

Additional Disclosures Regarding Certain Risk Factors

The risks associated with investing in a private equity fund generally include:

- *Limited Regulatory Oversight - Since private equity funds are typically private investments, they do not face the same oversight and scrutiny from financial regulatory entities such as the Securities and Exchange Commission ("SEC") and are not subject to the same regulatory requirements as regulated investment companies, (i.e., open-end or closed-end mutual funds) including requirements for such entities to provide certain periodic pricing and valuation information to investors. Private equity offering documents are not reviewed or approved by the SEC or any US state securities administrator or any other regulatory body. Also, managers may not be required by law or regulation to supply investors with their portfolio holdings, pricing, or valuation information.*
- *Portfolio Concentration; Volatility - Many private equity funds may have a more concentrated or less diversified portfolio than an average mutual fund. While a more concentrated portfolio can have good results when a manager is correct, it can also cause a portfolio to have higher volatility.*
- *Strategy Risk - Many private equity funds employ a single investment strategy. Thus, a private equity fund may be subject to strategy risk, associated with the failure or deterioration of an entire strategy.*
- *Use of Leverage and Other Speculative Investment Practices - Since many private equity fund managers use leverage and speculative investment strategies such as options, investors should be aware of the potential risks. When used prudently and for the purpose of risk reduction, these instruments can add value to a portfolio. However, when leverage is used excessively and the market goes down, a portfolio can suffer tremendously. When options are used to speculate (i.e., buy calls, short puts), a portfolio's returns can suffer and the risk of the portfolio can increase.*
- *Valuations – Further there have been a number of high profile instances where private equity fund managers have mispriced portfolios, either as an act of fraud or negligence.*
- *Performance - Past performance is not necessarily indicative and is not a guarantee of a private equity fund's future results or performance. Some private equity funds may have little or no operating history or performance and may use hypothetical or pro forma performance that may not reflect actual trading done by the manager or advisor and should be reviewed carefully. Investors should not place undue reliance on hypothetical or pro forma performance.*
- *Limited Liquidity - Investors in private equity funds have limited rights to transfer their investments. In addition, since private equity funds are not listed on any exchange, it is not expected that there will be a secondary market for them. Repurchases may be available, but only on a limited basis. A private equity fund's manager may deny a request to transfer if it determines that the transfer may result in adverse legal or tax consequences for the private equity fund.*
- *Tax Risks – Investors in certain jurisdictions and in private equity funds generally may be subject to pass-through tax treatment on their investment. This may result in an investor incurring tax liabilities during a year in which the investor does not receive a distribution of any cash from the fund. In addition, an investor may not receive any or only limited tax information from private equity funds and may not receive tax information from underlying managers in a sufficiently timely manner to enable an investor to file its return without requesting an extension of time to file. In certain jurisdictions a lack of tax information may result in an investor being taxed on a deemed basis at an adverse rate of tax.*
- *Fees and Expenses - Most private equity funds charge both an asset-based management fee and a performance-based incentive fee or allocation. As a result, the fees and expenses associated with private equity investing may exceed those of a long-only mutual fund.*
- *Reliance on Fund Manager; Lack of Transparency - A private equity fund's manager or general partner has total investment authority over the private fund. There is often a lack of transparency as to a private equity fund's underlying investments. Because of this lack of transparency, an investor may be unable to monitor the specific investments made by the private equity fund or to know whether the investments are consistent with the private equity fund's historic investment philosophy or risk levels. Due to the risks mentioned above, it is important to perform proper due diligence in evaluating and choosing private equity fund managers to place your money with. There have been occasions when private equity fund managers took on too much risk in their portfolio and lost a substantial amount of their investors' money.*