THIRD POINT

THIRD POINT OFFSHORE MASTER FUND L.P.

FINANCIAL STATEMENTS

Year ended December 31, 2012

With Report of Independent Auditors

Contents

ERNST & YOUNG

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Report of Independent Auditors

To the General Partner of
Third Point Offshore Master Fund L.P.

We have audited the accompanying financial statements of Third Point Offshore Master Fund L.P. (the "Partnership"), which comprise the statement of financial condition, including the condensed schedule of investments, as of December 31, 2012, and the related statements of income, changes in partners' capital and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Partnership's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Third Point Offshore Master Fund L.P. at December 31, 2012, and the results of its operations, the changes in its partners' capital and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

March 22, 2013

Statement of Financial Condition

December 31, 2012

(Stated in United States Dollars)	$
Assets	
Cash	5,161,858
Investments in securities and commodities, at fair value (cost $4,755,272,191)	5,390,340,814
Due from brokers	763,840,148
Securities purchased under an agreement to resell	317,463,766
Net unrealized gain on derivative contracts, at fair value (including net upfront fees paid and cost of $49,162,798)	119,082,263
Interest and dividends receivable	11,578,297
Other assets	4,556,155
Total assets	**6,612,023,301**
Liabilities and Partners' Capital	
Securities sold, not yet purchased, at fair value (proceeds $957,897,014)	968,523,678
Due to brokers	322,160,554
Net unrealized loss on derivative contracts, at fair value (cost $3,363,950)	29,208,754
Redemption payable to Feeder	188,731,740
Interest and dividends payable	7,258,504
Accrued expenses	3,780,748
Total liabilities	**1,519,663,978**
Partners' capital	**5,092,359,323**
Total liabilities and partners' capital	**6,612,023,301**

See accompanying notes.

Condensed Schedule of Investments

December 31, 2012

(Stated in United States Dollars) Description	Shares	Fair Value $	Percentage of Partners' Capital %
Investments in Securities and Commodities			
Equity Securities			
North America:			
Aerospace and Defense		9,722,468	0.19
Alternative Energy		15,780,621	0.31
Banks		179,810,942	3.52
Biotechnology		61,676,834	1.21
Building and Construction		51,206,764	1.01
Chemicals		111,456,921	2.19
Consumer Products		90,708,438	1.78
Food and Beverages		104,511,396	2.05
Industrial Machinery		41,951,168	0.82
Insurance			
American International Group, Inc.	8,688,100	306,689,930	6.03
Internet			
Yahoo! Inc.	36,417,700	724,712,230	14.23
Other		110,064,168	2.16
Total Internet		834,776,398	16.39
Media		167,135,528	3.28
Oil and Gas		364,822,956	7.16
Paper and Related Products		28,063,296	0.55
Pharmaceuticals		63,090,014	1.24
Real Estate		25,257,815	0.50
Retail Stores		75,789,190	1.49
Software and Services		16,365,492	0.32
Technology		17,865,932	0.36
Total North America (cost $2,212,890,238)		**2,566,682,103**	**50.40**
Europe:			
Automobile Parts and Equipment (cost $159,531,748)		179,631,715	3.53
Asia-Pacific:			
Airlines (cost $37,099,142)		32,558,633	0.64
Latin America and the Caribbean:			
Real Estate Investment Trust (cost $24,540,099)		24,803,872	0.48
Total Equity Securities (cost $2,434,061,227)		**2,803,676,323**	**55.05**

Condensed Schedule of Investments continued

December 31, 2012

Description	Fair Value $	Percentage of Partners' Capital %
Investments in Securities and Commodities (continued)		
Asset-Backed Securities		
North America:		
Mortgage	1,004,551,632	19.73
Student Loan	18,897,232	0.37
Total North America (cost $1,058,900,812)	**1,023,448,864**	**20.10**
Europe:		
Mortgage (cost $3,598,619)	3,569,171	0.07
Total Asset-Backed Securities (cost $1,062,499,431)	**1,027,018,035**	**20.17**
Affiliated Investment Fund		
Europe:		
Investment companies (cost $45,651,735)	60,932,096	1.20
Latin America and the Caribbean:		
Investment in TP Lux HoldCo LP (cost $291,998,299)	495,044,548	9.72
Total Affiliated Investment Fund (cost $337,650,034)	**555,976,644**	**10.92**
Corporate Bonds		
North America:		
Airlines	41,795,600	0.82
Banks	105,475,581	2.07
Media	46,623,926	0.92
Transportation	49,547,418	0.97
Total North America (cost $258,601,271)	**243,442,525**	**4.78**
Europe:		
Banks	58,583,378	1.15
Oil and Gas	6,330,944	0.12
Transportation	28,295,640	0.56
Total Europe (cost $91,828,737)	**93,209,962**	**1.83**
Total Corporate Bonds (cost $350,430,008)	**336,652,487**	**6.61**
Commodities		
Allocated Physical Gold Bullion (163,033 ounces)	273,137,169	5.36
Total Commodities (cost $231,549,213)	**273,137,169**	**5.36**

Description	Fair Value $	Percentage of Partners' Capital %
Investments in Securities and Commodities (continued)		
Bank Debt		
North America:		
Casinos and Gaming	42,281,388	0.83
Finance	84,586,447	1.66
Oil and Gas	224,133	0.00
Total North America (cost $102,602,201)	**127,091,968**	**2.49**
Europe:		
Banks (cost $1,693,902)	776,741	0.02
Middle East and Africa:		
Banks (cost $571,136)	315,380	0.01
Total Bank Debt (cost $104,867,239)	**128,184,089**	**2.52**
Private Securities		
Private Common Equity Securities		
North America:		
Finance	20,596,542	0.40
Healthcare	15,150,761	0.30
Software and Services	248,981	0.00
Telecommunications	1,401,908	0.03
Total North America (cost $37,030,728)	**37,398,192**	**0.73**
Middle East and Africa:		
Telecommunications (cost $11,128,688)	5,564,344	0.11
Europe:		
Finance (cost $1,869,571)	862,537	0.02
Total Private Common Equity Securities (cost $50,028,987)	**43,825,073**	**0.86**
Private Preferred Equity Securities		
North America:		
Internet	3,223,513	0.06
Media	5,454,400	0.11
Pharmaceuticals	15,892,004	0.31
Semiconductor and Equipment	2,386,375	0.05
Technology	17,780,771	0.35
Telecommunications	676,149	0.01
Total Private Preferred Equity Securities (cost $46,205,286)	**45,413,212**	**0.89**
Total Private Securities (cost $96,234,273)	**89,238,285**	**1.75**

Condensed Schedule of Investments continued

December 31, 2012

Description	Fair Value $	Percentage of Partners' Capital %
Investments in Securities and Commodities (continued)		
Trade Claims		
North America:		
Finance (cost $20,811,659)	66,741,316	1.31
Europe:		
Airlines (cost $286,775)	282,388	0.01
Total Trade Claims (cost $21,098,434)	**67,023,704**	**1.32**
Investment Funds		
North America:		
Investment Company	8,936,953	0.18
Investment in Limited Partnership	30,160,052	0.59
Total North America (cost $32,592,987)	**39,097,005**	**0.77**
Latin America and the Caribbean:		
Investment in Limited Partnership (cost $1,127,000)	1,580,618	0.03
Total Investment Funds (cost $33,719,987)	**40,677,623**	**0.80**
Sovereign Debt		
Latin America and the Caribbean:		
Republic of Argentina	40,471,080	0.80
Total Sovereign Debt (cost $36,922,197)	**40,471,080**	**0.80**
Options		
Commodity Options, Calls	641,521	0.01
Equity Options, Calls	2,591,000	0.05
Equity Options, Puts	269,533	0.01
Eurodollar, Puts	162,813	0.00
Index Options, Calls	9,156,349	0.18
Index Options, Puts	15,306,786	0.30
Total Options (cost $45,363,828)	**28,128,002**	**0.55**
Rights and Warrants		
North America:		
Alternative Energy	116,884	0.00
Metals and Mining	40,489	0.00
Total Rights and Warrants (cost $876,320)	**157,373**	**0.00**
Total Investment in Securities and Commodities (cost $4,755,272,191)	**5,390,340,814**	**105.85**

Description	Fair Value $	Percentage of Partners' Capital %
Securities Sold, not yet Purchased		
Equity Securities		
North America:		
Chemicals	13,099,050	0.26
Consumer Products	26,451,736	0.52
Education	23,998,604	0.47
Exchange Traded Fund	89,099,156	1.75
Finance	12,250,208	0.24
Food and Beverages	69,309,632	1.36
Healthcare Services	96,618,643	1.90
Internet	5,211,450	0.10
Media	51,860,476	1.02
Oil and Gas	68,148,750	1.34
Pharmaceuticals	49,402,801	0.97
Retail Stores	37,450,353	0.74
Software and Services	8,534,052	0.16
Utilities	9,262,746	0.18
Total North America (proceeds $554,539,045)	**560,697,657**	**11.01**
Asia-Pacific:		
Airlines (proceeds $13,560,274)	14,497,892	0.28
Latin America and the Caribbean:		
Airlines (proceeds $8,990,721)	7,746,293	0.16
Total Equity Securities (proceeds $577,090,040)	**582,941,842**	**11.45**
Sovereign Debt		
Europe:		
French Republic	163,280,317	3.21
Kingdom of the Netherlands	69,712,642	1.37
Republic of Austria	48,427,959	0.95
Republic of Turkey	29,294,198	0.57
Total Sovereign Debt (proceeds $300,284,616)	**310,715,116**	**6.10**
Corporate Bonds		
North America:		
Healthcare Services	10,059,995	0.20
Metals and Mining	9,910,160	0.19
Oil and Gas	10,521,025	0.21
Total North America (proceeds $29,444,584)	**30,491,180**	**0.60**

Condensed Schedule of Investments continued

December 31, 2012

Description	Fair Value/ Unrealized Gain/(Loss) $	Percentage of Partners' Capital %
Securities Sold, not yet Purchased (continued)		
Corporate Bonds (continued)		
Europe:		
Telecommunications (proceeds $18,380,001)	20,114,920	0.39
Total Corporate Bonds (proceeds $47,824,585)	**50,606,100**	**0.99**
Options		
Equity Options, Calls	11,024,520	0.21
Equity Options, Puts	2,412,840	0.05
Index Options, Calls	5,897,309	0.12
Index Options, Puts	4,925,951	0.10
Total Options (proceeds $32,697,773)	**24,260,620**	**0.48**
Total Securities Sold, not yet Purchased (proceeds $957,897,014)	**968,523,678**	**19.02**
Derivative Contracts		
Bond Futures – Short Contracts		
Asia-Pacific:		
Sovereign Debt	1,375,346	0.03
Total Bond Futures – Short Contracts	**1,375,346**	**0.03**
Commodity Future Options – Purchased		
Oil and Gas	(55,200)	(0.00)
Total Commodity Future Options – Purchased	**(55,200)**	**(0.00)**
Commodities Futures – Short Contracts		
Gold	1,062,304	0.02
Total Commodities Futures – Short Contracts	**1,062,304**	**0.02**
Contracts for Differences – Long Contracts		
Europe:		
Aerospace and Defense	441,814	0.01
Automobile Manufacturer	19,098,329	0.39
Food and Beverages	(3,913,991)	(0.08)
Media	(1,336,984)	(0.03)
Oil and Gas	3,549,597	0.07
Real Estate	486,146	0.01
Retail Stores	6,317,836	0.12
Total Europe	**24,642,747**	**0.49**

Description	Unrealized Gain/(Loss) $	Percentage of Partners' Capital %
Derivative Contracts (continued)		
Contracts for Differences – Long Contracts (continued)		
Latin America and the Caribbean:		
Building and Construction	(957,871)	(0.02)
North America:		
Banks	6,131,020	0.12
Oil and Gas	1,356,567	0.03
Total North America	**7,487,587**	**0.15**
Total Contracts for Differences – Long Contracts	**31,172,463**	**0.62**
Contracts for Differences – Short Contracts		
Europe:		
Building and Construction	(155,798)	(0.00)
Total Contracts for Differences – Short Contracts	**(155,798)**	**(0.00)**
Credit Default Swaps – Protection Purchased		
Asset-Backed Securities Index	18,325,641	0.36
Finance	1,220,363	0.02
French Republic	993,444	0.02
Media	(3,070,650)	(0.06)
Metals and Mining	3,962,367	0.08
Republic of Hungary	1,345,909	0.03
Republic of Turkey	(5,162)	(0.00)
Telecommunications	(860,912)	(0.02)
Transportation	(386,162)	(0.01)
Total Credit Default Swaps – Protection Purchased (including net upfront fees paid of $19,421,070)	**21,524,838**	**0.42**

Condensed Schedule of Investments continued

December 31, 2012

Description	Unrealized Gain/(Loss) $	Percentage of Partners' Capital %
Derivative Contracts (continued)		
Credit Default Swap – Protection Sold		
Asset-Backed Securities Index	(1,226,769)	(0.02)
Total Credit Default Swap – Protection Sold (including net upfront fees received of $1,103,928)	**(1,226,769)**	**(0.02)**
Foreign Currency Forward Contracts		
Buy United States Dollar, Sell British Pound Sterling	(189,212)	(0.00)
Buy United States Dollar, Sell Canadian Dollar	167,344	0.00
Buy United States Dollar, Sell Euro	(1,219,992)	(0.02)
Buy United States Dollar, Sell Japanese Yen	11,357,567	0.22
Sell United States Dollar, Buy British Pound Sterling	439,903	0.01
Sell United States Dollar, Buy Euro	215,573	0.00
Total Foreign Currency Forward Contracts	**10,771,183**	**0.21**
Foreign Currency Options – Purchased		
Call Hong Kong Dollar, Put United States Dollar	152,073	0.00
Call Saudi Riyal, Put United States Dollar	910,100	0.02
Call United States Dollar, Put Chinese Yuan	181,731	0.00
Call United States Dollar, Put Euro	46	0.00
Call United States Dollar, Put Hong Kong Dollar	395,301	0.01
Call United States Dollar, Put Japanese Yen	12,859,401	0.26
Call United States Dollar, Put Saudi Riyal	535,434	0.01
Total Foreign Currency Options – Purchased (cost $16,854,248)	**15,034,086**	**0.30**
Foreign Currency Options – Sold		
Call United States Dollar, Put Chinese Yuan	(275)	(0.00)
Call United States Dollar, Put Japanese Yen	(1,715,661)	(0.03)
Total Foreign Currency Options – Sold (proceeds $1,256,607)	**(1,715,936)**	**(0.03)**

Description	Unrealized Gain/(Loss) $	Percentage of Partners' Capital %
Derivative Contracts (continued)		
Interest Rate Swaps – Pay Fixed, Receive Floating		
Euribor	1,464,462	0.03
Japanese Yen Libor	(1,082,464)	(0.02)
Japanese Yen Overnight Index	(39,634)	(0.00)
United States Dollar Overnight Index	(1,895,124)	(0.04)
Total Interest Rate Swaps – Pay Fixed, Receive Floating	**(1,552,760)**	**(0.03)**
Interest Rate Swaptions		
Bullion-Lease	(1,728,346)	(0.03)
Euribor	2,941,524	0.05
Japanese Yen Libor	412,583	0.01
United States Dollar Libor	43,395	0.00
Total Interest Rate Swaptions (cost $18,611,965)	**1,669,156**	**0.03**
Total Return Swaps – Long Contracts		
Latin America and the Caribbean:		
Oil and Gas	(211,805)	(0.00)
Real Estate	1,537,585	0.03
Total Latin America and the Caribbean	**1,325,780**	**0.03**
North America:		
Aerospace and Defense	(1,225,185)	(0.02)
Alternative Energy	(4,117,125)	(0.08)
Finance	2,434,671	0.04
Oil and Gas	1,355,887	0.03
Total North America	**(1,551,752)**	**(0.03)**
Total Return Swaps – Long Contracts	**(225,972)**	**0.00**

Condensed Schedule of Investments continued

December 31, 2012

Description	Unrealized Gain/(Loss) $	Percentage of Partners' Capital %
Derivative Contracts (continued)		
Total Return Swaps – Short Contracts		
North America:		
Pharmaceuticals	9,226,666	0.17
Asia-Pacific:		
Real Estate	(69,416)	(0.01)
Total Return Swaps – Short Contracts	**9,157,250**	**0.16**
Treasury Futures – Short Contracts		
United States Treasury	3,039,318	0.05
Total Treasury Futures – Short Contracts	**3,039,318**	**0.05**
Net Unrealized Gain on Derivative Contracts (including net upfront fees and cost $52,526,748)	**89,873,509**	**1.76**

See accompanying notes.

Statement of Income

Year ended December 31, 2012

(Stated in United States Dollars)	$
Realized and unrealized gain/(loss) on investment transactions	
Net realized gain from securities, commodities, derivative contracts and foreign currency translations	418,233,881
Net change in unrealized gain on securities, commodities and foreign currency translations	602,068,080
Net change in unrealized loss on derivative contracts and foreign currency translations	65,741,733
Net gain from currencies	9,881,459
Net realized and unrealized gain from investment transactions	**1,095,925,153**
Investment income	
Interest	76,957,551
Dividends, net of withholding taxes of $10,475,408	31,023,627
Stock loan fees	73,364
Total investment income	**108,054,542**
Expenses	
Interest	9,080,377
Dividends on securities sold, not yet purchased	9,133,320
Stock borrow fees	9,806,777
Administrative and professional fees	11,770,520
Other	6,480,105
Total expenses	**46,271,099**
Net investment income	**61,783,443**
Net income	**1,157,708,596**

See accompanying notes.

Statement of Changes in Partners' Capital

Year ended December 31, 2012

(Stated in United States Dollars)	Total $	General Partner $	Limited Partner $
Partners' capital at beginning of year	4,303,993,764	81,246,973	4,222,746,791
Capital contributions	360,917,473	–	360,917,473
Capital withdrawals	(730,260,510)	(60,000,000)	(670,260,510)
Allocation of net income:			
Pro-rata allocation	1,157,708,596	22,677,500	1,135,031,096
Incentive allocation	–	150,380,285	(150,380,285)
Net income	1,157,708,596	173,057,785	984,650,811
Partners' capital at end of year	**5,092,359,323**	**194,304,758**	**4,898,054,565**

See accompanying notes.

Statement of Cash Flows

Year ended December 31, 2012

(Stated in United States Dollars)	$
Cash flows from operating activities	
Net income	1,157,708,596
Adjustments to reconcile net income to net cash provided by operating activities:	
Purchases of investment securities and commodities	(9,867,713,327)
Proceeds from disposition of investment securities and commodities	9,271,870,682
Purchases of investment securities to cover short sales	(3,647,944,339)
Proceeds from short sales of investment securities	3,537,944,762
Net change in unrealized gain on securities, commodities and foreign currency translations	(602,068,080)
Net change in unrealized loss on derivative contracts and foreign currency translations	(65,741,733)
Net realized gain from securities, commodities, derivative contracts and foreign currency translations	(418,233,881)
Amortization of premium and accretion of discount, net	(33,789,469)
Change in operating assets and liabilities:	
Decrease in due from brokers	680,200,390
Decrease in securities purchased under an agreement to resell	169,962,946
Decrease in interest and dividends receivable	1,628,646
Increase in other assets	(4,556,155)
Increase in due to brokers	175,050,921
Decrease in interest and dividends payable	(3,822,020)
Increase in accrued expenses	1,161,380
Net cash provided by operating activities	**351,659,319**
Cash flows from financing activities	
Capital contributions	360,917,473
Capital withdrawals	(720,254,739)
Net cash used in financing activities	**(359,337,266)**
Net decrease in cash	**(7,677,947)**
Cash at beginning of the year	**12,839,805**
Cash at end of year	**5,161,858**
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	**30,484,520**

See accompanying notes.

Notes to Financial Statements

December 31, 2012

1. Organization

Third Point Offshore Master Fund L.P. (the "Partnership") was organized as a limited partnership under the laws of the Cayman Islands and commenced operations on January 1, 2009. The Partnership was formed to trade and invest primarily in equity and debt securities of U.S. and foreign companies. The investment objective of the Partnership is to achieve superior risk-adjusted returns by deploying capital in investments with a favorable risk/reward scenario across select asset classes, sectors, and geographies, both long and short. Third Point L.L.C. (the "Investment Manager") identifies these opportunities using a combination of top-down asset allocation decisions and a bottom-up, value-oriented approach to single security analysis. The Investment Manager supplements single security analysis with an approach to portfolio construction that includes sizing each investment based on upside/downside calculations, all with a view towards appropriately positioning and managing overall exposures across specific asset classes, sectors and geographies. The Partnership will continue until terminated as provided for in the Initial Exempted Limited Partnership Agreement (the "Agreement").

The Partnership serves as the master fund in a "master-feeder" structure whereby Third Point Offshore Fund, Ltd. (the "Feeder"), a Cayman Islands exempted company, invests substantially all of its net assets in the Partnership, which conducts all investment and trading activities on behalf of the Feeder fund. The Feeder and the Partnership have the same investment objectives. At December 31, 2012, approximately 96.18% of the Partnership's capital was owned by the Feeder.

Third Point L.L.C. is the Investment Manager of the Partnership. The General Partner of the Partnership is Third Point Advisors II L.L.C. The Investment Manager is registered with the Securities and Exchange Commission as an Investment Adviser under the Investment Advisers Act of 1940. The Investment Manager and the General Partner are responsible for the operation and management of the Partnership.

International Fund Services (Ireland) Limited serves as the administrator (the "Administrator") and transfer agent to the Partnership.

2. Significant Accounting Policies

The Partnership's financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and are expressed in United States dollars. The following is a summary of the significant accounting and reporting policies:

The Partnership is exempt from all forms of taxation in the Cayman Islands, including income, capital gains and withholding taxes. In jurisdictions other than the Cayman Islands, in some cases foreign taxes will be withheld at source on dividends and certain interest received by the Partnership. Capital gains derived by the Partnership in such jurisdictions generally will be exempt from foreign income or withholding taxes at the source.

The Partnership evaluates tax positions taken or expected to be taken in the course of preparing the Partnership's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet a "more likely-than-not" threshold would be recorded as a tax expense in the current year. The General Partner has reviewed the Partnership's tax positions and has concluded that no material provision for income tax is required in the Partnership's financial statements. Such open tax years remain subject to examination by tax authorities.

The Partnership would recognize interest and penalties, if any, related to unrecognized tax positions as income tax expense in the statement of income. During the year ended December 31, 2012, the Partnership did not incur any interest or penalties related to unrecognized tax positions.

The Partnership records security and commodity transactions and related income and expense on a trade-date basis. Realized gains and losses are determined using cost calculated on a specific identification basis. Dividends are recorded on the ex-dividend date. Income and expense are recorded on the accrual basis including interest and premiums amortized and discounts accreted.

2. Significant Accounting Policies (continued)

The Partnership may enter into repurchase and reverse repurchase agreements with financial institutions in which the financial institution agrees to resell or repurchase and the Partnership agrees to repurchase or resell such securities at a mutually agreed price upon maturity. At December 31, 2012, the Partnership held outstanding reverse repurchase agreements valued at $317,463,766. At December 31, 2012, the total value of securities received as collateral by the Partnership was $310,715,116. Interest expense and income related to these transactions are included in interest payable and receivable in the statement of financial condition. Foreign currency gains of approximately $11,080,000 on reverse repurchase agreements are included in the net gain from currencies in the statement of income. Generally, reverse repurchase agreements that the Partnership enters into mature within 30 to 90 days.

The fair value of the Partnership's assets and liabilities, which qualify as financial instruments, approximates the carrying amounts presented in the statement of financial condition.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from these estimates.

The Investment Manager has a formal valuation policy that sets forth the pricing methodology for investments to be implemented in fair valuing each security in the Partnership's portfolio. The valuation policy is updated and approved at least on an annual basis by the valuation committee (the "Committee"). The Committee is comprised of officers and employees who are senior business management personnel. The Committee meets on a monthly basis. The Committee's role is to review and verify the propriety and consistency of the valuation methodology to determine fair value of investment. The Committee also reviews any due diligence performed and approves any changes to current or potential external pricing vendors.

Securities and commodities listed on a national securities or commodities exchange or quoted on NASDAQ are valued at their last sales price as of the last business day of the year. Listed securities with no reported sales on such date and over-the-counter ("OTC") securities are valued at their last closing bid price if held long by the Partnership and last closing ask price if held short by the Partnership. Additionally, securities valued at approximately $1,389,500,000, representing approximately 26% of investments in securities and commodities, and approximately $361,300,000, representing approximately 37% of securities sold, not yet purchased, are valued based on dealer quotes or other quoted market prices for similar securities.

Private securities are not registered for public sale and are carried at an estimated fair value at the end of the year, as determined by the Investment Manager. Valuation techniques used by the Investment Manager in determining fair value may include market approach, last transaction analysis, liquidation analysis and/or using discounted cash flow models where the significant inputs could include but are not limited to additional rounds of equity financing, financial metrics such as revenues multiples or price-earnings ratio, discount rates and other factors. In addition, the Investment Manager may employ third party valuation firms to conduct separate valuations of such private securities. The third party valuation firms provide the Investment Manager with a written report documenting their recommended valuation as of the determination date for the specified investments.

Due to the inherent uncertainty of valuation for these investments, the estimate of fair value for its interest in these investments may differ from the values that would have been used had a ready market existed for the investment, and the difference could be material. At December 31, 2012, the Partnership had approximately $80,200,000 of investments fair valued by the Investment Manager, representing approximately 1% of investments in securities, commodities and derivatives, of which approximately 90% were separately valued by third party valuation firms. The resulting unrealized gains and losses are reflected in the statement of income.

Notes to Financial Statements continued

December 31, 2012

2. Significant Accounting Policies (continued)

The Partnership's derivatives are recorded at fair value. The Partnership values exchange-traded derivative contracts at their last sales price on the exchange where it is primarily traded. OTC derivatives, which include swap, option, swaption, and forward currency contracts, are valued at independent values provided by third party sources when available; otherwise, fair values are obtained from counterparty quotes that are based on pricing models that consider the time value of money, volatility, and the current market and contractual prices of the underlying financial instruments.

The Partnership's holdings in asset-backed securities ("ABS") are substantially invested in residential mortgage-backed securities ("RMBS"). 55% of the Partnership's ABS positions are invested in back-end portions of the RMBS re-securitized real estate mortgage investment conduits ("re-REMIC") structure of Alternative A-paper ("Alt-A") and prime securities. An additional 32% of the Partnership's ABS portfolio is composed of Alt-A fixed, Alt-A floater, seasoned subprime and several small non U.S. RMBS positions. The balance of the ABS positions at December 31, 2012 was held in commercial mortgage-backed securities, collateralized debt obligations and student loan asset-backed securities. These investments are valued based on multiple dealer quotes or by a recognized independent pricing vendor. All of these classes of ABS are sensitive to changes in interest rates and any resulting change in the rate at which borrowers sell their properties, refinance, or otherwise pre-pay their loans. Investors in these classes of ABS may be exposed to the credit risk of underlying borrowers not being able to make timely payments on loans or likelihood of borrowers defaulting on their loans. In addition, investors may be exposed to significant market and liquidity risks.

The Investment Manager values the Partnership's investments in investment funds at fair value, which is an amount equal to the sum of the capital accounts in the investment funds generally determined from financial information provided by the investment managers of the investment funds. The resulting net gains or losses are reflected in the statement of income.

Assets and liabilities denominated in foreign currencies are translated at the closing rates of exchange at December 31, 2012. Transactions during the year are translated at the rate of exchange prevailing on the date of the transaction. Foreign currency transaction and translation gains and losses are included in the statement of income. The Partnership does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments, dividends and interest from the fluctuations arising from changes in fair values of securities and derivatives held. Periodic payments received or paid on swap agreements are recorded as realized gain or loss on investment transactions. Such fluctuations are included within the realized and unrealized gain/(loss) on investment transactions in the statement of income.

Fair value is defined as the price that the Partnership would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. The disclosure requirements also establish a framework for measuring fair value, and a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. The three-tier hierarchy of inputs is summarized below:

- Level 1 – Quoted prices available in active markets/exchanges for identical investments as of the reporting date. The types of assets and liabilities that are classified at this level generally include equity securities, commodities, futures and option contracts listed in active markets.
- Level 2 – Pricing inputs other than observable inputs including but not limited to prices quoted for similar assets or liabilities in active markets/exchanges or prices quoted for identical or similar assets or liabilities in markets that are not active, and fair value is determined through the use of models or other valuation methodologies. The types of assets and liabilities that are classified at this level generally include equity securities traded on non-active exchanges, corporate, sovereign, asset-backed and bank debt securities, forward contracts and certain derivatives.

2. Significant Accounting Policies (continued)

- Level 3 – Pricing inputs unobservable for the investment and include activities where there is little, if any, market activity for the investment. The inputs into determination of fair value require significant management judgment and estimation. The types of assets and liabilities that are classified at this level generally include certain corporate and bank debt, private investments, limited partnerships, investment companies, trade claims and certain derivatives.

Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable.

Situations may arise when market quotations or valuations provided by external pricing vendors are available but the fair value may not represent current market conditions. In those cases, the Investment Manager may substitute valuation provided by external pricing vendors with multiple broker-dealer quotations.

Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Investment Manager's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The key inputs for corporate, government and sovereign bonds valuation are coupon frequency, coupon rate and underlying bond spread. The key inputs for asset-backed securities are yield, probability of default, loss severity and prepayment.

Key inputs for OTC valuation vary based on the type of underlying on which the contract was written. Please see below discussion by OTC type:

- The key inputs for most OTC option contracts include notional, strike price, maturity, payout structure, current foreign exchange forward and spot rates, current market price of underlying and volatility of underlying.

- The key inputs for most forward contracts include notional, maturity, forward rate, spot rate, various interest rate curves and discount factor.

- The key inputs for swap valuation will vary based on the type of underlying on which the contract was written. Generally, the key inputs for most swap contracts include notional, swap period, fixed rate, credit or interest rate curves, current market or spot price of the underlying and the volatility of the underlying.

Notes to Financial Statements continued

December 31, 2012

2. Significant Accounting Policies (continued)

The following is a summary of the inputs utilized in valuing the Partnership's assets and liabilities carried at fair value as of December 31, 2012:

Fair Value Measurements at December 31, 2012

	Quoted prices in active markets (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Total $
Assets				
Equity Securities	2,794,364,179	9,312,144	–	2,803,676,323
Asset-Backed Securities	–	1,025,818,175	1,199,860	1,027,018,035
Affiliated Investment Fund	60,932,096	495,044,548	–	555,976,644
Corporate Bonds	–	321,751,247	14,901,240	336,652,487
Commodities	273,137,169	–	–	273,137,169
Bank Debt	–	127,644,576	539,513	128,184,089
Private Common Equity Securities	–	–	43,825,073	43,825,073
Private Preferred Equity Securities	–	–	45,413,212	45,413,212
Trade Claims	–	67,023,704	–	67,023,704
Investment Fund	–	8,936,953	31,740,670	40,677,623
Sovereign Debt	–	40,471,080	–	40,471,080
Options	17,490,462	10,637,540	–	28,128,002
Rights and Warrants	40,489	116,884	–	157,373
Derivative Contracts*				
Bond Futures – Short Contracts	1,375,346	–	–	1,375,346
Commodities Futures – Short Contracts	1,062,304	–	–	1,062,304
Contracts for Differences – Long Contracts	–	37,381,309	–	37,381,309
Credit Default Swaps – Protection Purchased	–	82,049,160	–	82,049,160
Foreign Currency Forward Contracts	–	12,180,387	–	12,180,387
Foreign Currency Options – Purchased	–	15,034,086	–	15,034,086
Interest Rate Swaps	–	1,464,462	–	1,464,462
Interest Rate Swaptions	–	3,398,969	–	3,398,969
Total Return Swaps – Long Contracts	–	3,239,430	2,434,671	5,674,101
Total Return Swaps – Short Contracts	–	9,260,007	–	9,260,007
Treasury Futures – Short Contracts	3,039,318	–	–	3,039,318
Total Assets	**3,151,441,363**	**2,270,764,661**	**140,054,239**	**5,562,260,263**

2. Significant Accounting Policies (continued)

	Quoted prices in active markets (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Total $
Liabilities				
Equity Securities	582,941,842	–	–	582,941,842
Sovereign Debt	–	310,715,116	–	310,715,116
Corporate Bonds	–	50,606,100	–	50,606,100
Options	18,100,392	6,160,228	–	24,260,620
Derivative Contracts*				
Commodity Future Options – Purchased	55,200	–	–	55,200
Contracts for Differences – Long Contracts	–	6,208,846	–	6,208,846
Contracts for Differences – Short Contracts	–	155,798	–	155,798
Credit Default Swaps – Protection Purchased	–	60,524,322	–	60,524,322
Credit Default Swaps – Protection Sold	–	1,226,769	–	1,226,769
Foreign Currency Forward Contracts	–	1,409,204	–	1,409,204
Foreign Currency Options – Sold	–	1,715,936	–	1,715,936
Interest Rate Swaps	–	3,017,222	–	3,017,222
Interest Rate Swaptions	–	1,729,813	–	1,729,813
Total Return Swaps – Long Contracts	–	5,900,073	–	5,900,073
Total Return Swaps – Short Contracts	–	102,757	–	102,757
Total Liabilities	**601,097,434**	**449,472,184**	–	**1,050,569,618**

**Derivative instruments are shown gross of any offsetting permitted under U.S. GAAP.*

During the year ended December 31, 2012, the Partnership made no significant reclassifications of assets or liabilities between Levels 1 and 2.

Notes to Financial Statements continued

December 31, 2012

2. Significant Accounting Policies (continued)

The following table is a reconciliation of assets and liabilities the Partnership held during the year ended December 31, 2012 at fair value using significant unobservable inputs (Level 3):

Fair Value Measurements using Significant Unobservable Inputs (Level 3)

	Balance at January 1, 2012 $	Transfers into Level 3 $	Purchases $	Sales $	Realized and unrealized gains/(losses)* $	Balance at December 31, 2012 $
Assets						
Asset-Backed Securities	–	1,585,269	–	–	(385,409)	1,199,860
Corporate Bonds	2,176,806	6,847,703	8,778,512	(5,879,508)	2,977,727	14,901,240
Bank Debt	448,267	–	606,940	(25,998)	(489,696)	539,513
Investment Funds	29,984,976	–	1,111,521	(1,789,610)	2,433,783	31,740,670
Private Common Equity Securities	46,161,484	–	21,619,210	(26,994,322)	3,038,701	43,825,073
Private Preferred Equity Securities	48,502,256	–	12,078,107	(19,484,409)	4,317,258	45,413,212
Trade Claims	149,499	–	–	(160,681)	11,182	–
Rights and Warrants	252,367	–	–	(252,367)	–	–
Total Return Swaps – Long Contracts	(2,385,546)	–	–	–	4,820,217	2,434,671
Total Assets	**125,290,109**	**8,432,972**	**44,194,290**	**(54,586,895)**	**16,723,763**	**140,054,239**
Total change in unrealized depreciation of fair valued assets using significant unobservable inputs (Level 3) still held at December 31, 2012*						**22,014,144**

**Total change in realized and unrealized gain/(loss) recorded on Level 3 financial instruments are included in net realized and unrealized gains on investment transactions in the statement of income.*

For assets and liabilities that were transferred into Level 3 during the period, gains/(losses) are presented as if the assets or liabilities had been transferred into Level 3 at the beginning of the year; similarly, for assets and liabilities that were transferred out of Level 3 during the year, gains/ (losses) are presented as if the assets or liabilities had been transferred out at the beginning of the year. During 2012, no assets or liabilities were transferred out and three investment assets were transferred into Level 3 due to lack of observable inputs.

Assets and liabilities of the Partnership fair valued using significantly unobservable inputs (Level 3) include investments fair valued by the Investment Manager, previously discussed in Note 2, but are not limited to such investments.

2. Significant Accounting Policies (continued)

The following table summarizes information about the significant unobservable inputs used in determining the fair value of the Level 3 assets held by the Partnership. Level 3 investments not presented in the table below generally do not have any unobservable inputs to disclose, as they are valued primarily using dealer quotes, at cost or net asset value for investment in investment funds.

	Fair Value ($ in millions)	Valuation Techniques	Unobservable Input	Range
Private Equity Investments and Total Return Swaps	48,187,822	Discounted Cash Flow	Discount Rate	5%-30%
			Illiquidity Discount	15%-25%
			Probabilities of Success	5%-90%
			Timing to Success	One month to 7 years
		Market Approach	Revenue Multiple	1x-21x
			Price-Earnings Ratio	20x-31x
		Latest Financing	N/A	N/A
Corporate Bonds	8,727,000	Discounted Cash Flow	Yield Spread Adjustments	0%-1%

In December 2011, the FASB issued ASU 2011-11, *Disclosures about Offsetting Assets and Liabilities*. ASU 2011-11 requires entities to disclose both gross and net information about financial instruments and derivative instruments that are either (i) offset in the statement of financial condition, or (ii) subject to an enforceable master netting arrangement or similar arrangement, irrespective of whether they are offset in the statement of financial condition. In addition, ASU 2011-11 requires disclosure of collateral received and posted in connection with master netting agreements or similar arrangements. The requirements of ASU 2011-11 are effective for interim and annual reporting periods beginning on or after January 1, 2013. The adoption of ASU 2011-11 will not have any impact on the Partnership's financial position or results of operations, as ASU 2011-11 only affects disclosures about offsetting.

3. Administration Fee

The Partnership has entered into an administrative services agreement with the Administrator. In accordance with the terms of this agreement, the Administrator provides certain specified fund accounting and administration, trade support and transfer agent services. For the year ended December 31, 2012, the Administrator received a fee of $3,575,520.

4. Due from/to Brokers

The Partnership holds substantially all of its investments through its prime brokers (Goldman Sachs, JPMorgan, Citi, UBS, Barclays, Morgan Stanley and Credit Suisse) pursuant to various agreements between the Partnership and each prime broker. The brokerage arrangements differ from broker to broker, but generally cash and investments in securities balances are available as collateral against investment in securities sold, not yet purchased and derivative positions, if required.

Margin debt balances were collateralized by cash held by the Broker and certain of the Partnership's securities. Margin interest was paid either at the daily broker call rate or based on LIBOR.

Due from/to brokers include cash balances maintained with the Partnership's prime brokers, receivables and payables from unsettled trades and proceeds from securities sold, not yet purchased. In addition, due from/to brokers includes cash collateral received and posted from OTC and repurchase agreement counterparties. At December 31, 2012, the Partnership's due from/to brokers includes a total non-U.S. currency payable balance of $226,860,940.

Notes to Financial Statements continued

December 31, 2012

5. Special Investments

As part of its investment program, the Partnership may acquire assets or securities through direct investments or private placements that the General Partner believes either lack a readily ascertainable market value or should be held until the resolution of a special event or circumstance ("Special Investments").

The Feeder and the General Partner's interest in Special Investments is equal to their proportionate interest in the Partnership at the time such investment is deemed to be a Special Investment. Capital invested in Special Investments is generally not available for withdrawal or distribution, subject to the approval of the General Partner, until the respective Special Investment is deemed realized, as determined by the General Partner. New partners shall not participate in pre-existing Special Investments. At December 31, 2012, the Partnership held no Special Investments. Pursuant to the January 1, 2013 revised private placement memorandum of the Feeder, the Partnership will no longer invest in Special Investments.

6. Allocation of Net Income or Net Loss

In accordance with the provisions of the Agreement, net income or net loss of the Partnership, other than gain and loss in Special Investments, is allocated to the general capital account of the Feeder and General Partner in proportion to their respective general capital accounts.

Net income or net loss is allocated each fiscal period, as defined in the Agreement, or at other times during the fiscal period when capital contributions and withdrawals are made by the Feeder or General Partner. The Feeder's percentage ownership of the Partnership will increase when the General Partner withdraws capital or decrease when the General Partner contributes additional capital. Therefore, the allocation of net income and net loss may vary, between the Feeder and the General Partner, based upon the timing of capital transactions throughout the year.

The Partnership may invest, directly or indirectly, in equity securities in initial public offerings deemed "new issues" under Rule 5130 of the Financial Industry Regulatory Authority ("FINRA") Consolidated Rulebook. "New issues" are defined as any initial public offering of an equity, regardless of whether such security is trading at a premium in the secondary market. FINRA members generally may not sell "new issues" to an account, in which certain persons or entities designated as restricted persons have beneficial interest. Gains and losses from "new issues" are allocated primarily to the Feeder and up to 10% can be allocated to the General Partner.

The General Partner receives an incentive allocation equal to 20% of the net profit allocated to each shareholder invested in the Feeder, as defined in the Agreement (the "Full Incentive Allocation"). For purposes of determining net profits, gain or loss from realized (or deemed realized) Special Investments will be included. If a shareholder invested in the Feeder has a net loss during any fiscal year and, during subsequent years, there is a net profit attributable to such shareholder, the shareholder must recover an amount equal to 2.5 times the amount of the net loss chargeable in the prior years before the General Partner is entitled to the Full Incentive Allocation. Until this occurs, the shareholder invested in the Feeder will be subject to a reduced incentive allocation equal to half of the Full Incentive Allocation. The General Partner, in its sole discretion, may elect to reduce, waive or calculate differently the Full Incentive Allocation of the Feeder and its underlying investors that are partners, members, employees, affiliates or other related investors of the Investment Manager or the General Partner. For the year ended December 31, 2012, the General Partner received an incentive allocation of $150,380,285.

7. Related Party Transactions

The Investment Manager does not charge the Partnership a management fee. Management fees are charged to the Feeder.

The Partnership has entered into a limited partnership agreement, as a limited partner, with TP Lux Holdco LP ("Cayman HoldCo"), an affiliate of the Investment Manager. Cayman HoldCo was organized

7. Related Party Transactions (continued)

as a limited partnership under the laws of the Cayman Islands and will invest and hold debt and equity interests in TP Lux HoldCo S.a.r.l, a Luxembourg private limited liability company ("LuxCo"), also an affiliate of the Investment Manager. LuxCo was established under the laws of the Grand-Duchy of Luxembourg and its principle objective is to act as a collective investment vehicle through which purchases of certain European debt and equity investments will be pooled. Certain debt and equity instruments will be purchased by LuxCo and will be financed through the issuance of the debt and equity instruments purchased by Cayman HoldCo. During the year, debt investments with a fair value of $274,321,325 have been contributed by the Partnership into LuxCo. The Partnership will share in the profits and losses with respect to those investments by investing in partnership interests issued by Cayman HoldCo. At December 31, 2012, investments with a fair value of $495,044,548 were owned by the Partnership through the structure. The Partnership's pro rata interest in the investments of LuxCo and the related income and expense are reflected accordingly on the accompanying statement of financial condition, the underlying condensed schedule of investments, and the statement of income. The valuation policy with respect to these investments is the same as the Partnership's valuation policy as described in Note 2. The Partnership invests in Cayman HoldCo alongside other affiliated entities.

During the year ended December 31, 2012, the Partnership invested in an affiliated special purpose vehicle (the "SPV"), which is a company organized for the purpose of achieving certain tax, regulatory or administrative efficiencies. The Partnership's pro rata interest in the underlying assets and liabilities of the SPV and the related income and expense are reflected accordingly on the accompanying statement of financial condition, the underlying condensed schedule of investments and the statement of income. The valuation policy with respect to investments held by the SPV is the same as the Partnership's valuation policy as described in Note 2. The Partnership invests in the SPV alongside other affiliated entities.

Third Point Loan LLC ("Loan LLC") serves as nominee of the Partnership and other affiliated investment management clients of the Investment Manager for certain investments. Loan LLC has appointed the Investment Manager as its true and lawful agent and attorney. At December 31, 2012, Loan LLC held $269,988,021 of the Partnership's investments which are included in investments in securities and in derivative contracts in the statement of financial condition. The Partnership's pro rata interest in the underlying investments registered in the name of the Loan LLC and the related income and expense are reflected accordingly in the accompanying statement of financial condition, the underlying condensed schedule of investments and the statement of income. The valuation policy with respect to investments held by Loan LLC is the same as the Partnership's valuation policy as described in Note 2.

As of December 31, 2012, the Partnership held equity swap contracts with two investment funds with the same Investment Manager as the Partnership. At December 31, 2012, the aggregate unrealized loss on the swap contracts was $4,117,125. For the year ended December 31, 2012, the Partnership realized losses of $135,458 on swap contracts with affiliated funds.

At December 31, 2012, the Partnership held shares of Third Point Offshore Investors Limited ("ListCo"), a London Stock Exchange listed entity that is managed by the Investment Manager. As part of ListCo's share buy-back program, the Partnership has the ability to purchase shares in the after-market or as part of other corporate actions. At December 31, 2012, the Partnership owned 5,115,096 U.S. Dollar Shares, 207,307 Euro Shares and 52,892 Sterling Shares of ListCo with a total market value of $60,932,096 and an unrealized gain of $15,280,361 related to the share buy-back program. All gains or losses and implied financing costs are allocated entirely to ListCo's shares in the Feeder.

8. Financial Instruments with Off-Balance Sheet Risk or Concentrations of Credit Risk

In the normal course of its business, the Partnership trades various financial instruments and engages in various investment activities with off-balance sheet risk. These financial instruments include securities sold, not yet purchased, forwards, futures, options, swaptions, swaps and contracts for differences. Generally, these financial instruments represent future commitments to purchase or sell other financial instruments at specific terms at specified future dates. Each of these financial instruments contains varying

Notes to Financial Statements continued

December 31, 2012

8. Financial Instruments with Off-Balance Sheet Risk or Concentrations of Credit Risk (continued)

degrees of off-balance sheet risk whereby changes in the fair values of the securities underlying the financial instruments or fluctuations in interest rates and index values may exceed the amounts recognized in the statement of financial condition.

Securities sold, not yet purchased are recorded as liabilities in the statement of financial condition and have market risk to the extent that the Partnership, in satisfying its obligations, may have to purchase securities at a higher value than that recorded in the statement of financial condition. The Partnership's investments in securities and amounts due from brokers are partially restricted until the Partnership satisfies the obligation to deliver securities sold, not yet purchased.

Forward and future contracts are a commitment to purchase or sell financial instruments, currencies or commodities at a future date at a negotiated rate. Forward and future contracts expose the Partnership to market risks to the extent that adverse changes occur to the underlying financial instruments such as currency rates or equity index fluctuations.

Option contracts give the purchaser the right but not the obligation to purchase or sell to the option writer financial instruments, commodities or currencies within a defined time period for a specified price. The premium received by the Partnership upon writing an option contract is recorded as a liability, marked to market on a daily basis and is included in securities sold, not yet purchased in the statement of financial condition. In writing an option, the Partnership bears the market risk of an unfavorable change in the financial instrument underlying the written option. Exercise of an option written by the Partnership could result in the Partnership selling or buying a financial instrument at a price different from the current fair value.

Swaption contracts give the Partnership the right, but not the obligation, to enter into a specified interest-rate swap within a specified period of time. The Partnership's market and counterparty credit risk is limited to the premium paid to enter into the swaption contract and net unrealized gains.

Total return swaps, contracts for differences, index swaps, and interest rate swaps that involve the exchange of cash flows between the Partnership and counterparties based on the change in market value of a particular equity, index, or interest rate on a specified notional holding. The use of these contracts exposes the Partnership to market risks equivalent to actually holding securities of the notional value but typically involve little capital commitment relative to the exposure achieved. The gains or losses of the Partnership may therefore be magnified on the capital commitment.

Credit default swaps protects the buyer against the loss of principal on one or more underlying bonds, loans, or mortgages in the event the issuer suffers a credit event. Typical credit events include failure to pay or restructuring of obligations, bankruptcy, dissolution or insolvency of the underlying issuer. The buyer of the protection pays an initial and/or a periodic premium to the seller and receives protection for the period of the contract. If there is not a credit event, as defined in the contract, the buyer receives no payments from the seller. If there is a credit event, the buyer receives a payment from the seller of protection as calculated by the contract between the two parties.

The Partnership may also enter into index and/or basket credit default swaps where the credit derivative may reference a basket of single-name credit default swaps or a broad-based index. Generally, in the event of a default on one of the underlying names, the buyer will receive a pro-rata portion of the total notional amount of the credit default index or basket contract from the seller. When the Partnership purchases single-name, index and basket credit default swaps, the Partnership is exposed to counterparty nonperformance.

Upon selling credit default swap protection, the Partnership may expose itself to risk of loss from related credit events specified in the contract. At December 31, 2012, the Partnership sold protection on an index-

8. Financial Instruments with Off-Balance Sheet Risk or Concentrations of Credit Risk (continued)

reference obligation with a maximum potential payout amount of $2,536,371, a credit spread of 0.44% and maturity in 2046. The fair value of such protection sold totaled $1,226,769, as of December 31, 2012. Credit spreads of the underlying together with the period of expiration is indicative of the likelihood of a credit event under the credit default swap contract and the Partnership's risk of loss. Higher credit spreads and shorter expiration dates are indicative of a higher likelihood of a credit event resulting in the Partnership's payment to the buyer of protection. Lower credit spreads and longer expiration dates would indicate the opposite and lowers the likelihood the Partnership needs to pay the buyer of protection.

In addition to off-balance sheet risks related to specific financial instruments, the Partnership may be subject to concentration of credit risk with particular counterparties. Substantially all securities transactions of the Partnership are cleared by several major securities firms. The Partnership had substantially all such individual counterparty concentration with these brokers or their affiliates as of December 31, 2012. However, the Partnership reduces its credit risk with counterparties by entering into master netting agreements. Therefore, assets represent the Partnership's greater unrealized gains less unrealized losses for derivative contracts in which the Partnership has master netting agreements. Similarly, liabilities represent the Partnership's greater unrealized losses less unrealized gains for derivative contracts in which the Partnership has master netting agreements. Furthermore, Partnership obtains collateral from counterparties to reduce its exposure to counterparty credit risk.

The Partnership's maximum exposure to credit risk associated with counterparty nonperformance on derivative contracts is limited to the net unrealized gains by counterparty inherent in such contracts which are recognized in the statement of financial condition. At December 31, 2012, the Partnership's maximum counterparty credit risk exposure was $119,082,263.

9. Derivative Contracts

The Partnership enters into derivative contracts to manage credit risk, interest rate risk, currency exchange risk, and other exposure risks. The Partnership uses derivatives in connection with its risk-management activities to hedge certain risks and to gain exposure to certain investments. The utilization of derivative contracts also allows for an efficient means in which to trade certain asset classes. The derivatives that the Partnership invests in are primarily credit default swaps, foreign currency forwards and options, index futures, interest rate swaptions, contracts for differences, interest rate swaps and total returns swaps. Typically, derivatives serve as a component of the Partnership's investment strategy and are utilized primarily to structure the portfolio, or individual investments, to economically match the investment objective of the Partnership. Fair values of derivatives are determined by using quoted market prices and counterparty quotes when available; otherwise fair values are based on pricing models that consider the time value of money, volatility, and the current market and contractual prices of underlying financial instruments.

The following table identifies the volume and fair value amounts of derivative instruments included in the statement of financial condition, categorized by primary underlying risk, as of December 31, 2012. Balances are presented on a gross basis, prior to the application of the impact of counterparty netting. Total derivative assets and liabilities on the statement of financial condition are adjusted on an aggregate basis to take into consideration the effects of master netting arrangements, less collateral held, which is included in due to/from brokers in the statement of financial condition.

Notes to Financial Statements continued

December 31, 2012

9. Derivative Contracts (continued)

	Fair Value[1] $	Notional Amounts[2] $
Derivative Assets by Primary Underlying Risk		
Commodity Price		
Commodities Futures – Short Contracts	1,062,304	26,812,800
Equity Price		
Contracts for Differences – Long Contracts	37,381,309	305,265,795
Total Return Swaps – Long Contracts	5,674,101	168,061,174
Total Return Swaps – Short Contracts	9,260,007	20,578,779
Credit		
Credit Default Swaps – Protection Purchased	82,049,160	399,805,602
Interest Rates		
Bond Futures – Short Contracts	1,375,346	238,753,463
Interest Rate Swaps	1,464,462	74,737,523
Interest Rate Swaptions	3,398,969	3,398,968
Treasury Futures – Short Contracts	3,039,318	350,029,625
Foreign Currency Exchange Rates		
Foreign Currency Forward Contracts	12,180,387	292,234,663
Foreign Currency Options – Purchased	15,034,086	15,034,090
Total Derivative Assets	**171,919,449**	**1,894,712,482**
Derivative Liabilities by Primary Underlying Risk		
Commodity Price		
Commodity Future Options – Purchased	55,200	89,320
Credit		
Credit Default Swaps – Protection Purchased	60,524,322	217,355,266
Credit Default Swaps – Protection Sold	1,226,769	2,536,371
Equity Price		
Contracts for Differences – Long Contracts	6,208,846	59,096,640
Contracts for Differences – Short Contracts	155,798	8,178,176
Total Return Swaps – Long Contracts	5,900,073	87,193,113
Total Return Swaps – Short Contracts	102,757	4,130,026
Interest Rates		
Interest Rate Swaps	3,017,222	2,840,093,094
Interest Rate Swaptions	1,729,813	22,353,588
Foreign Currency Exchange Rates		
Foreign Currency Forward Contracts	1,409,204	276,173,956
Foreign Currency Options – Sold	1,715,936	1,715,936
Total Derivative Liabilities	**82,045,940**	**3,518,915,486**

1. *Statement of financial condition location: Net unrealized gain and loss on derivative contracts.*
2. *The absolute notional exposure represents the Partnership's derivative activity at December 31, 2012, which is representative of the volume of derivatives held during the year.*

9. Derivative Contracts (continued)

The following table sets forth by major risk type the Partnership realized and unrealized gains/(losses) related to trading activities for the year ended December 31, 2012 in accordance with ASC 815. These realized and unrealized gains/(losses) are included in the statement of income.

	Realized Gain/(Loss) $	Unrealized Gain/(Loss) $
Primary Underlying Risk		
Commodity Price		
Commodities Futures – Short Contracts	(101,877)	(4,268,383)
Commodity Future Options – Purchased	(45,678)	(55,200)
Credit		
Credit Default Swaps – Protection Purchased	12,744,569	(7,952,781)
Credit Default Swaps – Protection Sold	(4,943,111)	9,649
Equity Price		
Contracts for Differences – Long Contracts	(20,924,183)	65,635,764
Contracts for Differences – Short Contracts	(810,004)	1,703,267
Index Futures – Short Contracts	(1,934,542)	–
Total Return Swaps – Long Contracts	10,096,939	(3,662,526)
Total Return Swaps – Short Contracts	15,885,204	8,766,810
Foreign Currency Exchange Rates		
Foreign Currency Forward	(10,981,457)	12,686,660
Foreign Currency Options – Purchased	(9,084,824)	3,452,848
Foreign Currency Options – Sold	–	(459,329)
Interest Rates		
Bond Futures – Short Contracts	(2,185)	1,375,346
Interest Rate Swaps	(5,269,032)	4,939,034
Interest Rate Swaptions	18,172,865	(21,266,779)
Sovereign Debt Futures – Long Contracts	(221,158)	143,634
Sovereign Debt Futures – Short Contracts	(7,732,241)	1,654,401
Treasury Futures – Short Contracts	(6,945,251)	3,039,318
Total	**(12,095,966)**	**65,741,733**

The Partnership's International Swaps and Derivatives Association ("ISDA") agreements with its counterparties provide for various termination events including decline in NAV of the Partnership over a certain period, key man provisions, document delivery schedules, and Employment Retirement Income Security Act and bankruptcy provisions. Upon the triggering of a termination event, a counterparty may avail itself of various remedies including, though not limited to, waiver of the termination event, request for additional collateral, renegotiation of the ISDA agreement, or immediate settlement of positions.

Exposure of all derivatives in a net liability position that are subject to ISDA agreement termination events were $29,208,754 as of December 31, 2012, for which the Partnership posted $84,584,713 of collateral. If a trigger event had occurred at December 31, 2012, for those derivative financial instruments in a net liability position, after the application of master-netting agreements, no additional amounts would be required to be posted by the Partnership since the aggregate fair value of the required collateral posted exceeded the settlement amounts of open derivative contracts. During the year ended December 31, 2012, the Partnership did not experience any trigger events.

Notes to Financial Statements continued

December 31, 2012

9. Derivative Contracts (continued)

The Partnership obtains/provides collateral from/to various counterparties for OTC derivative contracts in accordance with bilateral collateral agreements. The Partnership posted collateral in the form of cash (approximately $156.3 million) to certain counterparties to cover collateral requirements for open OTC derivatives. Similarly, the Fund held collateral (approximately $63.3 million) in the form of cash from certain counterparties as of December 31, 2012.

10. Indemnifications

In the normal course of business, the Partnership enters into contracts that contain a variety of indemnifications and warranties. The Partnership's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Partnership that have not yet occurred. However, the Partnership has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote. Thus, no amounts have been accrued related to such indemnifications. The Partnership also indemnifies the General Partner, the Investment Manager and employees from and against any loss or expense, including, without limitation any judgment, settlement, legal fees and other costs. Any expenses related to this indemnification are reflected in administrative and professional fees in the statement of income.

11. Financial Highlights

The following represents the ratios to average Feeder capital and total return information for the year ended December 31, 2012:

Ratios to average limited partners' capital:	
Total expenses	0.99%
Incentive allocation	3.29%
Total expenses and incentive allocation	**4.28%**
Net investment income	**1.33%**

The ratios above are calculated for the Feeder taken as a whole. The computation of such ratios based on the amount of expenses, incentive allocation, and net investment income assessed to each shareholder's investment in the Feeder may vary from these ratios. The net investment income ratio does not reflect the effect of any incentive allocation.

Total return before incentive allocation	27.02%
Incentive allocation	(3.60%)
Total return after incentive allocation	**23.42%**

Total return is calculated for the Feeder's investment in the Partnership. Each shareholder's return on their investment in the Feeder may vary from these returns.

12. Subsequent Events

Subsequent to December 31, 2012, the Partnership received approximately $387 million in capital contributions and recorded capital withdrawal requests of approximately $115 million effective March 31, 2013. Subsequent events were evaluated by the Partnership's management until March 22, 2013, which is the date the financial statements were available to be issued.

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