

September 2022 Investor Letter

Monthly Performance (%) Net of Fees and Expenses - Tenor Fund

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|------|----------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2022 | REDACTED | | | | | | | | | | | | |
| 2021 | REDACTED | | | | | | | | | | | | |
| 2020 | REDACTED | | | | | | | | | | | | |
| 2019 | REDACTED | | | | | | | | | | | | |
| 2018 | REDACTED | | | | | | | | | | | | |
| 2017 | REDACTED | | | | | | | | | | | | |
| 2016 | REDACTED | | | | | | | | | | | | |
| 2015 | REDACTED | | | | | | | | | | | | |
| 2014 | REDACTED | | | | | | | | | | | | |
| 2013 | REDACTED | | | | | | | | | | | | |
| 2012 | REDACTED | | | | | | | | | | | | |
| 2011 | REDACTED | | | | | | | | | | | | |
| 2010 | REDACTED | | | | | | | | | | | | |
| 2009 | REDACTED | | | | | | | | | | | | |
| 2008 | REDACTED | | | | | | | | | | | | |
| 2007 | REDACTED | | | | | | | | | | | | |
| 2006 | REDACTED | | | | | | | | | | | | |
| 2005 | REDACTED | | | | | | | | | | | | |
| 2004 | REDACTED | | | | | | | | | | | | |

* Current month's performance and year-to-date 2022 are estimated.

Dear Investor,

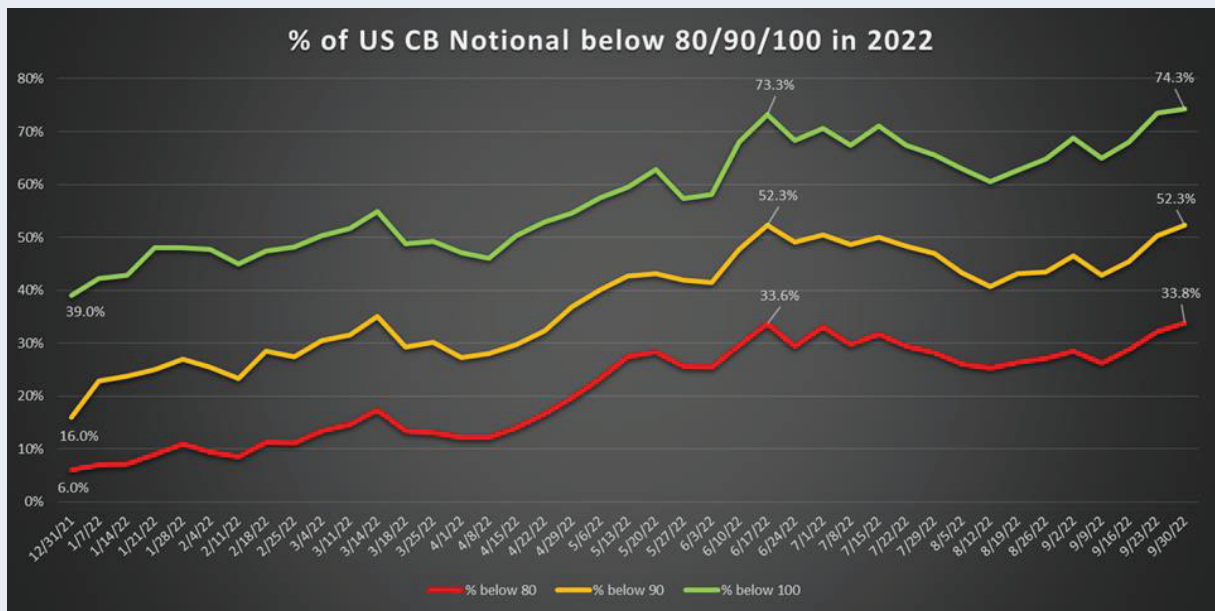
The Tenor Opportunity Funds' NAV per share **REDACTED** in September by an estimated **REDACTED** bps (net of fees and expenses), and the August return was revised up from **REDACTED** % (net of fees and expenses) by the Funds' administrator. Volatility trades **REDACTED** bps (net of fees and expenses), with notable losses in **REDACTED** and **REDACTED**. Special Situations **REDACTED** bps (net of fees and expenses) and International Converts **REDACTED** bps (net of fees and expenses), with notable losses in **REDACTED** and **REDACTED**. Credit positions **REDACTED** bps (net of fees and expenses), Bond Floor trades **REDACTED** bps (net of fees and expenses) and Synthetic Puts **REDACTED** bp (net of fees and expenses).

A strong start to September fizzled mid-month as equity markets and credit spreads reacted to worsening inflation data and the Fed moved aggressively with a third consecutive 75bps hike in the Fed Funds target rate. The Nomura U.S. Convertibles Index cheapened 34bps in September to end at 34bps above fair value, which continues to strike us as idiosyncratic and differs from the fair value tracker provided by Jefferies which shows valuations cheapening by 59bps to end at 74bps cheap. September's -9.22% decline in the S&P 500 index adjusted for dividends was the worst monthly performance since March 2020 and marked the fourth month of the year with greater than 5% declines, while the convert market-value weighted basket of equities underlying converts declined -11.76%. Equity weakness drove the VIX Volatility Index 5.75pts higher during the month to a close of 31.62. Five-year Treasury yields experienced significant volatility in September, ranging

from a low of 3.31% to a high of 4.22%, ultimately increasing 73bps to end the month at 4.05%. As a result,

REDACTED

Indicative of the market's weakness, the percentage notional of bonds trading below certain price levels reached a 12-year peak in September, as the following chart provided by Nomura demonstrates:



The new issue market was active in the first half of the month, when 4 issuers raised \$4.9 billion in gross proceeds, but went dormant in the second half of September as equity markets and the cost of debt issuance worsened. New issues contributed █ bp to our gross returns in September. **REDACTED**

REDACTED

The international book **REDACTED** bps from our gross returns in September, while domestic names **REDACTED** █ bps. No individual positions were responsible for any outsized P&L, as shown in the table below that demonstrates how many positions made/lost money in September within various performance bands:

Monthly Contribution (gross) # of Convert Strategies # of SPAC Strategies

REDACTED

Our investments in the European food delivery sector [REDACTED] in September after showing material credit improvement in August. As we mentioned in our previous letters, [REDACTED]

[REDACTED]

[REDACTED] provides cybersecurity software products that collect, contextualize, and analyze security data to reduce threat exposure and detect threats in real time. [REDACTED]

[REDACTED]

For September, the SPAC book [REDACTED]

[REDACTED]

As of October 1, 2022, total assets managed by Tenor Capital [REDACTED]

[REDACTED]

[Contact Us](#)

If you have any questions, please contact:

REDACTED

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Performance Disclosure

Except where explicitly noted otherwise, the performance is presented net of all fees actually paid, which includes the deductions for advisory fees and all other expenses such as commissions and custodial fees. Because some investors may have different fee arrangements and depending on the timing of a specific investment, net performance for an individual investor may vary from the net performance as stated herein. Performance includes the reinvestment of dividends and other earnings. In all cases where historical performance is presented, please note that past performance is not a reliable indicator of future results and should not be relied upon as the basis for making an investment decision.

Index Disclosure

The index comparisons are provided for informational purposes only. The S&P 500 Index is a capitalization weighted index that is designed to measure the performance of the broad U.S. economy through changes in the aggregate market value of 500 stocks representing all major industries. The ICE BofA US HY Index is an index that tracks the performance of US dollar denominated below investment grade rated corporate debt publicly issued in the US domestic market. The Nomura U.S. Convertible Bond Rich/(Cheap) Index is a convertible bond market capitalization weighted valuation index. There are significant differences between the Funds and the indices referenced, including, but not limited to, risk profile, liquidity, volatility and asset composition. An investor may not invest directly into an index. For the foregoing and other reasons, the performance of the indices may not be comparable to the Funds' and should not be relied upon in making an investment decision with respect to the Funds. The indices have not been selected to represent an appropriate benchmark to compare an investor's performance, but rather are disclosed to allow for comparison of the investor's performance to that of well-known and widely recognized indices.]

Risk of Loss

An investment in the Funds will be highly speculative, and there can be no assurance that the Funds' investment objective will be achieved. Investors must be prepared to bear the risk of a total loss of their invested capital.

Confidentiality

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| | |
|--|-----------------|
| Capital Leverage ¹ | REDACTED |
| # of Strategies ² | |
| # of Strategies (LMV > 25bps) | |
| # of Strategies (LMV > 100bps) | |
| Average CB Delta ³ | |
| Average CB Premium ⁴ | |
| Average Weighted Spread ⁵ | |
| Average Weighted Volatility ⁶ | |
| Annual Carry ⁷ | |
| Annual Theta ⁸ | |
| Convertible Bond LMV | REDACTED |
| HY/Bank LMV | |
| Convertible Bond/Asset Swap LMV | |
| Total Bond LMV | |
| # of Strategies (SPAC only) ² | REDACTED |
| SPAC LMV | |

| | | | | |
|---|-----------------|-----|-----------------|----------------|
| Top Strategies by Bond LMV ⁹ | | | | |
| | Bond LMV | NMV | PB Margin Req'd | % of Total LMV |
| Top Position | REDACTED | | | |
| Top Five Positions | | | | |
| Top Forty Positions | | | | |

| | | | | | | | |
|------------------------------------|-----------------|-----|----------------|--------|-------------------|---------------|-------------|
| LMV By Strategy Type ¹⁰ | | | | | | | |
| | Bond Floor | Vol | Synthetic Puts | Credit | Special Situation | International | Grand Total |
| LMV | REDACTED | | | | | | |
| % of Total | | | | | | | |

| | |
|---|-----------------|
| Position Breakdown by Issuance Size ¹¹ | |
| Totals | REDACTED |

| | |
|--|-----------------|
| Position Breakdown by Percent of Issuance Across All Funds ¹² | |
| # of Positions | REDACTED |
| Sum of Bond LMV | |
| Sum of NMV | |

| | | |
|--|-----------------|----------|
| Pricing Levels (ASC 820) ¹³ | | |
| | % of GMV | % of LMV |
| Level I | REDACTED | |
| Level II | | |
| Level III | | |

* - All values in millions except where explicitly noted as percentages.
See the Technical Appendix for discussion of all calculation methodologies.

| Sector Breakdown ¹⁴ | LMV | NMV | Crash Value |
|--------------------------------|----------|-----|-------------|
| Consumer Discretionary | REDACTED | | |
| Consumer Staples | | | |
| Energy | | | |
| Financials | | | |
| Real Estate | | | |
| Health Care | | | |
| Industrials | | | |
| Materials | | | |
| Other | | | |
| Information Technology | | | |
| Communication Services | | | |
| Utilities | | | |
| Grand Total | | | |

| Net Market Value By Rating ¹⁵ | B+ and below | BB+,BB,BB- | BBB- and above | NR | Grand Total |
|--|--------------|------------|----------------|----|-------------|
| LongBankDebt | REDACTED | | | | |
| LongBond | | | | | |
| LongCB | | | | | |
| LongCDS | | | | | |
| LongLCDS | | | | | |
| LongEquity | | | | | |
| LongEquitySPAC | | | | | |
| LongOption | | | | | |
| LongOptionSPAC | | | | | |
| ShortBond | | | | | |
| ShortCB | | | | | |
| ShortEquity | | | | | |
| ShortEquitySPAC | | | | | |
| ShortCDS | | | | | |
| ShortLCDS | | | | | |
| ShortOption | | | | | |
| Grand Total | | | | | |

| Crash Value By Rating ¹⁷ | B+ and below | BB+,BB,BB- | BBB- and above | NR | Grand Total |
|-------------------------------------|--------------|------------|----------------|----|-------------|
| LongBankDebt | REDACTED | | | | |
| LongBond | | | | | |
| LongCB | | | | | |
| LongCDS | | | | | |
| LongLCDS | | | | | |
| LongEquity | | | | | |
| LongEquitySPAC | | | | | |
| LongOption | | | | | |
| LongOptionSPAC | | | | | |
| ShortBond | | | | | |
| ShortCB | | | | | |
| ShortEquity | | | | | |
| ShortEquitySPAC | | | | | |
| ShortCDS | | | | | |
| ShortLCDS | | | | | |
| ShortOption | | | | | |
| Grand Total | | | | | |

| Vega by Ratings Bucket ¹⁸ | | | | | |
|--------------------------------------|----------------|------------|--------------|----|-------------|
| | BBB- and above | BB+,BB,BB- | B+ and below | NR | Grand Total |
| Totals | REDACTED | | | | |

| CreditRho by Ratings Bucket ¹⁹ | | | | | |
|---|----------------|------------|--------------|----|-------------|
| | BBB- and above | BB+,BB,BB- | B+ and below | NR | Grand Total |
| Totals | REDACTED | | | | |

| Avg Delta by Duration Bucket ²⁰ | | | | |
|--|----------|----------|--------|--------------|
| | < 1 yr | 1 - 2 yr | > 2 yr | Weighted Avg |
| Avg CB Delta | REDACTED | | | |
| Convert LMV | REDACTED | | | |
| % Convert LMV | REDACTED | | | |

| Net Exposure by Duration Bucket ²¹ | | | | |
|---|----------|----------|--------|-------------|
| | < 1 yr | 1 - 2 yr | > 2 yr | Grand Total |
| Bond | REDACTED | | | |
| CDS | REDACTED | | | |
| CB + Equity Hedge | REDACTED | | | |
| Other Equity | REDACTED | | | |
| Other Options | REDACTED | | | |
| Grand Total | REDACTED | | | |

| Crash Value by Duration Bucket | | | | |
|--------------------------------|----------|----------|--------|-------------|
| | < 1 yr | 1 - 2 yr | > 2 yr | Grand Total |
| Bond | REDACTED | | | |
| CDS | REDACTED | | | |
| CB + Equity Hedge | REDACTED | | | |
| Other Equity | REDACTED | | | |
| Other Options | REDACTED | | | |
| Grand Total | REDACTED | | | |

| Premium At Risk by SPAC Type ²² | | | |
|--|----------|-----------------|-----------|
| | LMV | Premium at Risk | % Capital |
| Equity Unit | REDACTED | | |
| Warrant | REDACTED | | |
| Risk Capital | REDACTED | | |
| Grand Total | REDACTED | | |

| Long BondMV by Duration and Equity Delta Bucket ²³ | | | | | | |
|---|----------|-----|-----|-----|-------|-------------|
| (in years) | <25 | <50 | <75 | >75 | NonCB | Grand Total |
| > 5 | REDACTED | | | | | |
| 3 - 5 | REDACTED | | | | | |
| 1.5 - 3 | REDACTED | | | | | |
| < 1.5 | REDACTED | | | | | |
| Sum of Bond LMV | REDACTED | | | | | |

| Interest Rate Rho Summary ²⁴ (in dollars) | | | | |
|--|----------|-----------|----------|-------|
| | Two-Year | Five-Year | Ten-Year | Total |
| Non-hedges Adjusted \$ Rho | REDACTED | | | |
| Hedge Positions \$ Rho | REDACTED | | | |
| Net \$ Rho Exposure | REDACTED | | | |

Technical Appendix for Risk Analyses

Analytical results are computed from the Tenor Fund holdings as of the last calendar date of the reported month. Valuation algorithm and risk analytics use industry standard KYNEX.

Details and Definitions

1. Leverage is defined as long market value of bonds, convertible bonds, bank debt, credit default swaps divided by total capital (as of report date), but excludes treasuries and bond futures. Note that LMV of CDS is counted only if the CDS bond exposure is net long. The official leverage estimate uses the month-end capital estimate since it gives a consistent point-in-time estimate with the latest available investor inflow/outflow. Month end capital equals starting capital plus net returns plus month-end redemptions plus next-day contributions.
2. Number of strategies distinguishes strategies by distinct underlying issuer and excludes holdings used for purely market hedging. "Bond LMV > 25 bps" and Bond LMV > 100 bps" refers to % of AUM. The count of SPAC-only strategies is a subset of the total number of distinct strategies.
3. Average CB Delta is defined as the delta hedge ratio of individual CB positions weighted by Long Market Value of the CB position across all CB holdings.
4. Average CB Premium is defined as the sum of the premium of long CB positions (market value over parity) divided by the sum of the dollar parity of long CB positions.
5. Average Weighted Spread includes long bond, convertibles and short CDS positions. The parameter credit spread (in basis points) for each long bond equivalent credit sensitive position is weighted by its LMV in the same manner as for the leverage calculation (1).
6. Average Weighted Volatility includes long convertible positions. The underlying equity's volatility of each position is weighted by its LMV as defined for the leverage calculation (1).
7. Annual Carry is defined as the sum of funding, rebate, coupons and dividends for 1 business day and annualized as a percentage of total capital assuming 360 day basis as of report date. Values based on back-office estimates.
8. Annual Theta is defined as the one day change in value of the Options and Convertible Bonds expressed as an annualized percentage of total capital as of report date. It includes accretion to par and option theta.
9. The PB Margin Required is based off our internal estimates.
10. Percentages are assigned by LMV of each strategy. LMV counts all long bond equivalent positions (Long bonds, long bank debt, long convertibles, short CDS, short LCDS), long SPACs and long equities.
11. Issuance Size buckets are expressed in millions of dollars.
12. LMV by Percent Issuance is defined as the Bond LMV of each position. The NMV also includes all other positions in the strategy. In the event that bonds from the same strategy fall into multiple issuance buckets, the hedge is allocated based on our delta.
The issuance bucket is based on our firm-wide position in the individual position.
13. Net market exposure is used for CDS in calculating Gross Market Value.
14. Sectors are based on GICS classification of the issuer. Healthcare is grouped at the Industry level. Technology is grouped at the Industry Group level. All other positions are grouped by Sector.
15. Net Market Value is defined with the following treatment: For bonds, convertible bonds, bank debt, equity, the market value is shown. For CDS and LCDS, the equivalent bond exposure determines the sign of the value. The actual value shown is the notional value of par minus the CDS clean price. For equity calls, the market value is shown. For equity puts, the value shown is net option premia minus exercise value.

Technical Appendix for Risk Analyses

16. Asset swap (i.e., ASCOT) positions use the market value and theoretical sensitivity (delta, gamma, vega, theta) of the underlying bond. This is a more conservative metric, showing a larger reported exposure than if we used only the stripped ASCOT value.
17. A crash scenario assumes that all equity prices jump to 0; all credit sensitive holdings simultaneously default at recovery rate R defined as 70% for secured debt (loans, LCDS) and 40% for unsecured debt. For SPAC equity and unit positions, a crash scenario assumes the price jumps to the underlying trust value, and for SPAC warrant positions the price jumps to 0.
18. Vega is defined as the P&L resulting from a uniform +10% move in volatilities divided by total capital and expressed as a percentage.
19. Credit Rho is defined as the P&L resulting from a 10% widening of credit spreads expressed as a percentage of total capital. Convertible bond recovery rates are conservatively assumed to be zero.
20. Average CB Delta for each duration bucket is calculated with the same formula for the entire portfolio. Duration bucket is assigned based on the minimum of bond duration and duration to put.
21. Equity is given the same duration as the bond it hedges. Otherwise, duration is assigned to the earliest duration bucket.
22. Premium At Risk for SPAC equity and unit positions is defined as the LMV of the SPAC position minus its most recent 10-Q or K reported trust value. For SPAC warrant positions and SPAC risk capital positions, the Premium at Risk is defined as the LMV of the position.
23. Bucketing by Duration Bucket uses Fugit. Fugit is defined as the expected life (in years) for the security and factors in putting or calling the bond over all future states.
24. Rho exposure adjusted for positions rolling off soon and for modeling biases.
25. Style groupings are calculated using the following rules:

Bond Floor bonds have *all* of

1. Delta under 25%
2. Spread tighter than 300bps
3. Expected life under three years

Credit bonds have *any* of

1. Delta under 25% and spread wider than 300bps
2. Delta under 50% and spread wider than 500bps
3. Delta under 75% and spread wider than 1000bps

International bonds are non-US denominated or issued outside of the United States and Canada

Special Situation is *any* of

1. Private placements (e.g. registered direct, PIPEs, etc.)
2. Legal arbitration fundings
3. Defaulted and distressed bonds
4. Outright equity positions
5. SPACs

Synthetic Put bonds have delta over 85%

Volatility ("Vol") bonds are *any* of

1. New Issues
2. Mandatories, Preferreds
3. Bonds that do not fall into any of the above five styles