

Certain risk factors (cont'd)



Material, Nonpublic Information. Certain employees of the general partners, the manager and/or their respective affiliates may acquire confidential or material nonpublic information or be restricted from initiating transactions in certain securities. Due to these restrictions, the Fund may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

Performance risk. The Fund's investment strategy will be highly speculative and, as such, investment in the Fund involves a substantial degree of risk. The performance of the Fund may not meet the Fund's target return and there is no guarantee of any level of return or repayment of capital.

Pooled Investments in Secondaries. In many cases, the Fund expects to have the opportunity to acquire a portfolio of investment funds or direct investments from a seller on an "all or nothing" basis. Certain of the investment funds or direct investments in the portfolio may be less attractive than others, and certain of the sponsors of such investment funds (or in some cases, the controlling investors in the portfolio companies) may be more familiar to the manager than others, or may be more experienced or highly regarded than others. In such cases, it may not be possible for the Fund to carve out from such purchases those investments which it considers (for commercial, tax, legal or other reasons) less attractive.

Complex Nature of Due Diligence and Valuation Process for Direct Secondaries. In traditional secondaries investments, secondaries investors typically provide liquidity to primary investors in private equity funds, and secondaries investors are able to rely on conducting due diligence on financial statements and periodic company updates originated by a common investment manager. By contrast, because many portfolios of direct investments being targeted by the Fund may be collections of the private equity assets of a seller other than a common investment manager, many direct secondaries may lack the benefit of financial statements and periodic company updates that would be originated by a common investment manager. This may affect the ability of the Fund to conduct fundamental due diligence on the portfolio companies comprising such investment portfolios.

Reliance on Management of Portfolio Companies. While it is the intent of the Fund to invest in funds with proven investment fund managers and companies with proven operating management in place, there can be no assurance that such management will continue to operate successfully. Although the Fund will monitor the performance of each underlying fund and investment it will rely upon management to operate the funds and portfolio companies on a day-to-day basis.

Valuation. Market events and valuation issues may impact the Fund and the underlying funds. The valuation methodology and timing may vary between the investments made by the Fund and therefore impact the valuation analysis of the Fund.

Currency Risks. The Fund may make and realize investments in currencies other than the currency that it is denominated in 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. Investors should be aware that if their reference currency is a currency other than that of the Fund, their investment may be adversely affected by any reduction in the value of the Fund currency relative to their reference currency. They may also incur the further transaction costs of converting the Fund currency into another currency. 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.

Lack of Liquidity of the Fund's Investments. The return of capital on investments and the realization of gains, if any, will generally occur only upon the partial or complete disposition of an investment. Investments will generally be highly illiquid compared to other asset classes, and it is unlikely that there will be a public market for most of the investments made.

Risks of Investing on a Secondary Basis in Real Estate and Real Estate-Related Assets. Secondary investments in funds that invest in real estate and real estate-related assets are subject to various risks, including adverse changes in national or international economic conditions, adverse local market conditions, the financial conditions of tenants, buyers and sellers of properties, changes in the availability or terms of financing, changes in interest rates, exchange rates, real estate tax rates and other operating expenses, environmental laws and regulations, zoning laws and other governmental rules and fiscal policies, energy prices, changes in the relative popularity of certain property types or the availability of purchasers to acquire properties, risks due to dependence on cash flow, risks and operating problems arising out of the presence of certain construction materials, as well as acts of God, uninsurable losses, war, terrorism, earthquakes, hurricanes or floods and other factors which are beyond the control of the investor.

Availability of investments and competitive nature of the Fund's business. The availability and price of investments are affected by competitors, many of whom have greater financial and strategic resources than the Fund. There is no guarantee that suitable investments will be available or will be successfully secured, or that they will meet the Fund's diversity requirements. In addition, the Fund may incur costs on unsuccessful transactions.

Multiple levels of expense. The Fund and the underlying funds in which it invests impose management and/or administrative costs, expenses and performance allocations. This leads to greater expense to the Investors than if the Investor was able to invest directly in the underlying fund or company.