

Risk Factors

An investment in the Fund involves a substantial degree of risk and should be considered only by Investors whose financial resources are sufficient to enable them to assume such risk (and the possible loss of some or all of their investment) and who have no immediate need for liquidity in their investment. Investors should carefully evaluate the following risk factors associated with an investment in the Fund. Past performance of the SOF Funds cannot be taken as an indication of the performance of the Fund. Investors should make their own assessment of the risks and rewards of an investment in the Fund.

Part A – Risks Related to an Investment in Secondary Private Equity

Pooled investments in secondaries

In many cases, the Manager expects that the Fund will 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 the Fund considers (for commercial, tax, legal or other reasons) to be less attractive.

Complex nature of due diligence and valuation process for GP-led 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 private equity funds managed by a common investment manager, many GP-led 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.

Termination of the Fund's interest in an underlying fund

The general partner or manager of an underlying fund may, among other things, terminate the Fund's interest in such underlying fund if the Fund fails to satisfy any capital call by that underlying fund or if the general partner or manager of that underlying fund determines that the continued participation of the Fund in the underlying fund would have a material adverse effect on the underlying fund or its assets. The Fund may fail to meet a capital call if an Investor fails to honor a capital call by the Fund and such shortfall cannot be made up by the other Investors, a new investor, a borrowing, the Manager or otherwise.

Reliance on management of portfolio companies

While it is the intent of the Fund to invest in underlying 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 underlying funds and portfolio companies on a day-to-day basis.