters who do not need liquidity with respect to their investments.

Broad Indemnification and Exculpation. The Fund and the Portfolio have entered into and/or will enter into various agreements and other documents (including, but not limited to, those referenced herein), which may contain provisions broadly limiting the liability of the Manager, Manager Affiliates, the Placement Agents, and other service providers, and counterparties and provide broad indemnification and exculpation to such persons. The Fund's assets may then be subject to claims for indemnity that could be material and could have an adverse effect on the Fund's returns. Notwithstanding anything in this Memorandum to the contrary, no provision of this Memorandum (or any of the various agreements and documents referenced herein) shall be construed so as to provide for the indemnification or exculpation of any party (including, the Manager and/or the Manager Affiliates) for any liability (including liability under U.S. federal securities laws which, under certain circumstances, impose liability even on persons that act in good faith), to the extent (but only to the extent) that such indemnification or exculpation would be in violation of applicable law (including ERISA), but shall instead be construed so as to effectuate such provision to the fullest extent permitted by law.

Reliance on Management and Key Personnel. Investors have no right or power to take part in the management of the Fund or the Portfolio. Accordingly, no Investor should purchase Interests unless such Investor is willing to entrust all aspects of the management of the Fund and the Portfolio to the Manager and the Portfolio's board of directors. The investment performance of the Portfolio depends largely on the skill of key personnel and investment professionals of the Manager. If key personnel, including key investment or key technical staff, were to leave the Manager, it might not be able to find equally desirable replacements in a timely fashion and the performance of the Portfolio could, as a result, be adversely affected. Furthermore, a number of members of the professional staff of the Manager are investors in other funds advised by the Manager and are actively involved in managing the investment decisions of these funds, as well as investment decisions of other clients of the Manager. Accordingly, the members of the professional staff of the Manager will have demands on their time for the investment, monitoring and other functions of other funds and other clients advised by the Manager. In addition, competition in the financial services and alternative asset management industries for qualified investment professionals is intense. The Manager's continued ability to effectively manage the Portfolio's investments depends on its ability to attract new investment professionals and to retain and motivate its existing investment professionals.

In addition, the Portfolio's investment strategy permits investments to be made in a broad range of issuers, securities, financial instruments and transactions. Within these broad parameters, the Manager will make investment decisions for the Portfolio as it deems appropriate, in its sole discretion. No assurance can be given that the Portfolio will be successful in obtaining suitable investments, or that if such investments are made, the objectives of the Portfolio will be achieved.

Master/Feeder Structure. The Fund will invest its investable assets in the Portfolio. One or more Investment Vehicles may also invest in the Portfolio. The Investment Vehicles or classes thereof may be offered to different types of investors and may have different fee, profit allocation, expense arrangements and liquidity provisions (including less restrictive redemption rights in respect of one or more classes) than some or all Classes. While the base currency of the Fund is the U.S. dollar, the Investment Vehicles may be denominated in a currency other than U.S. dollars and may be hedged, with the objective of minimizing currency risk exposure. Smaller Investment Vehicles investing in the Portfolio may be adversely affected by the actions of larger Investment Vehicles investing in the Portfolio. For example, if a large Investment Vehicle redeems a significant amount of assets from the Portfolio, the remaining Investment Vehicles may experience higher *pro rata* operating expenses, thereby producing lower returns. The Portfolio also may be required to liquidate investments at an inopportune time which may adversely affect the Portfolio's, and consequently, the Fund's, performance. The Portfolio may make "in kind" redemptions of its assets which may result in a less diversified portfolio of investments and could adversely affect the liquidity of the Portfolio's investment portfolio. Additionally, the Fund may decide to divest from the Portfolio if the Manager believes that it is in the best interest of the Fund to do so. Any voting or management rights related to the Portfolio are not required to be passed-through by the Fund to Investors. A level of discretion will be exercised in allocating expenses among the Fund, the Portfolio and the Investment Vehicles.

Conflicts Generally. Subject to ERISA (if applicable), the Manager, the Manager Affiliates, the Administrator and the Brokers and their respective affiliates may act as general partner, manager, managing member, investment adviser, agent and administrator, prime broker and custodian, respectively, or carry out other functions as may be required in relation to, or be otherwise involved in or with, other companies and clients which have similar investment objectives to those of the Fund and with other businesses in general. The Manager, the Manager Affiliates, the Administrator and the Brokers, and their respective affiliates, also may conduct business with institutions which invest, or whose clients invest, in the Fund and/or the Portfolio, or may provide other consideration to such institutions or recognized agents. It is therefore possible that any of them may have potential conflicts of interest with the Fund and/or the Portfolio. Each will, at all times, have regard in such event to its obligations to the Fund and the Portfolio and will endeavor to ensure that such conflicts are resolved fairly.

In addition, subject to ERISA (if applicable), the Administrator and Custodian may deal, as principal or agent, with the Fund or the Portfolio for the Fund's or the Portfolio's account, provided that such dealings are carried out as if effected on normal commercial terms negotiated on an arm's length basis.

Various potential and actual conflicts of interest may arise from the overall investment activities of the Manager and the Manager Affiliates for their own accounts and the accounts of others. Furthermore, the Manager and the Manager Affiliates serve as an investment adviser to other funds and may make investment decisions for their own accounts and for the accounts of others, including other funds, which may be different from those that will be made by the Manager on behalf of the Fund or the Portfolio. Such conflicts may arise, for example, when clients of the Manager invest in different parts of an issuer's capital structure, whereby one or more clients own senior debt obligations of an issuer and other clients own junior debt of the same issuer, as well as circumstances in which clients invest in different tranches of the same structured financing vehicle. In such circumstances, decisions over whether to trigger an event of default or over the terms of any workout may result in conflicts of interest. When making investment decisions where a conflict of interest may arise, the Manager will endeavor to act in a fair and equitable manner as between the Fund or the Portfolio, on one hand, and other clients, on the other. Subject to the foregoing, (i) the Manager and the Manager Affiliates may invest for their own accounts and for the accounts of clients in various securities that are senior, pari passu or junior to, or have interests different from or adverse to, the securities that are owned by the Fund and/or the Portfolio; (ii) the Fund may engage in transactions that arrange for or provide financing of or leverage for the Fund's or the Portfolio's investment program with the Funds, the Portfolios or the Manager Affiliates; and (iii) the Manager may at certain times (subject to applicable law, including ERISA) be simultaneously seeking to purchase (or sell) investments for the Fund or the Portfolio and to sell (or purchase) the same investment for accounts, funds or structured products for which it serves as asset manager now or in the future, or for its clients or affiliates, and may enter into cross trades in such circumstances. In addition, the Manager and its affiliates may buy securities from or sell securities to the Fund and/or the Portfolio, if permitted by applicable law, including ERISA. These other relationships may also result in securities laws restrictions on transactions in these instruments by the Fund and/or the Portfolio and otherwise create potential conflicts of interest for the Manager.

The Manager may need to forego certain business arrangements that would otherwise benefit the Fund and/or the Portfolio in order to avoid conflicts of interest.

As noted in "—Pooled Investment Vehicles and Pass-through Entities" above, the Portfolio may invest in certain funds and products that are advised by or otherwise affiliated with the Manager. In choosing between funds and managers affiliated with the Manager and those not affiliated with the Manager, the Manager may have an economic incentive to choose affiliated funds and managers over third parties by reason of the additional investment management, advisory and other fees or compensation the Manager or its affiliates may earn. While in certain cases these fees and compensation will be subject to a rebate or offset, this will not necessarily eliminate the conflict, and the Manager may nevertheless have an economic incentive to favor investments in affiliated funds and managers. Furthermore, although the Portfolio is permitted to invest in affiliated funds, Investors should not expect the Manager to have better information with respect to such affiliated fund than other investors have. Even if the Manager has such information, it may not be permitted to act upon it in a manner that disadvantages the other investors in such funds.

<u>Allocation of Investment Opportunities</u>. Certain investments may be appropriate for the Fund and/or the Portfolio and also for other clients advised by the Manager or Manager Affiliates. Investment decisions for the Fund and the Portfolio and such other clients are made by the Manager or the Manager Affiliates in their best judgment, but in their sole discretion taking into account such factors as they believe relevant. Such factors may include investment objectives, regulatory restrictions, current holdings, risk budget, availability of cash for investment, the size of the investments generally, diversification requirements, benchmark deviation, and limitations and restrictions on a client's accounts that are imposed by such client. The Manager generally is not under any obligation to share any investment, idea or strategy with the Fund or the Portfolio.

Decisions to buy and sell investments for each client advised by the Manager or Manager Affiliates are made with a view to achieving such client's investment objectives taking into consideration other account-specific factors such as, without limitation, cash flows into or out of the account, the account's benchmark(s), applicable regulatory limitations and/or cash restrictions. Therefore, a particular investment may be bought or sold for only the Fund or the Portfolio or only one client or in different amounts and at different times for more than one but less than all clients, including the Fund and/or the Portfolio, even though it could have been bought or sold for other clients at the same time. Likewise, a particular investment may be bought or sold for the Fund and/or the Portfolio or one or more clients when one or more other clients or the Fund and/or the Portfolio are buying or selling the investment, including clients managed by the same investment division. It is also possible that the Fund and/or the Portfolio may engage in short sales of or take a short position in an investment owned or being purchased by other client accounts managed by the Manager and Manager Affiliates or vice versa. In addition, purchases or sales of the same investment may be made for two or more clients, including the Fund and/or the Portfolio, on the same date. Distressed markets (such as the asset-backed security market) may magnify the disparate treatment of accounts with different liquidity requirements.

There can be no assurance that the Fund and/or the Portfolio will not receive less (or more) of a certain investment than it would otherwise receive if the Manager did not have a conflict of interest among clients. In effecting transactions, it may not always be possible, or consistent with the investment objectives of the various persons described above and of the Fund and/or the Portfolio, to take or liquidate the same investment positions at the same time or at the same prices. The Manager has adopted policies and procedures reasonably designed to manage and/or mitigate conflicts among its clients, including the Fund and the Portfolio.

Many of the investment transactions by the Fund and the Portfolio will be made at prices different from those prevailing at the time they may be reflected in a report to the Investors. These transactions will reflect investment decisions made by the Manager in light of the objective and policies of the Fund and/or the Portfolio, and such factors as its other portfolio holdings and tax considerations, and should not be construed as recommendations for similar action by other investors.

The Fund, the Portfolio and/or the Manager may make information about the Fund's and/or the Portfolio's positions (including short positions) available to unrelated third parties. These third parties may use that information to provide additional market analysis and research to the Manager. The Manager may use that market analysis and research to provide investment advice to clients other than the Fund and the Portfolio.

The Manager's Form ADV is available upon request and is incorporated by reference into this Memorandum. The Form ADV contains the most current disclosure regarding the Manager's conflicts of interest policies. In the event of a conflict between the Form ADV and this Memorandum, the Form ADV will govern.

<u>Cross-Class Liability</u>. The Fund may issue one or more Classes of Interests or Sub-Classes thereof or reclassify existing Classes or Sub-Classes thereof. The Fund shall not require the consent of, and shall not be required to give notice to any Investor to establish Classes or

Sub-Classes from time to time. Further, the Investment Vehicles may issue one or more Investment Vehicle Classes denominated in currencies other than U.S. dollars that engage in certain currency-hedging activities. It is expected that the Investment Vehicles may issue additional Investment Vehicle Classes pursuing similar activities in the future, while the Fund may designate one or more Classes or Sub-Classes thereof that engage in such activities in the future.

The Portfolio will issue a separate class of shares corresponding to each Class and Investment Vehicle Class, provided that a single class of Portfolio shares may be issued or redesignated in respect of any two or more Classes and Investment Vehicle Classes that vary only in respect of the management, incentive or other fees or allocations or frequency of subscriptions and redemptions or withdrawals applicable to such Classes and Investment Vehicle Classes. However, each of the Fund and the Portfolio, respectively, is one legal entity. Except for the contractual limitations described below, all of the assets of each of the Fund and the Portfolio are available to meet all of the liabilities of every class of each of the Fund and the Portfolio, respectively, regardless of the separate classes to which such assets or liabilities are attributable (if any). Due to the currency hedging and other similar activities described above pursued by one or more Investment Vehicle Classes or classes or sub-classes thereof that may be designated by the Manager in the future, the risks and liabilities of a Class may be materially different from some or all of such Investment Vehicle Classes and future classes or sub-classes thereof. To limit the exposure of any Class to potential liability arising out of any such currency hedging or other similar activities of such Investment Vehicle Classes and future classes and sub-classes thereof, the Portfolio will only enter into transactions in respect of such currency hedging or other similar activities of each such Investment Vehicle Class and future class or sub-class thereof with counterparties that have agreed to limit their recourse to the assets of the Portfolio allocated to such Investment Vehicle Class or future class or sub-class thereof, as the case may be. This practice may limit the available counterparties for such transactions.

Repayment of Certain Distributions. In the event that the Fund is unable to meet its obligations, in certain limited circumstances the Investors may be required to repay to the Fund, or to pay to creditors of the Fund, distributions previously received by them pursuant to the laws of the State of Delaware or other jurisdictions. In addition, Investors may, in the Manager's sole discretion, be required to pay to the Fund amounts that are required to be withheld by the Fund for tax purposes.

Valuation of the Fund's Assets and Liabilities. The Fund (and the board of directors of the Portfolio) has delegated to the Administrator the responsibility of calculating the profits or losses of the Fund and the Portfolio and of valuing the assets and liabilities of the Fund and the Portfolio pursuant to the investment valuation policies set forth in "VALUATION – Determination of Net Asset Value". In general, those policies require the Administrator to value assets and liabilities at fair value, although in some cases this provides the Administrator with wide latitude as to specific valuations. When market quotes are not readily available for an investment, the Administrator will obtain the fair value of such investment from the Manager (if legally permissible) or another source as described in "VALUATION – Determination of Net Asset Value". There is no guarantee that fair value will represent the value that will be realized by the Portfolio on the eventual disposition of the investment or that could, in fact, be realized upon an immediate disposition of the investment. All values assigned by the Administrator are final and conclusive as to all of the Investors. The Administrator shall rely conclusively on the valuation determinations of the Portfolio in valuing the Fund.

Investment Guidelines. The Portfolio is subject to certain investment guidelines set forth in this Memorandum. These investment guidelines are indicative targets only, and are not mandatory investment restrictions. Accordingly, the Portfolio is not limited in its investment and trading activities.

Uncertainty of the Targets. There can be no assurance that the Targets will be achieved. In considering the Targets, prospective investors should bear in mind that such targeted performance and volatility is not a guarantee, projection or prediction and is not indicative of future results of the Fund. Actual gross returns in any given year may be lower than the Target Return, and actual volatility may be higher than the Target Volatility. Even if the Targets are met, actual returns to investors will be lower due to expenses, taxes, structuring considerations and other factors. In addition, the Targets may be adjusted at the discretion of the Manager without notice to investors in light of available investment opportunities and/or changing market conditions. The Manager believes that the Targets for the Fund are reasonable based on a combination of factors, including the Fund’s investment team’s general experience, the availability of leverage and financing at expected costs and other terms and assessment of prevailing market conditions and investment opportunities. There are, however, numerous assumptions that factor into the Targets that may not be consistent with future market conditions and that may significantly affect actual investment results. Such assumptions include, but are not limited to (i) the Manager’s ability to adequately assess the risk and return potential of investments through its bottom-up research, (ii) the availability of suitable relative value opportunities in each asset and (iii) various measurements and parameters relating to the Manager's expected outlook for certain global and local economies and markets. No representation or warranty is made as to the reasonableness of the assumptions made or that all assumptions used in calculating the Targets have been stated or fully considered. Prospective investors reviewing the Targets contained herein must make their own determination as to the reasonableness of the assumptions and the reliability of the Targets. Actual results and events may differ significantly from the assumptions and estimates on which the Targets are based.

In addition, the Targets reflect the Manager’s aim of managing the Portfolio pursuant to a strategy that is beta neutral. There can be no assurance that the Portfolio will not obtain beta exposure. Accordingly, the returns of the Portfolio, and therefore the returns of the Fund, may be impacted positively or negatively by market beta.

Tax Risks. There are a number of tax considerations with respect to an investment in the Fund. Tax laws are subject to change, and tax liabilities could be incurred by Investors as a result of changes thereto. Therefore, Investors should consult their own tax advisers to determine the tax effects of an investment in the Fund, especially in light of their particular financial situations.

ERISA Risks. It is expected that certain investments by Benefit Plan Investors (as defined in “EXHIBIT A – TAX AND ERISA CONSIDERATIONS – ERISA AND CERTAIN OTHER CONSIDERATIONS”) in the Fund or one or more Investment Vehicles may cause the Fund, each such Investment Vehicle and the Portfolio to be deemed “plan assets” within the meaning of ERISA. In such event, the Manager intends to manage the Portfolio in accordance with the applicable requirements of ERISA and Section 4975 of the Code. These requirements and duties in respect of the Portfolio may affect the Manager's investment program and may require the Manager to forego investments or other arrangements on behalf of the Portfolio in which the Fund would have an interest that might otherwise have been desirable for the Portfolio and the Fund. See "EXHIBIT A – TAX AND ERISA CONSIDERATIONS – ERISA AND CERTAIN OTHER CONSIDERATIONS."

Risks Related to Electronic Communications. The Manager will provide to Investors statements, reports and other communications relating to the Fund, the Portfolio and/or the Interests in electronic form, such as e-mail or via a password protected website ("**Electronic Communications**"). Electronic Communications may be modified, corrupted, or contain viruses or malicious code, and may not be compatible with an Investor's electronic system. In addition, reliance on Electronic Communications involves the risk of inaccessibility, power outages or slowdowns for a variety of reasons. These periods of inaccessibility may delay or prevent receipt of reports or other information by the Investors.

TERMS OF THE OFFERING

Eligible Investors

Admission as an Investor in the Fund is not open to the general public. Interests are being offered to sophisticated persons who understand the nature of the investment, do not require liquidity in their investment in the Fund and can bear the economic risk of the investment. Generally, Investors must be U.S. Persons," which the Fund defines as any "U.S. person" as set forth in Rule 902 of Regulation S promulgated under the Securities Act and/or any person who is not a "Non-United States person" as defined in Rule 4.7 under the Commodity Exchange Act (i.e., a U.S. Person for purposes of either or both definitions). However, the Manager may, in its sole discretion, determine to offer Interests to Non-U.S. Persons, which the Fund defines as those Investors that are not U.S. persons as defined by the Fund above.

The Fund will offer Interests to (1) Investors who qualify as: (i) "**accredited investors**" as defined in Regulation D under the Securities Act; (ii) "**qualified purchasers**" or "**knowledgeable employees**" as defined in the Investment Company Act; and (iii) "**qualified eligible persons**" as defined by the CFTC Rules and Regulations. The Fund currently intends to limit the number of record owners of any Class of its equity securities to fewer than 300, and, therefore generally would not be required to register under the Exchange Act. The Manager may, in the sole discretion of the Manager, also impose additional eligibility requirements upon Investors, or may decline to accept all or part of the subscription of any prospective Investor.

Each prospective Investor is responsible for determining if an investment in the Fund of the size contemplated is appropriate for that Investor.

Interests are being offered without percentage limit to various Benefit Plan Investors (as defined in "EXHIBIT A – TAX AND ERISA CONSIDERATIONS – ERISA AND CERTAIN OTHER CONSIDERATIONS"), including employee benefit plans subject to Title I of ERISA, or retirement plans subject to Section 4975 of the Code, which are also Eligible Investors. The

Manager anticipates that the Fund will constitute "plan assets" for purposes of ERISA and Section 4975 of the Code.

If it comes to the attention of the Fund at any time that Interests are owned by a non-U.S. Person unauthorized by the Fund, either alone or in conjunction with any other person, the Manager may require the withdrawal of such Investor from the Fund.

Subscriptions by Investors which, in the view of the Manager, would jeopardize the regulatory status of the Fund will generally be rejected.

Interests may, in the sole discretion of the Manager, be purchased jointly by more than one person or party; *provided*, that each Investor meets the Fund's eligibility criteria, as described herein.

Subscription Procedures

Prospective Investors must (i) complete and furnish to the Administrator two originally executed copies of the subscription agreement or additional subscription form (the "**Subscription Materials**"), together with a properly executed IRS Form W-9 or appropriate IRS Form W-8, as applicable (copies of which may be obtained from the Administrator), and (ii) arrange for payment by a wire transfer of funds to the account indicated in the Subscription Materials. Subscription Materials must be received by the Administrator at least five Business Days prior to the proposed Subscription Date. The Manager, in its sole discretion, may waive or modify this notice requirement. Subscriptions will not be effective, and subscribers will not become Investors, however, unless and until accepted by the Fund. The Manager may, in its sole discretion, accept or reject a potential Investor for any reason or for no reason. There is no requirement that interest be paid on subscription amounts pending investment in the Fund, and any amounts received with respect to rejected subscriptions will be returned without interest, less any applicable bank charges.

The Capital Contribution terms described above may be modified in respect of one or more Classes, as further specified in the Supplement in respect of each such Class.

Capital Contributions

The minimum initial Capital Contribution by each Investor is $5,000,000 (or its equivalent in another currency). Subsequent Capital Contributions will generally be required to be at least $5,000,000 (or its equivalent in another currency). The Manager may, in its sole discretion, accept reduced Capital Contributions, provided that the minimum initial investment amount will be no less than $100,000. These minimum initial investment amounts will not apply with respect to any investment by the Manager and the Manager Affiliates.

Capital Contributions may generally be made, upon five Business Days' prior notice, as of the first Business Day of each calendar month and on such other days as determined by the Fund, in its sole discretion. The Fund may, in its sole discretion, waive or modify the notice requirement. All subscriptions are subject to complete or partial rejection or acceptance by the Fund for any reason or for no reason, in its sole discretion. The Manager may, in its sole discretion, permit in-kind contributions. Any assets contributed with respect to an in-kind contribution will be valued by the Administrator (at the cost of the Investor) in accordance with the Fund's valuation procedures. The Manager reserves the right to decline to accept any such in-kind contribution until the Investor has been able to prove title to the assets in question. The Investor shall be responsible for all custody and other costs involved in changing the ownership of the relevant assets unless the Manager otherwise agrees.

Capital Contributions will be due and payable, and must be received, no later than 12:00 p.m. Eastern time on the Subscription Payment Date, unless otherwise agreed to by the Manager, in its sole discretion. Subscription amounts received with respect to rejected subscriptions will be returned without interest, less any applicable bank charges.

WITHDRAWALS AND TRANSFERS

Withdrawals

Following an initial one year lock-up period for each Capital Contribution (or such shorter period, as determined by the Manager, in its sole discretion), an Investor will generally be permitted to withdraw all or any portion of its Capital Account(s) attributable to such Capital Contribution as of the last Business Day of any calendar month upon 30 days' prior written notice to the Administrator, subject to the right of the Manager, in its sole discretion, to waive or modify such lock-up period and notice requirements. A withdrawal triggers the end of a Performance Period (as defined, where applicable, in the relevant Supplement with respect to any Class of Interests) for that Investor with respect to the amounts withdrawn. Withdrawals as of a date other than a Withdrawal Date or as of a Withdrawal Date, but subject to less than the requisite prior notice, may be permitted by the Manager, in its sole discretion, and may be subject to a Withdrawal Fee as determined by the Manager, in its sole discretion.

The Fund has the right to establish minimum dollar amounts for withdrawal requests and minimum remaining investments in the Fund. Amounts withdrawn will be required to be at least $1,000,000, subject to the Manager's right, in its sole discretion, to waive or modify such requirement.

One-Third Withdrawal Limitation. If the amount of an Investor's withdrawal request for a particular Withdrawal Date exceeds one-third of the NAV of the Capital Account(s) held by such Investor as of such Withdrawal Date, the withdrawal amount requested by such Investor (other than the Manager) may be reduced to the extent necessary to reduce the amount of such withdrawal request to an amount equal to one-third of the NAV of such Capital Account(s) (the "**One-Third Withdrawal Limitation**") on such date. Any additional withdrawal amounts requested by such Investor will be treated as a withdrawal request as of the next Withdrawal Date. With respect to a complete withdrawal request by an Investor, the One-Third Withdrawal Limitation will be applied such that, subject to the additional terms and conditions applicable to withdrawals, the complete withdrawal will be effected on three consecutive Withdrawal Dates. The amount available for withdrawal on the second Withdrawal Date will be equal to one-half of the NAV of the Capital Account(s) held by the Investor on such second Withdrawal Date, with the balance to be available for withdrawal on the third Withdrawal Date. Notwithstanding such One-Third Withdrawal Limitation, the Manager also may permit any Investor to withdraw an amount greater than the amount determined in accordance with the foregoing if the aggregate balance in such Investor's Capital Account(s) after the withdrawal would be less than $100,000. For the avoidance of doubt, any withdrawal amount that has not been satisfied by the Fund as a result of the One-Third Withdrawal Limitation, will be subject to the profits and losses of the Fund. The Manager may, in its sole discretion, waive or modify these limitations on withdrawals.

Notwithstanding the foregoing, if an Investor is subject to ERISA or Section 4975 of the Code, and the assets of the Fund are treated as "plan assets" of such Investor (and in the case of item (iii) below, any Investor), such Investor will be permitted, upon request, to withdraw 100% of its Interests in the Fund (as soon as reasonably practicable but no later than the next Withdrawal Date), without being subject to the Withdrawal Fee in the event that (i) the Manager engages in a non-exempt "prohibited transaction" within the meaning of ERISA or Section 4975 of the Code, or takes any action which taken by the Manager would be contrary to the terms of the Operating Agreement, that has a materially adverse effect on the Investors or the value of an Investor's Interests, (ii) the Manager no longer qualifies as an "investment manager" within the meaning of Section 3(38) of ERISA, (iii) the Manager no longer acts as investment adviser to the Fund (provided that any change in the arrangements under which the Manager serves as investment adviser or reorganization or other change in the structure of the Manager that does not constitute an "assignment" under the Advisers Act of the contract for such advisory services shall not be deemed to terminate the Manager as investment adviser), or (iv) the Manager no longer qualifies as a QPAM within the meaning of Prohibited Transaction Class Exemption 84-14. For so long as the Portfolio is deemed to be "plan assets," the Manager will notify Investors in writing in the event that the Manager ceases to be, or reasonably believes that it may no longer qualify as, a QPAM. See "EXHIBIT A – TAX AND ERISA CONSIDERATIONS – ERISA AND CERTAIN OTHER CONSIDERATIONS."

Withdrawals from an Investor's Capital Account(s) attributable to any Capital Contribution during the initial one year lock-up period, if permitted, will be subject to a Withdrawal Fee of 1% of the amount withdrawn (the "**Withdrawal Fee**"), which will be paid to the Portfolio for the benefit of all Investors in the Portfolio. In addition, if an Investor submits a cancelation request with respect to a scheduled withdrawal as of a particular Withdrawal Date, the Manager may, in its sole discretion, (i) accept or reject such cancellation request, and (ii) if accepted, apply a new one year Withdrawal Fee period with respect to the withdrawal amount, measured from such Withdrawal Date (any such Withdrawal Fees will be paid to the Portfolio for the benefit of all investors in the Portfolio). The Withdrawal Fee may, in the Manager's sole discretion, be waived or reduced. In calculating the Withdrawal Fee, amounts withdrawn will reduce the applicable Investor's Capital Accounts on a first-in, first-out basis.

Amounts withdrawn will be calculated based on the NAV of the Fund as of the close of business in New York, New York (normally 4:00 p.m. Eastern time) on the appropriate Withdrawal Date (minus any fees and/or costs of withdrawal).

Amounts withdrawn generally will be paid to the withdrawing Investor in U.S. dollars within 30 days after the Withdrawal Date. In circumstances where the Fund is unable to liquidate securities positions or derivatives in an orderly manner in order to fund withdrawals or where the value of the assets and liabilities of the Fund cannot be reasonably determined, the Fund may take longer than 30 days to effect settlements of withdrawals or it may even suspend withdrawals. Distributions may be in cash (generally by wire transfer) or, in the Manager's sole discretion, in kind. Any such payment of withdrawal proceeds in-kind will not materially prejudice the interests of remaining Investors. In-kind withdrawals may include newly formed structures designed to hold Fund or Portfolio assets for distribution. In addition, the Manager may withhold all or any portion of any withdrawal if necessary to comply with applicable regulatory requirements.

The Manager is permitted, in its sole discretion, to withdraw all or any portion of the balance of its Capital Account(s), if any, at any time without providing notice to or obtaining the consent of the Investors, including, without limitation, amounts related to the Incentive Allocation.

Although it is expected that the Fund will generally redeem shares of the Portfolio as of the last Business Day of any calendar month, the Fund may redeem its shares of the Portfolio on any Business Day, provided the Portfolio has not suspended redemptions as discussed below.

Amounts withdrawn will only be remitted to the financial institution from which the subscription amounts originated, unless the Manager consents otherwise in its absolute discretion. Withdrawal requests must be in writing and signed, and the request must state how the withdrawal amounts are to be paid. The withdrawal request should generally be faxed to the Administrator at the number above with the original following by mail.

Compulsory Withdrawals

The Manager, by notice to an Investor, may require the Investor's Interests to be compulsorily withdrawn in part or in their entirety from the Fund or any Class effective on any date designated by the Manager, in the event the Manager determines or has reason to believe that:

(1) Such Investor has transferred or attempted to transfer any portion of its Interests in the Fund in violation of the Operating Agreement;

(2) Such Investor, as a result of withdrawals or transfers, has failed to maintain any minimum Capital Account balance set by the Manager from time to time, in its sole discretion;

(3) Ownership of such Investor's Interests by such Investor may cause the Fund to be in violation of, require registration of any Interests under, or subject the Fund, the Portfolio or the Manager or any other agent of the Fund to additional regulation or registration under the securities or commodities laws of the United States or any state thereof, or any other relevant jurisdiction or the rules of any self-regulatory organization applicable to the Fund, the Portfolio or the Manager or any agent;

(4) Continued ownership of such Investor's Interests by such Investor may be harmful or injurious to the business or reputation of the Fund, the Portfolio or the Manager, or may subject the Fund, the Portfolio, the Manager or any of the Investors to an undue risk of adverse tax, regulatory, pecuniary, legal, fiscal or other consequences or material administrative disadvantage, including without limitation, adverse consequences under ERISA;

(5) Such Investor (i) has filed a voluntary petition in bankruptcy; (ii) has been adjudicated bankrupt or insolvent, or has had entered against it an order for relief, in any bankruptcy or insolvency proceeding; (iii) has filed a petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation; (iv) has filed an answer or other pleading admitting or failing to contest the material allegations of a petition filed against him or her in any proceeding of this nature; or (v) has sought, consented to or acquiesced in the appointment of a trustee, receiver or liquidator of such Investor or of all or any substantial part of the Investor's properties; provided, however, that in the event that the Manager elects not to require that such Investor's Interests be withdrawn in its entirety from the Fund, such Investor may continue to hold its Interests in the Fund notwithstanding the provisions of the Delaware Act;

(6) Any of the representations or warranties made by such Investor in connection with the acquisition of Interests was not true when made or has ceased to be true or the Investor has otherwise breached an agreement with the Fund;

(7) Such Investor's Interests have vested in any other person by reason of the bankruptcy, dissolution, incompetency or death of such Investor; or

(8) It would not be in the best interests of the Fund or the Portfolio, as determined by the Manager or any other agent of the Fund, in its absolute discretion, for such Investor to continue ownership of such Investor's Interests.

Transfer of Interests

Investors may not transfer (or pledge) Interests without obtaining the prior written consent of the Manager, which consent may be conditioned, withheld or granted by the Fund, in the sole discretion of the Manager, for any reason or no reason. Any request for transfer (or notice of involuntary transfer) must be given to the Fund in accordance with the terms of the Operating Agreement. Transfers are not expected to be permitted. There is no market for the Interests, and none is expected to develop.

ALLOCATIONS AND DISTRIBUTIONS

Fund Percentage

The Fund Percentage of an Investor (including the Manager) is determined for each Accounting Period (as defined below) by dividing the aggregate value of the Investor's Capital Account(s) as of the start of such Accounting Period (using the value determined as of the close of business on the prior Business Day) by the aggregate value of the Capital Accounts of all Investors as of such date. The sum of the Fund Percentages of all Investors for each Accounting Period will equal 100%. Accounting Periods generally conform to a calendar month.

"Accounting Periods" begin on the day the Fund commenced operations and thereafter on the day immediately succeeding the last day of the immediately preceding Accounting Period and ends on the sooner to occur of the following: (i) the last day of the Fund's fiscal year; (ii) the day immediately preceding the day on which an Investor is admitted to the Fund; (iii) the day immediately preceding the day on which any Capital Contribution to the Fund is made or deemed to be made; (iv) the day on which an Investor withdraws, or makes a partial withdrawal, from the Fund; (v) the last day of any calendar month; (vi) the day on which the Fund terminates; or (vii) any other day determined by the Manager as appropriate for ending a Capital Account's Accounting Period.

Capital Accounts

The Fund maintains for each Investor one or more Capital Accounts generally in accordance with the rules under Section 704 of the Code, and Treasury Regulation Section 1.704-1(b)(2)(iv). Each Investor's Capital Account(s) has an initial aggregate balance equal to the amount of cash constituting such Investor's Capital Contribution to the Fund. Each Investor's Capital Account(s) is increased by the sum of: (i) the amount of cash constituting additional Capital Contributions, if any, by such Investor to the capital of the Fund; and (ii) the return on capital and Net Profits allocated to such Investor's Capital Account(s) (subject to the Incentive Allocation). Each Investor's Capital Account(s) is reduced by the sum of: (i) the amount of any cash and any distributions paid to such Investor; (ii) Net Losses allocated to such Investor's Capital Account(s); and (iii) the Investor's pro rata share of expense items, if any, and any other non-pro rata expenses (including, without limitation, withholding taxes) charged to such Investor's Capital Account(s).

Allocations of Profits and Losses

In general, Net Profits or Net Losses (each as defined below) of the Fund (prior to the allocation of any Management Fee and Incentive Allocation for the Performance Period, each as defined below) as of the end of each Accounting Period will be allocated to the Capital Account(s) of each Investor (including, for purposes of this paragraph, the Manager) pro rata in accordance with the Investor's Fund Percentage as of the beginning of such Accounting Period; provided, however, that Net Profits and Net Losses that are specific to a Class or Sub-Class thereof will be allocated to Investors in such Class or Sub-Class thereof in proportion to their pro rata Interests within such Class or Sub-Class thereof. Accounting Periods generally conform to a calendar month.

"Net Profits" means, with respect to any Accounting Period, the excess (if any) of the aggregate revenue, including capital gains (realized and unrealized) and interest and dividend income, earned during the respective Accounting Period from all sources over all the expenses and losses (realized and unrealized), including Management Fees and Administration Fees incurred and any reserves established during the respective Accounting Period but excluding the Incentive Allocation, if any.

"Net Losses" means, with respect to any Accounting Period, the excess (if any) of all the expenses and losses (realized and unrealized), including Management Fees and Administration Fees incurred and any reserves established during the respective Accounting Period but excluding the Incentive Allocation, if any, over the aggregate revenue, including capital gains (realized and unrealized) and interest and dividend income, earned during the respective Accounting Period from all sources.

Distributions

Neither the Fund nor the Portfolio anticipates that any distributions will be paid to the Investors out of the Fund's or the Portfolio's earnings, but rather that such proceeds will be reinvested. Each of the Fund and the Portfolio reserves the right to change this policy, in the sole discretion of the Manager. It is anticipated that, if marketable securities are distributed to the Portfolio by any of its investments (or to the Fund by the Portfolio), they will, in most cases, be sold by the Portfolio (or the Fund) and any Net Profits or Net Losses will be allocated to Investors' Capital Accounts. However, each of the Portfolio and the Fund has reserved the right to distribute such securities in-kind to the Fund and the Investment Vehicles or the Investors, as applicable (net of any portion of such securities liquidated by the Manager to pay Portfolio or Fund fees and expenses). In such event, the Fund or the Portfolio, as applicable, will determine, in its sole discretion, what portion of any distribution constitutes a return of capital.

FEES AND EXPENSES; INCENTIVE ALLOCATION

Fees and Incentive Allocation

The fees for the Fund consist of a fixed Administration Fee and Management Fee. In addition, the Manager receives a performance-based Incentive Allocation. The Management Fee and the Incentive Allocation in respect of a Class of Interests are set forth in the applicable Supplement. The Manager may share the Administration Fee, the Management Fee and/or the Incentive Allocation with any other person or entity, in its sole discretion. The Portfolio does not pay any Administration Fee or Management Fee, nor is any Incentive Allocation applied at the level of the Portfolio.

Administration Fee

The Fund pays the Manager an asset-based Administration Fee, calculated and payable in arrears as of the close of business in New York, New York (normally 4:00 p.m. Eastern time) on the last Business Day of each calendar month in an amount equal to the sum of (i) 0.20% *per annum* of the portion of the NAV of the Fund up to and including $500 million and (ii) 0.15% per annum of the portion, if any, of the NAV of the Fund in excess of $500 million (in each case, as calculated prior to the accrual of the Administration Fee, the Management Fee and the Incentive Allocation, as applicable for such period). The Administration Fee is adjusted *pro rata* for any Capital Contributions or withdrawals during any calendar month, as applicable. The Manager pays the Administrator for its services as Administrator to the Fund out of the Administration Fee.

The Fund pays the Manager the Administration Fee for the administrative services the Fund requires under what is essentially an all-in fee structure. The Manager, in turn, provides certain administrative services to the Fund for the Fund's Investors and also bears the costs of various third-party services required by the Fund, including administrative, audit, custodian, portfolio, accounting, legal, tax and transfer agency services and printing costs. The Fund bears other expenses that are not covered under the Administration Fee which may vary and affect the total level of expenses paid by the Fund, such as brokerage and trading fees, commissions and other transaction expenses, costs of borrowing money, including interest expenses, extraordinary expenses (such as litigation and indemnification expenses) and the Fund's portion of the fees and expenses of the Portfolio's directors. The Manager may not recoup its expenses for third party services while the Portfolio's net assets are low but also may earn a profit on the Administration Fee if the Portfolio's net assets are high. Also, the Manager, and not Fund Investors, would benefit from any price decreases in third-party services, including decreases resulting from an increase in net assets.

The Manager may share the Administration Fee, the Management Fee and/or the Incentive Allocation with any other person or entity, in its sole discretion. The Portfolio does not pay any Administration Fee, Management Fee or Incentive Allocation.

Brokerage Commissions

It is expected that brokerage commissions for trades through Brokers will generally be charged each time the Portfolio enters into a transaction. Furthermore, commissions may be higher for trades outside the United States, and may include additional regulatory fees and charges. No separate custodian fee will be payable to a Broker. For a description of the services provided to the Portfolio by the Brokers, see "BROKERAGE AND TRADING."

Manager Expenses

The Manager will be responsible for all fees and expenses incurred in connection with (i) the ongoing, routine and non-investment related legal, audit, tax, compliance, administrative, custodian and accounting services for the Fund, (ii) the coordination of services performed by the Administrator, legal counsel, custodian(s), auditors and other third party service providers for the Fund and (iii) certain shareholder servicing functions, including preparation of routine Investor reports and communications. The Manager will pay the salaries and expenses of its personnel responsible for the day-to-day investment management of the Fund.

Fund Expenses

The Manager and/or the Manager Affiliates initially advanced to the Portfolio all the Organizational Expenses. The Portfolio is reimbursing the Manager over a period not to exceed the Five-Year Reimbursement Period for the Organizational Expenses advanced. Reimbursement payments will be made monthly in arrears; provided, that the amount of such reimbursement in any 12-month period following the initial closing of the Portfolio will not exceed 0.10% per annum of the Portfolio's NAV, measured as of the close of business on the last Business Day of each calendar month. If the Portfolio is terminated or the Five-Year Reimbursement Period expires prior to the full reimbursement of the Organizational Expenses, the Manager will not seek reimbursement of any remaining amounts. The Fund will bear all of its extraordinary expenses and all of its other operating expenses, except as noted in "Manager Expenses" above, including fees, due diligence costs and other costs, expenses and liabilities related to the identification, purchase, holding and sale of investments (including legal), brokerage commissions, spreads and other transactional expenses; interest expense on borrowings; the Administration Fee; the Management Fee; the Incentive Allocation; fees and expenses of special consultants, and other service providers engaged by the Fund; expenses of annual meetings; taxes and tax compliance expenses; litigation expenses and regulatory-related legal expenses; and any other operational expenses not specifically assumed by the Manager.

The Fund also indirectly bears its *pro rata* share of the Portfolio's expenses not specifically assumed by the Manager. Such expenses include, but are not limited to, fees and expenses of the Portfolio's directors, brokerage and trading commissions, bid/offer spreads, legal fees related to extraordinary matters and expenses incurred in structuring transactions, warehousing expenses incurred in connection with the Portfolio's investments in, and taking delivery of, physical commodities from time to time, other investment expenses incurred by the Portfolio (such as expenses incurred in connection with investing in or liquidating portfolio positions or other transactions-related expenses), interest expenses on borrowings and commitment fees and related expenses payable to lenders, taxes, fees paid to the Brokers, fees and expenses of the Portfolio's legal counsel with respect to evaluating, structuring, acquiring and disposing of investments and extraordinary matters, and extraordinary expenses. The Portfolio may also allocate expenses (including, *e.g.*, investment expenses) among the Fund and the Investment Vehicles, on a *pro rata* basis or otherwise, if it, in consultation with the Manager, determines, in its sole discretion, that such allocation is equitable.

Placement Fees

The Manager may pay a portion or percentage of any fees or other benefit that it receives (including, without limitation, a portion of the Management Fee or Incentive Allocation) to persons who act as Placement Agent, finder or in a similar capacity in connection with the sale of Interests. In addition, sales charges may be imposed on Investors by Placement Agents and others, including, in certain circumstances, the Manager and/or the Manager Affiliates in connection with the purchase of Interests. Such charges are paid directly by Investors and would reduce an Investor's net investment.

BROKERAGE AND TRADING

Brokers

The Fund will invest its investable assets in the Portfolio. In general, the Manager is responsible for selecting Brokers for the Portfolio. The Manager generally selects Brokers based on the basis of their reputation, financial strength, stability and responsibility, reliability, execution capability and commission rates. The Manager, in its sole discretion, may terminate, add or replace Brokers at any time.

There is no assurance by the Fund, the Portfolio or the Manager that the purchase and sale of investments will be made on a best price and best execution basis, although the Manager will seek to achieve best execution. The Manager may cause the Portfolio to pay brokerage commissions in excess of the lowest rates available to brokers who execute transactions for the account of the Portfolio or who otherwise provide brokerage and research services, or other services, utilized by the Manager. Generally, and at all times when the Fund is a "plan assets" fund for purposes of ERISA or Section 4975 of the Code, the use of commissions or "soft dollars" to pay for research products or services will fall within the safe harbor created by Section 28(e) of the Exchange Act where applicable. Such services may include, but are not limited to: (i) written information and analyses concerning specific securities, companies or sectors; (ii) market, financial and economic studies and forecasts, as well as discussions with research personnel; (iii) certain financial and industry publications; and (iv) statistical and pricing services utilized in the investment management process. Under Section 28(e), research obtained with soft dollars may be used by the Manager to service accounts other than the Fund or Portfolio.

Additionally, a Broker that is selected to execute transactions on behalf of the Portfolio may provide other core functions (such as reporting, clearing, financing, securities lending, and client service) as well as value added items (such as capital introductions, advanced research and analytics and technology services) to the Fund, the Portfolio and the Manager. The Manager may take advantage of some or all of these value added functions with respect to the Fund. Certain of these services may be outside the soft dollar safe harbor.

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above. A Broker is not excluded from receiving business because it has not been fully identified as providing research services. The investment information received from a Broker may be used by the Manager in servicing all its accounts, and not all such information need be used by the Manager in connection with the Fund or the Portfolio.

The Portfolio is expected to be obligated to hold harmless each Broker for any loss, liability or cost incurred by the Portfolio as a result of any act or omission of the Broker unless such loss, liability or cost was caused by an action or omission of the Broker that violated any standard of care set forth in the applicable brokerage agreement. In addition, the Portfolio is expected to be required to indemnify each Broker and any sub-custodian, nominee or agent appointed by it against any loss, liability or cost unless the applicable act or omission of such party violated any standard of care set forth in the applicable brokerage agreement.

A Broker will generally have no responsibility for any of the Portfolio's assets that are not held by the Broker or its affiliates. A Broker and the Portfolio may generally amend the terms of a brokerage agreement and may terminate the agreement upon notice as set forth in such agreement.

Each Broker will not have any responsibility for the preparation of this Memorandum or the activities of the Portfolio and will not accept responsibility for any information contained in this Memorandum.

The Portfolio and Manager reserve the right to change the brokerage and custodian arrangements described above by agreement with the applicable Broker without prior notice to the Investors.

A Broker may from time to time introduce potential investors to the Fund, and the Manager may take such introductions into account when selecting and retaining the Broker for the Portfolio. Since an increase in the size of the Fund and Portfolio would likely result in additional compensation to the Broker, the Broker may receive a benefit from introducing investors to the Fund.

Commodity Brokers

With respect to trading futures and other commodity interest contracts, the Manager currently expects to appoint one or more Commodity Brokers who will provide execution and clearing services on behalf of the Portfolio. The Manager may appoint one or more Commodity Brokers for the Portfolio. Each such Commodity Broker will have no decision-making discretion relating to the investment of the assets of the Portfolio and will not provide any investment advice in relation to the assets of the Portfolio.

The Portfolio's U.S. Commodity Brokers will be registered with the CFTC as futures commission merchants ("**FCMs**"), and are required to meet certain fitness and financial requirements, to segregate customer funds from their own funds, to account separately for customer finds and positions, and to keep specified books and records open for inspection by the CFTC. In particular and in connection therewith, the assets deposited by the Portfolio with the Commodity Brokers as margin are required to be segregated in omnibus customer accounts pursuant to the Commodity Exchange Act and the regulations of the CFTC. In accordance with the Commodity Exchange Act, such segregated funds may only be invested in a limited range of instruments—principally U.S. Government obligations. Generally, when trading non-U.S. futures and options, a Commodity Broker may hold Assets with a local custodian, depository or clearing agent (each, a "**sub-custodian**") in one or more accounts identified as belonging to customers of the Commodity Broker. The Portfolio may utilize U.S. Government securities and cash as margin for U.S. exchange-traded futures and options on futures. In addition, the domestic Commodity Brokers are all members of the NFA and are subject to NFA standards relating to fair trade practices, financial condition, and consumer protection.

To the extent the Portfolio trades in futures contracts and options thereon on markets other than regulated U.S. exchanges. Funds and collateral used to transact in these markets are held or segregated to the extent required under the applicable securities, commodities, or other laws or regulations of the jurisdictions in which they are held, but do not have the protection of U.S. regulations. Funds deposited to margin positions on such exchanges are typically invested in bank deposits or instruments of a credit standing generally comparable to those authorized by the CFTC for investment of customer segregated funds, although applicable CFTC rules do not require funds employed in trading on non-U.S. exchanges to be deposited in customer segregated fund accounts. Where the Portfolio utilizes non-U.S. Commodity Brokers to transact in these markets, the regulatory framework applicable to such Commodity Brokers, including any requirement to segregate customer funds, will depend on the rules and regulations applicable to such Commodity Brokers in the relevant jurisdictions.

Notwithstanding any regulatory protections with respect to the segregation of customer assets, in the event of a Commodity Broker facing financial difficulties, particularly with respect to non-U.S. Commodity Brokers who are not required to segregated customer assets, the Portfolio's assets may be at risk.

Securities Brokers

With respect to trading securities, the Manager may appoint more or more Securities Brokers who will provide execution and clearing services on behalf of the Portfolio. The Portfolio's domestic Securities Brokers are registered as broker-dealers with the SEC, and are members of the Financial Industry Regulatory Authority, Inc. ("**FINRA**"). The SEC is the governmental agency that is responsible for regulating securities exchanges and securities trading in the United States. The SEC also regulates the activities of securities broker dealers ("Broker-Dealers), such as the Portfolio's domestic Securities Brokers, and, similar to CFTC's regulation of FCMs, requires Broker-Dealers to meet certain fitness and financial requirements, to segregate customer funds from their own funds, to account separately for customer funds and positions, and to keep specified books and records open for inspection by the SEC. FINRA functions in a capacity for Broker Dealers similar to that of the NFA. FINRA issues rules governing the conduct of Broker Dealers, and disciplines those professionals who do not comply with such standards. FINRA also conducts registration and fitness screening of applicants for membership, and conducts audits of its members. The Portfolio's domestic Securities Brokers are members of FINRA.

The Securities Broker's functions may include, among other things, arranging for: (i) receipt and delivery of securities purchased, sold, sold short, borrowed and loaned; (ii) making and receiving payment therefrom; (iii) provision of financing for the Portfolio's securities margin or short positions, if any; (iv) custody of securities and compliance with applicable margin and maintenance requirements; (v) custody and collection of cash, dividends, exchanges, distributions and rights accruing to the Portfolio's securities account; and (vi) tendering securities in connection with cash tender offers, exchange offers, mergers or other corporate reorganizations.

The Portfolio pays the fees, if any, of the Securities Broker, which fees are at prevailing market rates or as otherwise agreed with the Portfolio. The Portfolio reserves the right, in its discretion, to change the brokerage arrangements described herein without notice to the Investors. The Portfolio may open and maintain accounts with a number of other registered broker/dealers effecting transactions on a principal or agency basis, as the case may be.

Custodian

The Portfolio's custodian is the Administrator. See "MANAGEMENT – Administrator and Custodian." Available cash and cash equivalent instruments held at the Fund and Portfolio levels (e.g., subscriptions not yet applied, redemption payments, excess cash and cash equivalent instruments, etc.) are held by the Administrator.

VALUATION

Determination of the Net Asset Value

The NAV of each of the Fund and the Portfolio is calculated by the Administrator, its delegate or another third party independent service provider on the last Business Day of each calendar month, as of the close of trading on the New York Stock Exchange (normally 4:00 p.m. Eastern time). The NAV may also be calculated on a more frequent basis as required by the Manager. The NAV of each Class of Interests or Sub-Class thereof is calculated by dividing the

NAV of the Fund's investment in the Portfolio (plus any cash or other assets of the Fund) related to such Class or Sub-Class thereof after subtracting all liabilities of the Fund attributable to such Class or Sub-Class thereof (including accrued expenses and charges, including, without limitation, the Administration Fee, the Management Fee, the Incentive Allocation and any contingencies for which reserves are determined to be required by the Manager, in its sole discretion). Profits and losses incurred in connection with investments attributable to any Class or Sub-Class will be allocated to such Class or Sub-Class. The sum of the aggregate NAV of each Series will equal the NAV of the Fund. To the extent that the Fund has any assets other than its investment in the Portfolio, such assets are valued in accordance with the valuation methods used by the Portfolio, as described below.

The NAV of the Portfolio is calculated by taking the value of the securities held by the Portfolio plus any cash or other assets and subtracting all liabilities, including accrued expenses, and any contingencies for which reserves are determined to be required. The Portfolio's assets are valued as follows:

(1) securities or other instruments traded on a stock or other exchange are valued generally at the last reported sales prices, or if no sales are reported, based on quotes obtained from a quotation reporting system, established market makers, or pricing services;

(2) certain securities or investments for which market quotations are not readily available may be valued with reference to other securities or indices;

(3) short-term investments with maturities of 60 days or less generally are valued at amortized cost;

(4) exchange-traded options, futures and options on futures are valued at the settlement price determined by the exchange; and

(5) securities or other instruments for which market quotes are not readily available are valued at fair value as obtained by the Administrator from the Manager (if legally permissible) or another source. Fair valuation also may be used if extraordinary events occur after the last readily available quotation.

It is anticipated that the Administrator will consult with (and in many cases rely entirely on) the Manager in determining or obtaining the value of the Portfolio's investments, although the Administrator is not required to do so.

The valuation principles set forth above may be modified from time to time, in whole or in part, as determined by the Manager.

The NAV of the Fund is calculated by the Administrator based on the NAV of the Portfolio, which is conclusively determined for purposes of the Fund as set forth above.

Suspension of the Determination of Net Asset Value

The Manager may, at any time, temporarily suspend the determination of the NAV of the Fund (and the board of directors of the Portfolio may, at any time, temporarily suspend the determination of the NAV of the Portfolio), and, accordingly, withdrawals from Capital Accounts, subscriptions for interests in the Fund or shares of the Portfolio, respectively and withdrawals/redemptions from the Fund or Portfolio, respectively may be temporarily suspended, if:

(1) Any market in which a significant portion of the Portfolio's investments are currently quoted or traded is closed, other than for customary holidays and weekends, or for which dealings therein are restricted or suspended;

(2) Any state of affairs has transpired which, in the opinion of the Manager (or, in the case of the Portfolio, the Portfolio's board of directors), constitutes an emergency rendering disposition by the Portfolio of its investments to be not reasonably practicable or seriously prejudicial to the Fund, the Portfolio or their respective investors;

(3) Any breakdown in the means of communication normally employed in determining the price or value of any of the Portfolio's investments, or of current prices in any market as described above has occurred, or for any other reason the prices or values of any investments owned by the Portfolio cannot reasonably be promptly and accurately ascertained; or

(4) In the opinion of the Manager (or, in the case of the Portfolio, the Portfolio's board of directors), the effect of such withdrawals or redemptions would be to seriously impair the Fund's (or the Portfolio's) ability to operate or to jeopardize its tax status.

The Manager reserves the right to withhold payment from persons who have requested to make withdrawals from their Capital Accounts prior to such suspension until after the suspension is lifted. Such right will be exercised in circumstances where the Manager believes that to make such payment during the period of suspension would prejudice the interests of existing Investors. Notice of any suspension will be given to any Investor attempting to withdraw without delay and, where possible, reasonable steps will be taken to bring any period of suspension to an end as soon as possible. If the request is not withdrawn, the withdrawal will take place as of the first Business Day following the termination of the suspension. Further, the Manager may also suspend withdrawals during any period in which the settlement of withdrawals would, in the opinion of the Manager, result in a violation of law or violate any investment or agreement governing any indebtedness incurred by the Portfolio. For the avoidance of doubt, the ability of the Manager to suspend withdrawals is in addition to the limitations on the size of withdrawals.

THE PORTFOLIO

The Portfolio is an exempted company incorporated on November 6, 2012, under the Companies Law (as amended) of the Cayman Islands. The Fund, the Investment Vehicles and any other investors in the Portfolio (the "**Members**") have the rights as set forth in the Memorandum and Articles of Association of the Portfolio (together, and as they may be amended from time to time, the "**Organizational Documents**").

Pursuant to the Investment Management Agreement, the Manager is responsible for the management of the Portfolio's affairs. Investment Vehicles may be offered to different types of investors and may have different expense arrangements than the Fund. The Portfolio's share capital is $50,000, consisting of 5,000,000 shares, par value $0.01.

Each Member has the right to vote on the alteration of the share capital of the Portfolio, amendments to the Organizational Documents, the dissolution of the Portfolio and any other matters submitted for the approval of the Members. At any meeting of the Members, each Member will have one vote for each share of the Portfolio held by such Member.

Each Member has the right to dividends and distributions (to the extent declared by the Portfolio's board of directors) and may redeem its shares of the Portfolio at the NAV per share. In the event the Portfolio is wound up or dissolved, each Member will be entitled to a share of the Portfolio's net assets based on the NAV of the shares held by such Member.

Board of Directors

The directors of the Portfolio are responsible for the overall management and administration of the Portfolio. All of the directors serve in a non-executive capacity. The directors have appointed Pacific Investment Management Company LLC as the Portfolio's Manager, subject to the terms and conditions of the Investment Management Agreement. The directors of the Portfolio are subject to removal or replacement in accordance with Cayman Islands law and the Memorandum and Articles of Association of the Portfolio, each as amended from time to time.

The directors of the Portfolio are Michelle M. Wilson-Clarke and Julie O'Hara. The address of Ms. Wilson-Clarke and Ms. O'Hara is c/o Carne Global Financial Services (Cayman) Limited, Grand Pavilion Commercial Centre, 802 West Bay Road, P.O. Box 30872, Grand Cayman KY1-1204, Cayman Islands. The biographies of the directors of the Portfolio are set forth below.

Michelle M. Wilson-Clarke. Ms. Wilson-Clarke provides independent, non-executive director services through Carne, a professional services provider regulated in the Cayman Islands, which is part of Carne Global Financial Services.

Ms. Wilson-Clarke is actively involved in the review and approval of the transactional documents used to establish the investment structures on which she acts. Prior to joining Carne, Ms. Wilson-Clarke was Senior Vice President and head of the Registered Funds Group at Intertrust Fund Services (Cayman) Limited ("**Intertrust Cayman**"). At Intertrust Cayman, she provided non-executive director services to client sponsored investment funds and led the fiduciary team that provided governance and directorship services to investment funds sponsored by some of the world's largest investment managers. Ms. Wilson-Clarke began her 13 year financial services career with Wellington Management Company in Boston, Massachusetts. At Wellington, Ms. Wilson-Clarke was Vice President and Relationship Analyst for a number of large mutual fund sponsors, endowments and foundations. In this role, she formulated, reviewed and oversaw the implementation of investment strategies and policies for client portfolios. In addition, Ms. Wilson-Clarke has extensive experience in capital markets, fund governance and compliance and fund risk analysis.

Ms. Wilson-Clarke received an MBA in Finance from the Sloan School of Management at the Massachusetts Institute of Technology (MIT), a Master of Science in Mathematics from

MIT and a Bachelor of Science (magna cum laude) in Mathematics and Computer Science from Howard University in Washington D.C.

Ms. Wilson-Clarke is also a member of the Cayman Islands Directors' Association and a notary public.

Julie O'Hara. Ms. O'Hara is a fund director with Carne, which provides independent directorship services to the alternative investment industry and is regulated by the Cayman Islands Monetary Authority. Ms. O'Hara joined Carne in 2013 and has extensive legal experience in corporate and commercial law. Ms. O'Hara is well versed in offshore investment funds, fund launches, negotiating side letter agreements, fund listings, fund re-domiciliation by way of continuation to and from the Cayman Islands and fund restructuring (including advising on fund mergers, suspension of net asset valuations, subscriptions and redemptions, application of investor and fund gates, delayed payment schemes, side pockets and alternative investment vehicles).

Prior to joining Carne, Ms. O'Hara was a Managing Associate in the Business and Trust Law group at the Cayman office of the international law firm Ogier, specializing in mutual funds, hedge funds, fund of funds, private equity funds, Shariah compliant funds and real estate funds. Ms. O'Hara is a member of the Cayman Islands Bar Association and the Cayman Islands Law Society. Ms. O'Hara graduated with a Bachelor of Laws (Hons.) from the University of Liverpool and qualified as an attorney-at-law in the Cayman Islands in 2001. Ms. O'Hara is an approved director under the Directors Registration and Licensing Law, 2014.

Investment Objective

The Portfolio's primary investment objective is to generate attractive absolute returns on a year-to-year basis, net of fund expenses. The Portfolio targets a net return of 8-12% per annum with a targeted volatility of 8-12%. These are targets, not projections or predictions; actual returns may be lower and volatility may be higher. See "INVESTMENT CONSIDERATIONS AND RISK FACTORS – Return and Volatility Targets." The Portfolio's positions are expected to be in the generally liquid derivative markets for commodities, including commodity options, futures and swaps. As collateral for the commodity positions taken by the Portfolio, the Portfolio is expected to hold cash, cash equivalents and other fixed income instruments. In addition, the Portfolio is expected to invest in inflation and interest rate swaps. The board of directors of the Portfolio (in consultation with the Manager) reserves the right to modify the investment objective of the Portfolio. When deemed appropriate, Members will be given the opportunity to redeem their shares of the Portfolio before any such modification is implemented (provided such modification is deemed to be material by the board of directors of the Portfolio, in its sole discretion. In the event that the Portfolio changes its investment objective, the Manager would determine whether it is in the best interest of Investors for the Fund to withdraw from the Portfolio.

Liability of Members and Indemnification of the Manager and Others

The Manager (which includes, for this purpose, its principals, officers, managers, investors, employees and other agents of the Manager performing services with respect to the

Portfolio) will not be liable to the Portfolio or any Member of the Portfolio for any loss suffered by the Portfolio or the Members which arises out of any action or inaction of the Manager, except a loss resulting from the breach of fiduciary duty under ERISA, gross negligence, willful default, and except as otherwise required by applicable law (including ERISA).

The Portfolio will, to the fullest extent legally permissible under applicable law (including ERISA), indemnify the Manager (which includes, for this purpose, its principals, officers, managers, investors, employees and other agents of the Manager performing services with respect to the Portfolio) against all losses resulting from claims and threatened claims with respect to the Manager's performance of its obligations pursuant to the investment advisory agreement, except to the extent that such losses are by reason of the breach of fiduciary duty under ERISA, gross negligence or willful default of the Manager.

Nothing in the Fund documents shall be deemed or construed to effect a waiver of any rights of any person under federal or state securities laws that provide protections that by law cannot be waived.

Amendment of the Organizational Documents

The Portfolio's Organizational Documents may be amended by a resolution passed by a two-thirds' majority of the Members present in person or by proxy at a general meeting of the Portfolio or by the unanimous written consent of all Members ("**Special Resolution**"). Any changes to the investment policies of the Portfolio require the consent of a majority of the Members. Only the Fund and the Investment Vehicles, as Members of the Portfolio, have the right to vote with respect to matters relating to the Portfolio. Investors do not have "pass through" voting rights in the Portfolio, and those rights will be exercised by the Manager, except that the Fund, to the extent subject to ERISA, will take direction on all voting matters in which the Manager or its affiliates may have an interest.

Term; Dissolution of the Portfolio

The Portfolio may be wound up at any time by a Special Resolution of the Members.

TAX AND ERISA CONSIDERATIONS

For a discussion of certain income tax consequences of an investment in the Fund, and certain ERISA considerations, please see "EXHIBIT A – TAX AND ERISA CONSIDERATIONS."

SUMMARY OF THE OPERATING AGREEMENT

The following is a brief summary description of selected terms of the Operating Agreement which are not described elsewhere in the Memorandum. Investors interested in investing in the Fund should read the Operating Agreement in its entirety prior to investing in the Fund. It is recommended that prospective Investors review the Operating Agreement with their purchaser representative(s) if any, and with their investment and tax advisers, accountants and attorneys.

Purpose. The Limited Liability Company Operating Agreement of the Fund provides that the Fund shall have full power and authority to carry out any object not prohibited by law.

Limitation on Liability for Investors. No Investor will be personally liable for any debt or obligation of the Fund except in certain situations as provided for under the laws of the State of Delaware.

Limitation of Liability and Indemnification of the Manager and Other Agents. As described above, the Operating Agreement provides broad limitations on liability and rights to indemnification of the Manager. The Operating Agreement also provides that the Manager may extend the benefits to other service providers to the Fund. The federal and state securities laws impose liabilities under certain circumstances on persons who act in good faith and, therefore, nothing in the Operating Agreement waives or limits any such rights against the Manager as required by applicable law.

The Manager and the Fund are also indemnified by each Investor for any amounts of tax withheld or required to be withheld with respect to that Investor, and also for any amounts of interest, additions to tax, penalties and other costs borne by any such persons in connection therewith to the extent that the aggregate balance of the Investor's Capital Account(s) is insufficient to fully compensate the Manager or the Fund for such costs.

Certain Additional Provisions From the Fund's Operating Agreement

Amendment of the Operating Agreement. The Manager is authorized to make amendments to the Operating Agreement without the consent of the Investors, so long as written notice is given to the Investors at least 30 days prior to the effective date of the amendment. Investors who disapprove of any such amendment may withdraw their Interests in full without penalty before any such amendment becomes effective, although payments of withdrawals may be made after the effective date of the change. The Manager is also authorized to amend the Operating Agreement in certain other limited circumstances without prior notice to the Investors. Notwithstanding the foregoing, the Manager may not amend the provisions of the Operating Agreement relating to the Investors' right to vote on the dissolution of the Fund and the removal of the Manager without the consent of two-thirds of the aggregate Capital Accounts of all Investors (excluding any Interests held by the Manager or any person or entity controlling, controlled by or under common control with the Manager (as "control" is defined in the Investment Company Act)).

Dissolution of the Fund/Removal of Manager. The Manager may resign as "manager" of the Fund upon 30 days' notice to the Investors. The Fund may be dissolved at any time by the Manager. In addition, the Manager will call a meeting of Investors for the purpose of voting on the removal of the Manager as manager of the Fund upon the written request of Investors holding Interests representing at least one-tenth of the aggregate Capital Accounts of all Investors (excluding the Manager and the Manager Affiliates). In such a case, the Manager shall be removed upon the affirmative vote (in person) of Investors holding Interests representing greater than 50% of the aggregate Capital Accounts of all Investors (excluding the Manager and the Manager Affiliates). Upon removal, the former Manager will remain an Investing Member (as defined in the Operating Agreement), and the Investors holding Interests representing greater than 50% of the aggregate Capital Accounts of all Investors will appoint a replacement Manager. If a replacement Manager is not appointed at the same meeting as the former Manager is removed, the Fund will be dissolved.

In the event that the Fund is dissolved, the affairs of the Fund will be wound up and distributions shall be made out of the Fund's assets in the following manner and order to: (i) the creditors of the Fund including those who are Investors; and (ii) the Investors in proportion to their respective Capital Accounts.

Neither the admission of Investors nor the bankruptcy, death, dissolution or insanity of an Investor, or any change in the Investor, the assignment of the whole or part of Interests of an Investor or the grant of a security interest in respect thereof, nor the sale, lease, mortgage, pledge or other transfer of any assets of the Fund will dissolve the Fund.

Agency. The Manager will be granted an irrevocable power of attorney to sign, on behalf of each Investor, the Operating Agreement, a registration statement for the Fund and any amendments thereto, as well as certain other documents that may be required by various governmental or quasi-governmental agencies in connection with the operation, termination or dissolution of the Fund.

Confidentiality. The Operating Agreement contains confidentiality provisions to which the Investors are bound.

ADDITIONAL INFORMATION

Prospective Investors should inform themselves as to (i) the legal requirements within their own countries for purchase of Interests, (ii) any foreign exchange restrictions which they might encounter, and (iii) the income and other tax consequences of a purchase of Interests.

Financial Reports

Audited annual financial statements of the Fund and the Portfolio will be provided to Investors. The audited financial statements will be sent to Investors within 90 days of the end of each fiscal year. Unaudited monthly performance reports will be provided to each Investor. In general, the financial statements of the Fund and the Portfolio will be prepared in accordance with GAAP.

The books and records of the Fund are principally maintained at the offices of the Manager.

Fiscal Year End

The Fund's fiscal year ends on December 31, subject to change by the Fund from time to time.

Counsel

Dechert LLP acts as counsel to the Fund in connection with this offering of the Interests. Dechert LLP also acts as counsel to the Portfolio and the Manager, and their affiliates in other matters.

Dechert LLP's representation of the Fund, the Portfolio and the Manager, and their affiliates is limited to those specific matters upon which it has been consulted. There may exist other matters which would have a bearing on the Fund, the Portfolio and/or the Manager or any of their affiliates upon which Dechert LLP has not been consulted. Dechert LLP does not undertake to monitor the compliance of the Fund, the Portfolio and/or the Manager with the investment program, valuation procedures, and other guidelines set out herein, nor does it monitor compliance with applicable laws. Additionally, Dechert LLP relies upon information furnished to it by the Fund, the Portfolio and/or the Manager, and does not investigate or verify the accuracy and completeness of information set out herein concerning the Fund, the Portfolio and/or the Manager, other service providers, and their affiliates and personnel.

Walkers is Cayman Islands counsel to the Portfolio and the Manager.

Neither Dechert LLP nor Walkers represents the Investors. No independent counsel has been retained to represent the Investors.

Auditors

PricewaterhouseCoopers serves as independent auditors of the Fund and the Portfolio. PricewaterhouseCoopers is an independent public accountant that is registered with and subject to regular inspection by the Public Company Accounting Oversight Board.

Available Documents and Questions

This Memorandum sets forth the investment objective and method of operation of the Fund, the principal terms of the Operating Agreement, and certain other pertinent information. However, this Memorandum does not set forth all the provisions and distinctions of the Operating Agreement that may be significant to a particular prospective Investor. Each prospective Investor should examine this Memorandum, the Operating Agreement and the Subscription Materials, in order to assure itself that the terms of the Operating Agreement and the Fund's investment objective and method of operation are satisfactory to it. Copies of the Operating Agreement and the Subscription Materials will be provided by the Manager or the Administrator upon request.

The Manager will provide a copy of Part 2 of the Manager's Form ADV, which contains important information about the Manager, to Investors upon request. Investors should note, however, that Investors are not clients of the Manager. Copies of all documents referenced herein and not attached as appendices will be made available upon request to the Administrator during its normal business hours. Prospective Investors will also be provided upon request with (i) the latest audited annual financial statements, (ii) any subsequent unaudited reports to Investors and (iii) any other information or materials specifically requested; provided, in each case, that such information or materials is available to the Manager without unreasonable effort or expense. Investors are urged to obtain and review such documents and to raise any questions they may have regarding the terms and conditions of the purchase of Interests.

The Fund may, in its sole discretion, also provide to Investors (including the Manager Affiliates) upon request performance and other information, including without limitation reports on valuations, portfolio positions and portfolio risk profiles. The same or similar information may be provided to different Investors in a different form or manner, depending upon each Investor's request.

Any inquiries should be directed to the Manager, Pacific Investment Management Company LLC, 650 Newport Center Drive, Newport Beach, CA 92660, attention Fund Operations Alternatives (FundOperationsAlternatives@pimco.com).

SUBSCRIPTION AND WITHDRAWAL PROCEDURES

Applications and Questions

You may obtain a copy of the Subscription Materials, Operating Agreement and other documents relating to the Fund or the Portfolio by contacting the Administrator at the address set forth below. In addition, your application to invest in the Fund should be made by sending executed Subscription Materials, together with a properly executed IRS Form W-9 or appropriate IRS Form W-8, as applicable, to the Administrator at:

PIMCO Commodity Alpha Fund, LLC
c/o Brown Brothers Harriman & Co.
BBH US Transfer Agency
50 Post Office Square
Boston, Massachusetts 02110
Phone: (617) 772-1866
Fax: (201) 418-6075
E-mail: pimco.bbh.ta@bbh.com

All questions regarding subscriptions and withdrawals should be addressed to the above.

Payment by SWIFT or Wire Transfer

Prospective Investors may make payment by wire transfer or by SWIFT (details of which should be available from your bank). Wire transfer instructions are set forth in the Subscription Materials. The prospective Investor's bank must be instructed at the time of application to forward the appropriate remittance by the fastest available means to reach the bank listed in the Subscription Materials no later than 12:00 p.m. Eastern time on the Subscription Payment Date, unless otherwise agreed to by the Fund, in its sole discretion. The prospective Investor's bank should also be instructed to fax the Administrator with details of the transfer it is making, including: (a) name and address of financial institution wiring/paying subscription monies, and (b) name and number of account at financial institution being debited.

General Information

Interests will not be issued until the Administrator is satisfied that the prospective Investor's funds cleared and have been received by the Fund. The Fund reserves the right to reject any subscription in whole or in part, in which event the subscription money or any balance will be returned by post at the risk of the prospective Investor without interest, less any applicable bank charges.

Confirmation

Following receipt of appropriate documentation from Investors, confirmation notes will normally be sent to Investors within five Business Days of the Subscription Date confirming details of their transaction.

Anti-Money Laundering

In order to comply with legislation or regulations aimed at the prevention of money laundering the Fund is required to adopt and maintain anti-money laundering procedures, and may require subscribers to provide evidence to verify their identity and source of funds. Where permitted, and subject to certain conditions, the Fund may also delegate the maintenance of its anti-money laundering procedures (including the acquisition of due diligence information) to a suitable person.

The Fund and the Administrator intend to comply with all applicable anti-money laundering regulations. Each Investor may be required to provide such information as may be necessary or advisable for the Fund, in the judgment of the Fund and/or the Administrator, to comply with applicable anti-money laundering requirements.

In the event of delay or failure by an Investor to produce any information required for verification purposes, the Fund and/or the Administrator may refuse to accept the Investor's Subscription Materials, in which case any funds received will be returned without interest to the account from which they were originally debited.

The Fund and/or the Administrator, on the Fund's behalf, also reserve the right to refuse to make any withdrawal payment to an Investor if the Fund, the Portfolio, the Manager and/or the Administrator suspect or are advised that the payment of withdrawal amounts to such Investor might result in a breach of applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction, or if such refusal is considered necessary or appropriate to ensure the compliance by the Fund or the Administrator with any such laws or regulations in any applicable jurisdiction.

Additional Terms

Where the Manager has reserved the right to modify or waive a requirement and where a modification or waiver would not adversely affect the Fund or its Investors such modification or waiver may be provided (by "side letter" or otherwise) in advance or from time to time, to one or more (but not necessarily all) Investors and may benefit the Manager. No notice of any such modification or waiver is required to be given to any Investor or prospective Investor.

Questions

All questions regarding the completion of the Subscription Materials and withdrawals should be addressed to the Administrator.

EXHIBIT A - TAX AND ERISA CONSIDERATIONS

U.S. FEDERAL INCOME TAXATION – THE FUND AND ITS INVESTORS

The discussion below summarizes certain U.S. federal income tax consequences of an investment in the Fund which should be considered by prospective Investors. It is not intended to be an exhaustive discussion of all possible tax consequences which may arise from an investment in the Fund and it should be understood that special rules which are not discussed herein may apply in certain situations or to certain Investors. Prospective Investors that are subject to special tax rules, such as foreign investors, governmental entities, insurance companies, banks, thrifts, traders of securities that elect to use a mark-to-market method of accounting for their securities holdings, dealers and other Investors that do not own their interests in the Fund as capital assets and organizations (or other Investors) exempt from taxation, should consult their own tax advisers as to the applicability of such special rules to an investment in the Fund. This discussion is based primarily upon current provisions of the Internal Revenue Code of 1986, as amended (the "**Code**"), U.S. Treasury regulations, judicial decisions and administrative rulings and pronouncements of the Internal Revenue Service ("**IRS**"), all of which are subject to change that may or may not be retroactive. PROSPECTIVE INVESTORS ARE URGED TO CONSULT, AND MUST DEPEND UPON, THEIR OWN TAX ADVISERS WITH SPECIFIC REFERENCE TO THEIR OWN TAX SITUATIONS AND POTENTIAL CHANGES IN APPLICABLE LAW, INCLUDING THE APPLICATION OF STATE AND LOCAL, FOREIGN AND OTHER TAX CONSIDERATIONS.

Partnership Tax Status

In general, the U.S. federal income tax consequences of an investment in the Fund will depend on the classification of the Fund and the Portfolio for U.S. federal income tax purposes. No application will be made to the IRS for a ruling on the classification of the Fund and the Portfolio for tax purposes.

If the Fund and the Portfolio are classified as "partnerships" for U.S. federal income tax purposes and not as "publicly traded partnerships" or "taxable mortgage pools" taxable as corporations then, generally, neither the Fund nor the Portfolio will be subject to any U.S. federal income tax, although each will file an annual information return. Instead, each Investor of the Fund, in computing its federal income tax liability for a taxable year, would be required to take into account its allocable share of the partnership's items of income, gain, loss, deduction or credit for the taxable year of the partnership ending within or with the taxable year of the partner, regardless of whether such partner has received or will receive corresponding distributions from the Fund.

On the other hand, if the Fund or the Portfolio were to be classified as an association taxable as a corporation, including as a result of constituting a "taxable mortgage pool" (discussed below) or as a "publicly traded partnership" taxable as a corporation, Investors would be treated as (direct or indirect) shareholders of a corporation. Consequently, (a) items of income, gain, loss and deduction with respect to Portfolio investments would not flow through to Investors to be accounted for on their individual federal income tax returns; (b) cash distributions would be treated as corporate distributions to Investors, some or all of which might be taxable as dividends, (c) in the case of the Fund, its taxable income would be subject to the federal income tax imposed on corporations; and (d) in the case of the Portfolio, it would be classified as a "passive foreign investment company" and possibly also a "controlled foreign corporation" for US tax purposes, which would subject the Fund and its Investors to special rules designed to prevent deferral of U.S. taxation and conversion of ordinary income into capital gains through investment in non-U.S. investment companies. A partnership which meets certain safe harbor requirements or certain other exceptions is not subject to the "publicly traded partnership" rules. The Fund and the Portfolio expect to operate in a manner so that they qualify for safe harbor treatment or other exceptions at all times.

Section 7701(i) of the Code provides that any entity (or a portion of an entity) that is a "taxable mortgage pool" will be treated as a corporation subject to U.S. federal income tax. An entity (or a portion of an entity) will be a taxable mortgage pool if (i) substantially all of its assets consist of debt instruments, more than 50% of which are real estate mortgages, (ii) the entity is the obligor under debt obligations with two or more maturities and (iii) under the terms of the entity's debt obligations (or underlying arrangements), payments on such debt obligations bear a relationship to payments on the debt instruments held by the entity. The Fund and the Portfolio expect that neither the Fund nor the Portfolio should be treated as a taxable mortgage pool.

The remainder of this discussion assumes that the Fund and the Portfolio will be treated as partnerships for U.S. federal income tax purposes.

Pursuant to the U.S. Foreign Account Tax Compliance Act ("FATCA"), the Portfolio will be subject to U.S. federal withholding taxes (at a 30% rate) on payments of certain amounts made to the Portfolio ("withholdable payments"), unless it complies (or is deemed compliant) with extensive reporting and withholding requirements. Withholdable payments generally include interest (including original issue discount), dividends, rents, annuities, and other fixed or determinable annual or periodical gains, profits or income, if such payments are derived from U.S. sources, as well as (effective January 1, 2017) gross proceeds from dispositions of securities that could produce U.S. source interest or dividends. Income which is effectively connected with the conduct of a U.S. trade or business is not, however, included in this definition.

To avoid the withholding tax, unless deemed compliant, the Portfolio will be required to enter into an agreement with the United States to identify and disclose identifying and financial information about each U.S. person (or foreign entity with substantial U.S. ownership) which invests in such entity, and to withhold tax (at a 30% rate) on withholdable payments and related payments made to any investor which fails to furnish information requested by such entity to satisfy its obligations under the agreement. Pursuant to an intergovernmental agreement between the United States and the Cayman Islands, the Master Fund may be deemed compliant, and therefore not subject to the withholding tax, if it identifies and reports U.S. taxpayer information directly to the Cayman Islands government. Detailed guidance as to the mechanics and scope of this new reporting and withholding regime are continuing to develop. There can be no assurance as to the timing or impact of any such guidance on future Fund or Portfolio operations.

Taxation of Investors

Each Investor will be required to take into account in computing its federal income tax liability its distributive share of the Fund's income, gains, losses, deductions, credits and tax preference items for any taxable year of the Fund ending with or within the taxable year of such Investor without regard to whether it has received or will receive a cash (or in-kind) distribution from the Fund. In light of the Fund's plan not to make distributions, Investors should be aware that an investment in the Fund may produce taxable income without the receipt of cash or property. In addition, if an Investor purchases its Interest at a NAV which includes unrealized gains and those gains are later realized, its share of the taxable gain may include gain attributable to the time period prior to its purchase.

The amount of tax due, if any, with respect to gains and income of the Fund is determined separately for each Investor. The Fund is required to file annually an information return on IRS Form 1065 and, following the close of the Fund's taxable year, to provide each Investor with a Schedule K-l indicating such Investor's allocable share of the Fund's income, gain, losses, deductions, credits and items of tax preference. Each Investor, however, is responsible for keeping its own records for determining such Investor's tax basis in its Interest and calculating and reporting any gain or loss resulting from a Fund distribution or disposition of an Interest.

The Fund will use the accrual method of accounting to determine its net profits or net losses for U.S. federal income tax purposes. The Fund has adopted a calendar year as its taxable year for accounting and income tax purposes, but it is possible that, depending on the taxable years of the Investors of the Fund, the Fund will be required to adopt a different year for U.S. federal income tax purposes, and possibly also for accounting purposes.

It is possible and should be expected that the Fund will provide Schedules K-1 to Investors after April 15th and Investors should, therefore, be prepared to file extensions with relevant state, federal and local taxing authorities.

Investors may be taxed on amounts credited (if any) to their capital accounts as a result of withdrawal fees charged to other Investors' capital accounts upon withdrawal.

Allocation of Fund Income, Gains and Losses

For U.S. federal income tax purposes, an Investor's distributive share of Fund income, gain, deduction, loss or credit realized for U.S. federal income tax purposes generally is determined in accordance with the Operating Agreement.

The Treasury regulations provide rules to govern a situation, like that of the Fund, in which capital accounts of Investors are adjusted to reflect changes in the fair market value of a partnership's assets without regard to the actual tax results for the year. The allocation provisions of the Operating Agreement are intended to follow the provisions of the Treasury regulations. Generally, under these regulations, gain or loss recognized for tax purposes with respect to particular securities is allocated for tax purposes among those who were Investors during the period in which such securities were held on the basis of actual allocations of net unrealized appreciation or depreciation in such securities to the Capital Accounts of such

Investors during such period. Treasury regulations allow certain eligible partnerships to make these tax allocations on an “aggregate” basis, rather than an individual security-by-security basis. The Fund may decide to allocate gain and loss recognized for tax purposes using an aggregate method. Using this method, however, it is possible under certain circumstances that the allocations of the realized gains and losses among the Investors will not reflect the allocations of Net Profits and Net Losses which have been made to the Investor’s Capital Account(s). This mismatch could also occur, regardless of whether the Fund uses the aggregate method, because of a “ceiling rule” contained in the regulations. This rule generally provides that Investors should not be allocated gains and losses which are not actually realized by the Partnership. Treasury regulations, however, permit certain curative, remedial and other reasonable allocations to the extent necessary to offset the effect of the ceiling rule. The Fund may employ any of these permitted allocation methods to minimize the effect of the ceiling rule.

In the event that an Investor withdraws partially or completely from the Fund (including by reason of death), the Manager may, in its sole discretion, specially allocate items of Fund gain or loss to that Investor for tax purposes to reduce the amount, if any, by which the amount distributable to the Investor upon the withdrawal exceeds that Investor’s tax basis for its withdrawn Interest, or otherwise reduce any discrepancy between amounts previously allocated to that Investor’s Capital Account and amounts previously allocated to that Investor for federal income tax purposes. Such allocations may not be viewed as having substantial economic effect.

Distributions and Adjusted Basis

The receipt of a cash distribution from the Fund by an Investor, not in liquidation of its Interest in the Fund, generally will not result in the recognition of gain or loss for federal income tax purposes. However, cash distributions in excess of an Investor’s adjusted basis for its Interest will result in the recognition by such Investor of gain in the amount of such excess. An Investor generally will recognize no gain or loss on a distribution of property of the Fund other than cash (and in certain cases, marketable securities) which is not in liquidation of its Interest in the Fund. However, for purposes of determining an Investor’s gain or loss on a later sale of such property, the Investor’s basis in the distributed property will generally be equal to the Fund’s adjusted tax basis in the property, or, if less, the Investor’s basis in its Interest in the Fund before the distribution.

An Investor’s adjusted basis in its Interest in the Fund will initially equal the amount of cash it has contributed for its Interest, and will be increased by its distributive share of the Fund’s income and decreased (but not below zero) by the amount of cash distributions and the basis to the Investor of any property distributed from the Fund and its distributive share of the Fund’s losses. Certain other adjustments may also be required by law.

In general, no gain will be recognized by an Investor with respect to distributions made in liquidation of its Interest in the Fund unless either (a) the amount of cash (and in certain cases, marketable securities) distributed exceeds its adjusted basis for its Interest in the Fund immediately before the distribution (including adjustments reflecting operations in the year of liquidation); or (b) there is a disproportionate distribution in kind to the Investor of “unrealized receivables” and certain “inventory items” (these items may include, among other items, market discount or income on certain short-term obligations). No loss may be recognized by an Investor with respect to liquidating distributions unless the property distributed consists solely of cash, unrealized receivables and inventory items, and then only to the extent that the sum of the cash, plus the Investor's basis for the receivables and inventory items, is less than the Investor's adjusted basis for his or her Interest in the Fund. The basis of any property received by an Investor in liquidation of its Interest in the Fund will be equal to the adjusted basis of its Interest, less the amount of any cash received in the liquidation.

Limitations on Losses and Deductions

For purposes of computing U.S. federal income tax, an Investor will take into account its distributive share of the Fund's tax items. However, an Investor's ability to deduct its distributive share of a Fund's losses and expenses may be limited under one or more provisions of the Code.

An Investor cannot deduct losses from the Fund for a given year in an amount greater than its adjusted tax basis in its Interest in the Fund as of the end of the Fund's tax year. Any excess losses may be deductible by an Investor in subsequent tax years to the extent that the Investor's adjusted tax basis for its Interest in the Fund exceeds zero.

There can be no assurance that Fund losses will produce a tax benefit in the year incurred or that such losses will be available to offset an Investor's share of income in subsequent years.

In addition to the above limitation imposed upon the deductibility of losses from the Fund, the Code further limits the deductibility of losses by certain taxpayers (such as individuals and certain closely-held corporations) from a given activity to the amount which the taxpayer is "at risk" in the activity. Losses which cannot be deducted by an Investor because of the "at risk" rules may be carried over to subsequent years until such time as they are allowable. The amount which an Investor generally will be considered to have "at risk" with respect to the Fund will be the amount of money contributed to the Fund, plus the Investor's share of the Fund's taxable income minus the Investor's share of tax losses and distributions. As mentioned above, there can be no assurance that the Fund's losses will be available to offset an Investor's income in subsequent years.

Capital losses of an individual taxpayer (including those that are part of an Investor's distributive share of the Fund's tax items) generally are deductible to the extent of the Investor's capital gains and any excess capital losses are deductible up to $3,000 per year ($1,500 for a married individual filing a separate return). An individual's capital losses which otherwise are deductible in a given year, but exceed these limits, can be carried forward indefinitely for possible deduction in later taxable years. Capital losses of a corporation generally are deductible to the extent of its capital gains. Capital losses of a corporation which otherwise are deductible, but which exceed its capital gains for the taxable year, generally are subject to a three year carryback and five year carryover period.

Section 469 of the Code disallows the deduction by an individual, estate, trust, or personal service corporation or, with modifications, certain closely-held corporations of passive activity losses against non-passive activity income. Passive activity losses can only offset passive activity income, not wages or portfolio income (such as dividends, interest, annuities and royalties). Any passive activity losses in excess of passive activity income in one year may be used to offset passive activity income in future years or upon the disposition of the investor's entire interest in the passive activity.

Under the temporary and final Treasury regulations promulgated under the passive tax rules of Section 469 of the Code, all or substantially all of the income or loss generated by the Fund is expected to arise from non-passive activities. As a result, income generated by the Fund is not expected to be passive activity income, but portfolio income; any passive losses generated by other activities of an Investor is not expected to be deductible against such Investor's allocable share of income generated by the Fund. Furthermore, it is expected that an Investor's share of any losses generated by the Fund (such as from investment interest, investment expenses and capital loss) will generally be deductible without regard to the passive loss rules (although the deductibility of those losses may be otherwise limited as discussed herein).

Code Section 163(d) imposes limitations on the deductibility of "investment interest" by non-corporate taxpayers. "Investment interest" generally is defined as interest paid or accrued on indebtedness allocable to property held for investment. Investment interest is deductible only to the extent of net investment income. Investment interest which cannot be deducted for any year because of the foregoing limitation may be carried forward and allowed as a deduction in a subsequent year to the extent the taxpayer has net investment income in such year. The Fund will report to Investors for each year their share of the Fund's investment interest expense, the Investor's deduction of which will be subject to the investment interest limitation. Any investment interest expense disallowed under the investment interest rules generally can be deducted in a later year if the Investor has sufficient net investment income.

Miscellaneous itemized deductions (including investment expenses) of non corporate taxpayers are allowable only to the extent that they exceed 2% of the taxpayer's adjusted gross income. Accordingly, if for any taxable year the Fund's activities fail to rise to the level of a "trade or business" for federal income tax purposes, the deduction by such an Investor of its distributive share of the Fund's Management Fees and other investment expenses will be subject to this 2% limitation. Although it is not anticipated that, in such event, this limitation would apply to the Incentive Allocation made to the Manager, the IRS could take the position that this limitation applies with respect to all or a portion of the Incentive Allocation, and it is unclear whether such position would prevail in court. Certain legislative initiatives, if developed into law, may, however, require all or some portion of the Incentive Allocation to be treated as a fee, which may cause this limitation to apply. In addition, an Investor's deductible portion of miscellaneous itemized deductions may be further limited by other Code provisions. Similar limitations may apply to the Fund's share of the investment expenses of the Portfolio.

An Investor will not be allowed to deduct currently such Investor's share of any expenses incurred in connection with the organization of a Fund. Any such expenses must be amortized or capitalized. An election may be made by the Fund to amortize organizational expenses over a 180-month period for tax purposes. In addition, an Investor will not be allowed to deduct currently or amortize such Investor's share of any expenses incurred in connection with the offering of Interests. Any such expenses must be capitalized. The Manager may bear a portion of these expenses, and may pay placement agents for services rendered in connection with the sale of Interests in the Funds. In such event, the IRS could take the position that some portion of

Management Fees represents a reimbursement of the amounts so borne or paid by the Manager, and therefore require that such amounts be amortized or capitalized. It is not clear whether such a position would prevail in court.

The foregoing discussion is intended to summarize some of the Code provisions that may limit an Investor's tax deductions for losses and expenses with respect to the Fund and does not purport to be a comprehensive analysis or a complete list of all such Code provisions. Each prospective Investor should consult its tax adviser to determine the extent to which the deduction of its distributive share of the Fund's losses and expenses may be limited.

Alternative Minimum Tax

Both individual and corporate taxpayers could be subject to an alternative minimum tax ("**AMT**") if the AMT exceeds the income tax otherwise payable by the taxpayer for the year. Due to the complexity of the AMT calculations, Investors should consult with their tax advisers as to whether the investment in the Fund might create or increase AMT liability.

Capital Gains

An individual or other non corporate taxpayer generally is subject to a reduced rate of tax on net capital gains from the disposition of certain capital assets held more than one year. A maximum 28% rate applies, however, to long-term capital gains attributable to dispositions of precious metals and other "collectibles." Capital gains from dispositions of property held for one year or less are generally taxed at the same rate as ordinary income (excluding certain qualified dividend income, which is taxed at a maximum 20% rate). Furthermore, an additional 3.8% Medicare tax is imposed on certain net investment income (including interest, dividends, annuities, royalties, rents and net capital gains) of U.S. individuals, estates and trusts to the extent that such person's "modified adjusted gross income" (in the case of an individual) or "adjusted gross income" (in the case of an estate or trust) exceeds a threshold amount. Net capital gains of corporations are taxed the same as ordinary income, with a maximum tax rate of 35%.

Effect of Ownership of Tax-Exempt Obligations on Interest Deductions

Code Section 265(a)(2) disallows any deductions for interest paid by a taxpayer on indebtedness incurred or continued for the purpose of purchasing or carrying tax-exempt obligations. The IRS announced in Revenue Procedure 72-18, 1972-1 C.B. 740, that the proscribed purpose will be deemed to exist with respect to indebtedness incurred to finance a "portfolio investment." Therefore, in the case of an Investor owning tax-exempt obligations, the IRS might take the position that any interest paid by an Investor in connection with the purchase of Interests should be viewed as incurred to enable the Investor to continue carrying tax-exempt obligations, and that such Investor should not be allowed to deduct his full allocable share of interest on those borrowings. In addition, pursuant to Revenue Procedure 72-18, each Investor will be treated as incurring its share of any indebtedness incurred by the Fund. Therefore, an Investor owning tax-exempt obligations could be denied a deduction for its share of any interest expense incurred by the Fund to purchase securities or other portfolio investments.

Termination of the Fund for Federal Income Tax Purposes

If within a 12-month period there is a sale or exchange of 50% or more of the interests in Fund capital and profits, a termination of the Fund will occur for federal income tax purposes, and the taxable year of the Fund will close. If such a termination occurs, (i) the property of the Fund will be deemed contributed to a new partnership in exchange for interests in that partnership which are then deemed distributed to the purchasing Investor and the continuing Investors and (ii) the Fund will be treated as having exchanged its entire interest in the Portfolio. Such a termination could result in the bunching of income by accelerating Fund income for that year to Investors whose fiscal years differ from that of the Fund. The Operating Agreement provides that, except as otherwise required by law, no Investor may assign or otherwise transfer his Interest, in whole or in part, without the prior written consent of the Manager, which consent may be conditioned, granted or withheld, in its sole discretion. There can be no assurance, however, that a transfer of an Interest in violation of the Operating Agreement will not cause a termination of the Fund for tax purposes.

Audit of Tax Returns

If the information returns filed by the Fund are audited, any adjustments in tax liability with respect to Fund items will be made at the Fund level in unified proceedings before the IRS and the courts, rather than in separate proceedings involving each Investor. If the Manager invests in the Fund as an Investor, the Manager will serve as the "tax matters partner" (the "**TMP**"). If the Manager does not so invest, the Manager will select an Investor to constitute the TMP. The TMP has authority to negotiate or to contest proposed adjustments, unless under certain permitted circumstances an individual Investor affirmatively acts to contest such proposed adjustments on its own behalf. Audit at the Fund level may require the extension of the three-year statute of limitations on assessments of deficiencies with respect to Fund items included in Investors' returns. While the Manager believes the tax treatment to be afforded the Fund will be correct and proper, there can be no assurance that the Fund will not be audited and that adjustments will not be made.

Tax Shelter Reporting

The Fund and/or the Portfolio may engage in transactions or make investments that would subject the Fund, its investors and/or its "material advisers," as defined in U.S. Treas. Reg. Sec. 301.6112-1(c)(1), to special rules requiring such transactions or investments by the Fund or investments in the Fund to be reported and/or otherwise disclosed to the IRS, including to the IRS's Office of Tax Shelter Analysis (the "**Tax Shelter Rules**"). A transaction may be subject to reporting or disclosure if it is described in any of several categories of transactions, which include, among others, transactions that result in the incurrence of a loss or losses exceeding certain thresholds or that are offered under certain conditions of confidentiality. Although neither the Fund nor the Portfolio expects to engage in transactions solely or principally for the purpose of achieving a particular tax consequence, there can be no assurance that the Fund or the Portfolio will not engage in transactions that trigger the Tax Shelter Rules. In addition, an Investor may have disclosure obligations with respect to its Interest in the Fund if the Investor (or the Fund in certain cases) participates in a reportable transaction. **Investors should consult their own tax advisers about their obligation to report or disclose to the IRS**

information about their investment in the Fund and participation in the Fund's income, gain, loss, deduction or credit with respect to transactions or investments subject to these rules. In addition, pursuant to these rules, the Fund may provide to its advisers identifying information about the Fund's Investors and their participation in the Fund and the Fund's income, gain, loss, deduction or credit from those transactions or investments, and the Fund or its advisers may disclose this information to the IRS upon its request. Significant penalties apply for failure to comply with these rules.

Tax Elections

The Fund and the Portfolio may make various elections for federal income tax purposes which could result in certain items of income, gain, loss, deduction and credit being treated differently for tax and accounting purposes.

The Code generally permits a partnership to elect to adjust the basis of its property on the sale or exchange of a partnership interest, the death of a partner and on the distribution of property to a partner (a "754 election"), except in certain circumstances in which such adjustments are mandatory. Such adjustments generally are mandatory in the case of a transfer of a partnership interest with respect to which there is substantial built-in loss, or a distribution of partnership property which results in a substantial basis reduction. A substantial built-in loss exists if a partnership's adjusted basis in its assets exceeds the fair market value of such assets by more than $250,000. A substantial basis reduction results if a downward adjustment of more than $250,000 would be made to the basis of partnership assets if a 754 election were in effect. The general effect of such an election or mandatory adjustment is that transferees of partnership interests are treated as though they had acquired a direct interest in partnership assets. Any such election, once made, may not be revoked without the IRS's consent. Although the Operating Agreement generally authorizes the Manager, at its option, to cause the Fund to make this election (or any other elections permitted under the Code), because of the tax accounting complexities inherent in making this election to adjust the basis of Fund property, the Manager may decide not to do so in circumstances in which such adjustments are not required. The Manager is unlikely to make a 754 election in circumstances in which such adjustments are not required. The absence of this election and of the power to compel the making of such election may, in some circumstances, result in a reduction in value of Interest to a potential transferee.

Original Issue Discount

Investments in certain debt securities may require the Fund, and thus the Investors, to recognize interest income which exceeds the amount of interest currently payable on the securities. These securities include, for example, securities which have original issue discount. A portion of this imputed interest income accruing on certain high yield original issue discount securities issued by corporations may be eligible for the deduction for dividends received by corporations, in the case of corporate Investors.

Market Discount

The Fund, directly or indirectly through the Portfolio, may purchase bonds at a purchase price that has been reduced below the bond's face value, usually as a result of the financial condition of the issuer. This difference between the bond's face value and its purchase price, known as "market discount," generally accrues ratably on a daily basis from the day following the date of purchase of the bond to the bond's maturity date.

Absent an election to include the market discount in income as it accrues (on a constant interest basis), the amount of accrued market discount will not be included in income on a current basis. Instead, any gain derived by the Fund from the disposition of the market discount bond will be taxed as ordinary income to the extent of the accrued market discount. If the Fund holds a market discount bond to maturity and does not make the election referred to above, the Fund must report the entire amount of the market discount as ordinary income when the bond is paid.

If the Fund incurs or continues any indebtedness in order to purchase or carry a market discount bond, any otherwise allowable deductions for interest paid on the indebtedness will be deferred until the market discount is included in income.

Bad Debts

Generally, even though the Fund may be an accrual basis taxpayer, the Fund may not need to accrue interest on bonds while the debtor-corporation is in bankruptcy, since evidence of bankruptcy may demonstrate the uncollectibility of an interest payment. Any interest which has been accrued as income, but remains unpaid, may be deducted as a bad debt subject to the limitations on the deduction of bad debts under Code Section 166. The determination of whether a debt is worthless and the proper taxable year for claiming a deduction must be made based on all pertinent evidence. In many cases, it may be difficult to make these determinations with certainty. Amounts attributable to the recovery of a bad debt which were allowed as an ordinary deduction in a prior taxable year generally must be included as ordinary income in the year of recovery.

Modifications and Exchanges of Debt Obligations

A modification of the terms of a debt instrument held by the Fund may be treated as an exchange of the original debt instrument for the modified instrument, resulting in current taxation of income and gain.

If, as a result of a bankruptcy organization, the Fund were to receive new securities in exchange for securities that it held, the Fund would recognize interest income on the exchange to the extent that the Fund receives property attributable to the unpaid, accrued interest which it had not yet taken into income.

Timing and Character of Income

The Fund's income and gains, if any, may consist of ordinary income, short-term capital gains and/or long-term capital gains. The investment strategies of the Portfolio and the Fund, including certain investments and hedging transactions, may result in the Fund being subject to special tax rules (including Code Section 988 (relating to non-U.S. currency transactions), "short sale" rules, "wash sale" rules, "straddle" rules, mixed straddle rules, Code Section 1256 (relating generally to marking to market of certain futures and other contracts), conversion transaction rules and Code Section 1259 (constructive sale rules)) that defer taxable losses or accelerate taxable income, cause Investors to be taxed on amounts not representing economic income, cause adjustments in the holding periods of securities, convert long-term capital gains into short-term capital gains or ordinary income or convert short-term capital losses into long-term capital losses.

For instance, a short sale ordinarily will not result in a gain or loss until the short seller delivers property to cover its prior sale, except that under the "constructive sale" rules of Section 1259 of the Code, any gain from a short sale against certain appreciated financial positions held by the short seller must generally be recognized at the time of such short sale, rather than upon the closing of such short sale. In certain circumstances, capital gain from the closing of a short sale will be treated as short-term capital gain and capital loss from such closing will be treated as long-term capital loss. In addition, under the constructive sale rules of Section 1259 of the Code, a taxpayer may be required to currently recognize gain with respect to certain appreciated financial positions held by such taxpayer if the taxpayer (or a related person): (i) enters into an "offsetting notional principal contract" with respect to the same or substantially identical property constituting such appreciated financial position; (ii) enters into a futures or forward contract to deliver the same or substantially identical property constituting such appreciated financial position; (iii) in the case of an appreciated financial position that is a short sale or contract described in (i) or (ii) with respect to any property, acquires the same or substantially identical property underlying such short position or contract or (iv) enters into a short sale of the same or substantially similar property (and in certain other cases).

In the case of Portfolio or Fund transactions involving certain futures and forward foreign currency contracts and listed options, Code Section 1256 generally will require any gain or loss arising from the lapse, closing out or exercise of such positions to be treated as 60% long-term and 40% short-term capital gain or loss, although foreign currency gains and losses arising from certain of these positions may be treated as ordinary income and loss. In addition, the Fund generally will be required to mark to market (*i.e.*, treat as sold for fair market value) each such position which it holds at the close of each taxable year.

Generally, the hedging transactions undertaken by the Portfolio and the Fund may result in "straddles" for U.S. federal income tax purposes. The straddle rules may affect the character of gains (or losses) realized by the Fund. In addition, losses realized by the Fund on positions that are part of a straddle may be deferred under the straddle rules, rather than being taken into account in calculating the taxable income for the taxable year in which the losses are realized. Also, Investors holding positions in personal property which offset positions held by the Fund may be treated as holding straddles. Because only a few regulations implementing the straddle rules have been promulgated, the tax consequences to the Fund and its Investors of engaging in hedging transactions are not entirely clear.

Furthermore, tax rules may aggregate positions held by an Investor outside of the Fund with positions held by the Portfolio and the Fund, causing the Investor to recognize taxable income in excess of economic income, causing adjustments in the holding periods of securities, converting long-term capital gains into short-term capital gains or ordinary income or converting short-term capital losses into long-term capital losses.

Investment by Qualified Retirement Plans and Other Tax-Exempt Investors

Qualified pension and profit-sharing plans (including Keogh or HR-l0 Plans), Individual Retirement Accounts ("**IRAs**"), educational institutions and other Investors exempt from taxation under Code Section 501 are generally exempt from federal income tax except to the extent that they have unrelated business taxable income ("**UBTI**"). UBTI is income from an unrelated trade or business regularly carried on, excluding various types of permissive investment income such as dividends, interest, and capital gains (so long as not derived from debt-financed property).

To the extent that an Investor has borrowed to finance its interest in the Fund or the Portfolio or the Fund holds property that constitutes debt-financed property or property primarily for sale to customers ("dealer" property), income attributable to such property received by an exempt organization which has acquired an equity interest in the Fund may constitute UBTI. Debt-financed property generally includes securities purchased with borrowed funds, such as securities purchased on margin. The IRS may take the position that certain of the Portfolio's or the Fund's investments in derivative instruments should be reclassified in a manner that gives rise to UBTI. In addition, UBTI realized by a Fund investment in a partnership or other pass-through entity (including the Portfolio and any partnerships in which the Portfolio invests) must be taken into account by tax-exempt organizations which are Investors in the Fund. UBTI in excess of $1,000 in any year is taxable and may result in an alternative minimum tax liability. The Fund expects to have a significant amount of UBTI.

Under current law, the receipt of any amount of UBTI in a year by a charitable remainder trust will subject such trust to a 100% excise tax on all of its UBTI for that year. For this reason, an investment in the Fund may be unsuitable for such trusts.

In view of the special issues potentially presented by UBTI, a tax-exempt Investor should consult its tax adviser before purchasing an Interest. It will be the responsibility of any tax-exempt Investor investing in the Fund to keep its own records with respect to UBTI and file its own IRS Form 990-T with respect thereto.

Passive Foreign Investment Company Rules.

If the Fund (directly or indirectly through the Portfolio) were to invest directly or indirectly in non-U.S. entities that generate largely passive investment type income, or which hold a significant percentage of assets which generate such income (referred to as "passive foreign investment companies" or "PFICs"), such investments would be subject to special tax rules designed to prevent deferral of U.S. taxation of the Fund's and, in turn, each Investor's share of the PFIC's earnings. In the absence of certain elections to report these earnings on a current basis, regardless of whether the Fund were to actually receive any distributions from the PFIC, the Investors would be required to report certain "excess distributions" from, and any gain from the disposition of stock of, the PFIC as ordinary income. This ordinary income would be allocated ratably to the Fund's holding period for the stock. Any amounts allocated to prior taxable years would be taxable at the highest rate of tax applicable in that year, increased by an interest charge determined as though the amounts were underpayments of tax.

Reporting Obligations

The Fund and its Investors may be subject to additional U.S. tax information reporting obligations as a result of the Fund's direct or indirect investment in the Portfolio and other non U.S. entities. Each U.S. person which is deemed to be a direct or indirect PFIC shareholder also will be required to report annually such information as the U.S. Department of the Treasury shall require, regardless of whether such person has received any PFIC income or distributions in a given taxable year. Individuals holding foreign financial assets having an aggregate value of more than $50,000 generally will be required to disclose such holdings with such individual's U.S. tax returns. Significant penalties may apply to failures to disclose required information. Investors should consult their own U.S. tax advisors regarding any reporting responsibilities.

Currency Transactions

Under the Code, gains or losses attributable to fluctuations in exchange rates which occur between the time the Fund, directly or indirectly through the Portfolio, accrues receivables or liabilities denominated in a non-U.S. currency and the time the Fund or the Portfolio, as applicable, actually collects such receivables or liabilities generally are treated as ordinary income or loss. Similarly, on disposition of debt securities denominated in a foreign currency and on disposition of certain options, futures and foreign currency contracts, gains or losses attributable to fluctuations in the value of foreign currency between the date of acquisition of the security or contract and the date of disposition also are treated as ordinary gain or loss.

Withholding Taxes

The Portfolio and the Fund may incur (directly or indirectly) taxes, fees or other charges under applicable law with respect to any Investor. Such taxes may be treated as a distribution to that Investor and thus would reduce the value of such Investor's capital account. With proper documentation, certain Investors may be able to claim treaty benefits under an applicable tax treaty. However, the Fund will provide information regarding withholding taxes only in the discretion of the Manager and any expenses incurred in connection with obtaining treaty benefits in respect of any Investor will, at the option of the Manager, be charged to the Investor. Subject to applicable limitations, an Investor that is a U.S. person may be entitled to claim a credit or deduction for its allocable share of a non-U.S. withholding tax incurred by the Fund. Investors are urged to consult their own tax advisers regarding any applicable tax conventions between their income tax jurisdiction and the relevant non-U.S. country with respect to the Fund's non-U.S. source income.

Non-U.S. Investors

Non-U.S. Investors may be subject to U.S. tax rules that differ significantly from those summarized herein. For example, among other things, the Fund may be required to withhold tax on the Investor's share of certain items of the Fund's income and a non-U.S. Investor could be required to file U.S. tax returns.

Furthermore, pursuant to FATCA, a non-U.S. Investor (other than an individual) may be subject to U.S. federal withholding taxes (at a 30% rate) on payments of certain amounts made to the non-U.S. Investor ("withholdable payments"), unless the non-U.S. Investor complies (or is deemed compliant) with applicable reporting and withholding requirements. Withholdable payments generally include interest (including original issue discount), dividends, rents, annuities, and other fixed or determinable annual or periodical gains, profits or income, if such payments are derived from U.S. sources, as well as (effective January 1, 2017) gross proceeds from dispositions of securities that could produce U.S. source interest or dividends. Income which is effectively connected with the conduct of a U.S. trade or business is not, however, included in this definition. To avoid the withholding tax, unless deemed compliant, an affected non-U.S. Investor will be required to identify and disclose certain identifying and financial information about certain U.S. account holders or investors, and in certain circumstances may be required to withhold tax (at a 30% rate) on withholdable payments and related payments made to any account holder or investor which fails to furnish the requested information.

All Investors will be required to obtain U.S. taxpayer identification numbers and furnish appropriate documentation certifying as to their U.S. or non-U.S. tax status, together with such additional tax information as the Manager may from time to time request. Failure to furnish requested information or (if applicable) satisfy its FATCA obligations may subject an Investor to withholding taxes and/or mandatory withdrawal of such Investor's interest in the Fund. Non U.S. Investors should consult their tax advisers before investing in the Fund.

STATE AND LOCAL TAX CONSIDERATIONS

In addition to the U.S. federal income tax consequences summarized above, prospective investors should consider potential U.S. state and local tax consequences of an investment in the Fund. U.S. state and local tax laws often differ from U.S. federal income tax laws. For example, if the Portfolio were to take possession, store and sell physical commodities, that could have sales and use tax consequences as well as income tax consequences in the state in which the activity occurred. Prospective investors should seek U.S. state and local tax advice based on the investor's particular circumstances from an independent advisor with respect to any investment in the Fund.

California Taxation of Nonresident Investors

Nonresidents of California are subject to California tax only on California source income. If a nonresident is a partner of an "investment partnership," California source income does not include dividends, interest, or gains and losses from the partnership's "qualifying investment securities." The Fund and the Portfolio will be treated as partnerships for California as well as federal tax purposes. To qualify as an investment partnership, the Portfolio must meet both of the following requirements:

- 90 percent or more of the Portfolio's cost of its total assets must consist of qualifying investment securities, deposits at banks or other financial institutions, and office space and equipment reasonably necessary to carry on its activities as an investment partnership.

- 90 percent or more of the Portfolio's gross income must consist of interest, dividends and gain from the sale or exchange of qualifying investment securities.

Because an interest in an investment partnership is itself treated as a qualifying investment security, if the Portfolio is an investment partnership, the Fund will also be an investment partnership. On March 25, 2010, the California Franchise Tax Board issued a Chief Counsel Ruling providing that commodity-linked derivative securities, including swaps, structured notes, options, futures and forwards, are qualifying investment securities. The Fund and the Portfolio expect to take the position that these and all other types of Portfolio investments constitute qualifying investment securities and that the Portfolio qualifies as an investment partnership. However, given the lack of guidance regarding some of the instruments in which the Portfolio may invest, there can be no assurance that all such instruments will be treated as qualifying investment securities. Moreover, physical possession of commodities would generally not constitute an investment security. Consequently, there is no assurance that the Portfolio will qualify as an investment partnership.

If the Portfolio does not qualify as an investment partnership, an investor may be required to treat its share of the Fund's income as California-source income subject to California tax, and the Portfolio or the Fund may be required to withhold California tax on distributions of California-source income to nonresident investors.

ERISA AND CERTAIN OTHER CONSIDERATIONS

ERISA and Section 4975 of the Code impose requirements and obligations on those employee benefit plans to which they apply and on those persons who are fiduciaries with respect to such plans. Title I of ERISA applies to employee pension benefit plans and employee welfare benefit plans ("**ERISA Plans**") other than governmental plans, certain church plans, and plans principally maintained for foreign employees. Section 4975 of the Code applies to ERISA Plans that are qualified for favorable treatment under Section 401(a) and certain other Sections of the Code, and also applies to IRAs that are not part of an employer-sponsored plan, and to retirement plans qualified under Section 401(a) of the Code that are not subject to Title I of ERISA because they do not cover common law employees or cover only a sole shareholder of, or a husband and wife who own (together or individually) 100% of, a corporation sponsoring the plan ("**Non-ERISA Qualified Plans**", and collectively with ERISA Plans, the "**Plans**").

General Investment Considerations

Although, as discussed below, the Manager expects to be treated as a fiduciary to members that are ERISA Plans with respect to their assets invested in the Fund and the Portfolio, neither the Manager or Manager Affiliates nor the Administrator or any of their agents, employees or affiliates (i) makes any representation with respect to whether Interests in the Fund are a suitable investment for any such Plan, and (ii) will act as a fiduciary to any investing Plan with respect to the Plan's decision to invest assets in the Fund. Before authorizing an investment in the Fund, fiduciaries of a prospective ERISA Plan investor, in consultation with their advisers, should carefully consider the application of ERISA and regulations and administrative interpretations issued by the U.S. Department of Labor (the "**DOL**") to an investment in the Interests. Among other considerations, a fiduciary of an ERISA Plan should take into account and is responsible for concluding that an investment in the Fund is permitted under the governing ERISA Plan instruments and is appropriate for the ERISA Plan. Fiduciaries of Non-ERISA Qualified Plans should consider whether an investment in the Fund is permitted under the governing Plan instruments and is otherwise appropriate for the Non-ERISA Qualified Plan.

Certain "Plan Assets" Considerations

Under regulations promulgated by the DOL, as modified by Section 3(42) of ERISA (the "**Plan Asset Rule**"), an undivided portion of the assets of the Portfolio will be deemed to be "plan assets" subject to the fiduciary, prohibited transaction and certain other provisions of ERISA if, in general terms, any Investor in the Fund is an ERISA Plan and more than 25% of the Interests of the Portfolio are held by "Benefit Plan Investors" (as defined below), as determined under the Plan Asset Rule, unless an exception under the Plan Asset Rule applies.

A "**Benefit Plan Investor**," as defined in the Plan Asset Rule, is (i) an "employee benefit plan" as defined in ERISA and subject to Part 4 of Subtitle B of Title I of ERISA, (ii) a "plan" as defined in and subject to Section 4975 of the Code (including, without limitation, an individual retirement account), or (iii) any entity whose underlying assets are deemed for purposes of ERISA or Section 4975 of the Code to include "plan assets" by reason of such plan investment in the entity or otherwise. A "Benefit Plan Investor" will also include any portion of any insurance company's general account assets that is considered to be "plan assets" for purposes of ERISA or Section 4975 of the Code. For purposes of the 25% test described above (the "**25% Limit**"), the value of any Interests held by a person (other than a Benefit Plan Investor) who has discretionary authority or control with respect to the assets of the Portfolio or who provides investment advice with respect to such assets (such as the Manager), or any affiliate of such person, are disregarded.

The Fund and the Portfolio anticipate that investment in the Portfolio by Benefit Plan Investors may exceed the 25% Limit, and that assets of the Portfolio may therefore be deemed to be "plan assets" under the Plan Asset Rule.

Fiduciaries of ERISA Plans that are prospective members should review with their counsel, among other things, the fiduciary rules governing a decision to invest in and to continue investments in the Fund, including responsibilities with respect to the delegation of fiduciary responsibility to the Manager of the Portfolio and potential co-fiduciary liabilities and risks that may arise after the investment is made. The Subscription Agreement provides for execution on behalf of a member by a fiduciary who has the authority to appoint "investment managers" pursuant to section 402(c)(3) of ERISA, and for the appointment of the Manager of the Portfolio by such fiduciary as an investment manager. The Manager of the Portfolio acknowledges that it will be a fiduciary (within the meaning of Section 3(21)(A) of ERISA) of Investors that are ERISA Plans.

Prohibited Transactions

A prohibited transaction involving an ERISA Plan, unless an exemption were available, generally could subject an interested party to an excise tax and to certain remedial measures imposed by ERISA; a prohibited transaction involving a Non-ERISA Qualified Plan, such as an individual retirement account could result in its disqualification as well as an excise tax. If a prohibited transaction occurs for which no statutory or administrative exemption is available, then, among the possible adverse results, each participating party in interest (including the Manager) involved could be subject to an excise tax equal to 15% of the amount involved in the prohibited transaction for each year the transaction continues and, unless the transaction is corrected within statutorily required periods, to an additional tax of 100%.

Section 406 of ERISA (and corresponding provisions of Section 4975 of the Code) prohibit certain transactions involving the assets of a Plan and persons who have certain specified relationships to the Plan (so-called "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of Section 4975 of the Code), unless a statutory or administrative exemption is available. One such administrative exemption, Prohibited Transaction Class Exemption 84-14, permits a "qualified professional asset manager" ("**QPAM**") to act on behalf of a Plan regarding transactions that otherwise would be prohibited transactions. The Manager intends to qualify as a QPAM. One or more other exemptions may also exempt certain party-in-interest transactions engaged in by the Fund from the prohibited transaction rules of ERISA and Section 4975 the Code. Where no exemption is available, the Manager will endeavor to avoid engaging in any transaction that it knows, or reasonably should know, is a prohibited transaction with respect to any Plan investor. However, if any existing investment should become a prohibited transaction because a Plan or its sponsor has entered into a transaction or relationship which has caused a person with whom the trust is dealing to become a "party in interest" or a "disqualified person," and such newly-acquired status would cause an existing investment to constitute a non-exempt prohibited transaction, the Manager may require the relevant Plan investor to redeem its Interests in the Fund. Each Investor that is a Plan will be required to furnish such information to the Fund from time to time to enable the Manager to comply with the prohibited transaction provisions of ERISA and Section 4975 of the Code, or applicable statutory or administrative exemptions therefrom, as requested by the Manager.

In addition, generally, the DOL has issued favorable advisory opinions under certain prohibited transaction rules regarding fees based on assets under management under narrow circumstances (*i.e.*, where each of the investing Plans has assets of at least $50,000,000 and has not invested more than 10% of its assets under the arrangement, and certain other circumstances are present). The Fund will not necessarily limit its structure to conform to those structures with respect to which the DOL has issued favorable opinions in this regard, and will not be seeking a ruling, or relief, regarding its fee structure.

Certain Miscellaneous Issues

In general, ERISA requires that the indicia of ownership of all Plan assets be maintained within the jurisdiction of the U.S. district courts. The DOL has issued regulations that permit a Plan fiduciary to maintain the indicia of ownership of certain securities and foreign currency outside the jurisdiction of the U.S. courts if specified conditions are satisfied.

Fiduciaries of Plans are required to file annual reports with the DOL and the Internal Revenue Service that set forth the current value and other information with respect to the assets of such Plans. For the purpose of this requirement, fiduciaries must include information with respect to the Plans' interest in entities, such as the Fund, that are treated as holding plan assets, unless the entity files such information directly with the DOL in accordance with an alternative procedure. If the Fund does not file the requisite information directly with the DOL, the Fund will provide, through the reports provided to investors or upon request, the information reasonably necessary to enable Plan Investors to comply with the applicable reporting requirements, to the extent such information is available.

Among the other issues that might arise if the assets of the Fund were to be “plan assets” are issues relating to bonding. The Fund intends to cause such bonding requirements resulting from the operation of the Fund to be satisfied, or confirm that they are otherwise satisfied.

Certain activities that the Portfolio may undertake could raise special issues under ERISA and Section 4975 of the Code. For example, trading in non-U.S. currency may raise issues under applicable ERISA rules governing custody (particularly in the case of direct trading) and under applicable ERISA and Code rules governing prohibited transactions (particularly in the event of trading for other than hedging purposes), and investment in affiliated funds may raise issues under applicable ERISA and Code rules governing prohibited transactions. The Manager will endeavor to consider such matters if relevant with respect to the Portfolio, to the extent implicated by the Portfolio's actual activities.

Regardless of whether the assets of the Portfolio are “plan assets” for purposes of ERISA and Section 4975 of the Code, the assets of the Fund may constitute “plan assets.” Thus, the issues discussed above regarding custody, reporting and bonding may apply in respect to the Fund regardless of whether they apply in respect of the Portfolio. With respect to any possible application of ERISA's (and the Code's) other fiduciary rules to the Fund if the Fund’s assets are “plan assets,” it is noted that the Fund’s investable assets will be invested specifically in the Portfolio.

Governmental Plans and Certain Other Plans

Governmental plans, as defined in Section 3(32) of ERISA, and certain church and other plans, are not subject to Title I of ERISA or Section 4975 of the Code. However, other federal, state and local laws applicable to such plans may have provisions that impose restrictions on the investments and management of the assets of such plans that are, in some cases, substantially similar to those under ERISA and Section 4975 of the Code discussed above. Fiduciaries of such plans, in consultation with their advisers, should consider the impact of any such federal, state or local laws and regulations on investments in the Fund, as well as the considerations discussed above to the extent applicable.

Certain Other Considerations

The discussion of ERISA and other considerations contained in this Memorandum is, of necessity, general and limited to regulations and ruling in effect as of the date hereof, and does not purport to be complete. Therefore, prospective Investors considering an investment in the Fund should consult with their own counsel and advisers with respect to the ERISA, Code and other considerations of making any investment in the Fund (and, particularly in the case of Investors not subject to ERISA, any additional state or local law considerations that may be applicable).

Investors in the Fund that are subject to ERISA may, under certain circumstances, have special redemption rights. See “REDEMPTIONS, TRANSFERS AND DIVIDENDS—Redemptions.”

The sale of Interests in the Fund to an employee benefit plan is in no respect a representation by the Fund, the Manager, the Manager Affiliates or the Administrator that this investment meets all relevant legal requirements with respect to investments by plans generally or any particular plan, or that this investment is appropriate for plans generally or any particular plan.

BEFORE MAKING AN INVESTMENT IN THE FUND, ANY PLAN FIDUCIARY SHOULD CONSULT ITS LEGAL ADVISER CONCERNING THE ERISA, TAX AND OTHER LEGAL CONSIDERATIONS OF SUCH AN INVESTMENT.

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