

markets. There is no assurance that lenders will continue to provide financing at current or historic valuation levels to private equity. Instability in the securities, currency, commodity and other markets may also increase the risks inherent in the Fund's investments.

*Interest rates:* Certain underlying investment assets of the Fund may be highly leveraged. Movements in the level of interest rates may affect the returns from these assets more significantly than investments in other types of assets. In particular, the type of debt, maturity profile, interest rates and covenants in place are among the factors which could affect the timing and magnitude of returns.

*Inflation and deflation:* Inflation or deflation may affect the Fund's investments adversely in a number of ways.

During periods of rising inflation, interest and dividend rates of any instruments in which the Fund has invested, or which investments or entities related to investments may have issued, could increase, which would tend to reduce returns to Investors. Inflationary expectations or periods of rising inflation could also be accompanied by rising prices of commodities that are critical to the operation of certain assets (e.g. infrastructure) or to the return expected with respect to such assets. During periods of high inflation, capital tends to flee to other assets, such as (historically) gold, which may adversely affect the prices at which the Fund is able to sell certain investments. Certain underlying investments may have fixed income streams and, therefore, there may be limited cash available for distribution. The market value of such investments may decline in value in times of higher inflation rates. Some of the Fund's underlying investments may have income linked to inflation through contractual rights or other means. However, as inflation may affect both income and expenses, any increase in income may not be sufficient to cover increases in expenses.

During periods of deflation, the demand for the products and/or services provided by the businesses or assets in which the Fund may have indirectly invested could fall, reducing the revenues generated by, and so the value of, such investments and therefore reducing returns to Investors. Where the operating costs and expenses associated with any such investments do not fall by a corresponding amount, the rate of return to Investors could be further reduced. Periods of deflation are often characterised by a tightening of money supply and credit, which could limit the amounts available to the Fund with which to make and/or leverage investments, and so limit the number and size of investments that the Fund may make and affect the rate of return to Investors. Such economic constraints could also make certain assets in which the Fund may invest and related businesses more illiquid, preventing the Fund from divesting such assets efficiently and so reducing the return to Investors from such investments. Deflation may also make it more difficult for investments which are leveraged at the asset level to meet or service their debt obligations, due to reductions in revenues and increases in the size of the debt relative to the overall value of an investment.

## Currency risks

Commitments will be denominated, and drawdowns and distributions made, in US dollars but the Fund may make and realise investments in currencies other than US dollars and, as a result, the value of investments may go up or down solely as a result of changes in currency exchange rates. The Fund will incur costs in connection with conversions between various currencies. The Manager will attempt to maximise US dollar revenues and sales proceeds, and the Fund and its underlying investments may engage in hedging transactions to reduce currency risk. There can be no assurance, however, that such hedging transactions, if the Fund chooses to enter into them, will fully protect against the risk of currency fluctuations. Moreover, hedging transactions themselves may involve additional risks and result in transaction costs. Investors should be aware that if their reference currency is a currency other than US dollars, their investment in the Fund may be adversely affected by any reduction in the value of the US dollar relative to their reference currency. They may also incur the further transaction costs of converting US dollars into another currency. Such Investors are strongly urged to consult their financial advisers with a view to determining whether they should enter into hedging transactions to offset these risks.

## Status of debt markets and availability of financing

In recent years, disruptions in the debt markets have caused a significant decrease in the availability of financing, an increase in interest rates (despite decreases in base rates) and a tightening of lending and underwriting standards for investments in general. Such conditions may impair the Fund's ability to obtain financing or refinancing to fund the acquisition of investments, or such financing may be available to the Fund on less favourable terms. In addition,