

# Wafra Capital Partners Inc.



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*Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of Wafra Capital Partners Inc. (“Wafra Capital Partners” or the “Firm”). If you have any questions about the contents of this Brochure, please contact Vincent Campagna, Chief Compliance Officer, at (212) 759.3700. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority, and any references in this Brochure to the Firm or any of its affiliates as a “registered investment adviser” are not intended to imply a certain level of skill or training.*

*Additional information about Wafra Capital Partners is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## ITEM 2- Material Changes

The following summary identifies and discusses only material changes that occurred with respect to the Firm's business since November 16, 2011, the date of the initial filing of the Brochure.

Effective January 1, 2012 (the "Transfer Date"), the Structured Finance division and the Business & Product Development division of Wafra Investment Advisory Group, Inc. ("WIAG"), an affiliate of the Firm, and the clients of such divisions ("Clients"), were transferred to the Firm. Accordingly, each Client is a client of the Firm as of the Transfer Date, and is referred to as a "Fund" in the Items following this Item 2 of the Brochure. Each of the Firm and WIAG is majority-owned by Wafra InterVest Corporation ("WIC"), a Cayman Islands registered company that is beneficially owned by the Public Institution for Social Security of Kuwait.

The same personnel who were responsible for providing investment advisory services with respect to each Client, including making determinations regarding the investment of the assets of each Client, are currently -- and are expected to continue to be responsible for -- making such investment decisions in their capacity as personnel of the Firm.

Prior to the Transfer Date, the manager of each Client proposed, and the Board of Directors of each Client approved, (i) the termination of the then-effective investment advisory agreement between the Client and WIAG (each, a "Terminated Advisory Agreement"); and (ii) a new investment advisory agreement between the Client and Wafra Capital Partners (each, a "Firm Advisory Agreement"). The Firm Advisory Agreements, the terms of which are substantially the same as those of the Terminated Advisory Agreements -- and which terms are identical with respect to the advisory services to be provided to the Client, advisory fees to be charged to the Client and any rights of the Client -- were effective as of the Transfer Date.

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## **ITEM 4 - Advisory Business**

Wafra Capital Partners provides discretionary investment advisory services to its clients (each, a “Fund” and collectively, the “Funds”), which are pooled investment vehicles intended for non-U.S. investors, based on the Funds’ investment objectives, strategies, guidelines and restrictions. The Firm registered as an investment adviser with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), in December 2011.

Wafra Capital Partners, which was formed as a Delaware corporation in December 2010, is managed primarily by members of the former Structured Finance division and Business & Product Development division of WIAG, an affiliate of the Firm. Each of the Firm and WIAG, an SEC-registered investment adviser, is majority-owned by WIC, a Cayman Islands registered company that is beneficially owned by the Public Institution for Social Security of Kuwait. WIAG provides certain administrative and operational services to the Firm.

The Firm’s advisory services principally focus on structuring and advising investment vehicles in the equipment leasing, structured finance and real estate arenas that generally, though not always, are intended to comply with Shari’ah principles, as well as other debt and financial structures and leverage-oriented investments that are also often designed to comply with Shari’ah principles. Prior to Wafra Capital Partners’ formation as a distinct corporate affiliate of WIAG and subsidiary of WIC, the Firm’s investment personnel, while serving as members of WIAG’s Structured Finance division, were responsible for providing day-to-day investment advisory services and making investment decisions with respect to numerous Shari’ah-compliant and other investment vehicles and products.

As of September 30, 2011, the Firm manages approximately \$2,742,500,000 of Fund assets, of which \$2,469,500,000 are managed on a discretionary basis.

## **ITEM 5- Fees and Compensation**

Wafra Capital Partners generally charges each Fund an annual investment advisory fee based on the amount of outstanding capital contributed or committed to the Fund by investors, or on the net asset value of the Fund. Generally, these investment advisory fees are deducted from each Fund's account on a quarterly basis. Funds may also pay to Wafra Capital Partners or to an affiliate of Wafra Capital Partners performance-based compensation, as discussed in Item 6. In some cases, Fund investors are subject to the capital-based or asset-based investment advisory fees and any performance-based compensation through their investment in a Fund.

In addition to paying investment advisory fees and, if applicable, performance-based compensation, the Funds may also be subject to other investment fees and expenses. As disclosed in each Fund's offering documents, such fees and expenses may include, but are not limited to: annual administration fees and/or shareholder servicing fees; structuring fees; selling and marketing costs; transaction due diligence and related expenses; custodial charges; investment-related expenses and fees; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; directors' fees; legal, auditing, accounting, consulting and other professional expenses; administration expenses; research expenses; and any other expenses related to the purchase, preservation, sale or transmittal of Fund assets. Fund investors may incur sales charges in connection with their subscription for Fund interests.

Additional information about each Fund, as well as the fees and expenses that may be incurred by investors in such Fund, is provided in each Fund's offering materials.

## **ITEM 6 - Performance Fees and Side-By-Side Management**

As noted in Item 5, Funds may incur a performance-based distribution or performance-based fee, subject to any applicable hurdles or “high water marks.” Such distributions and fees are made or paid, as applicable, to Wafra Capital Partners or to an affiliate of Wafra Capital Partners. As a result, it is possible for Wafra Capital Partners to have a greater incentive to favor a Fund that pays the Firm or an affiliate of the Firm (and indirectly the relevant investment personnel) performance-based compensation or otherwise pays higher fees, or in which personnel of the Firm or any of its affiliates have more significant investments.

Wafra Capital Partners has adopted and implemented policies and procedures intended to address conflicts of interest relating to its provision of advisory services to the Funds, including Funds with different fee arrangements. In addition, the Firm reviews investment decisions for the Funds on, at a minimum, a semi-annual basis in order to ensure that Funds with substantially similar investment objectives are treated fairly and equitably and that investment opportunity allocations are made in a manner that is fair and equitable to the Funds.

## **ITEM 7- Types of Clients**

As previously described in Item 4, the Funds are pooled investment vehicles intended for non-U.S. investors. Any initial and additional subscription minimums are disclosed in the offering documents applicable to each Fund.

## **ITEM 8- Methods of Analysis, Investment Strategies and Risk of Loss**

In providing advisory services to the Funds, and consistent with each Fund's investment objective, Wafra Capital Partners seeks to identify investment opportunities in equipment leasing, asset-backed and other structured financial instruments, real estate and real-estate related instruments, and/or other financing transactions, debt structures and/or leverage-oriented investments. The following is a summary of the investment strategies employed by Wafra Capital Partners in making investment decisions.

The Funds are generally suitable for investors who do not require regular current income and can accept a high degree of risk. All investment strategies used by the Firm include a risk of loss of principal. Many strategies are complex and difficult to understand. If investors are not generally familiar with such risks, they should not consider investing in the strategies used by the Firm. Investors should carefully read the offering documents relating to a Fund and consult with their financial professionals, advisors and legal counsel. The Funds are not available for investment by persons who are U.S. citizens or U.S.-domiciled persons.

### ***Investment Strategies – Leasing and Structured Finance***

The Firm's leasing Funds typically seek to provide investors with monthly returns primarily derived from investments in equipment leasing and other asset-backed or structured financing transactions. Many of these leasing Funds focus on Shari'ah compliant transactions. The leasing Funds generally invest in portfolios of equipment or other assets (collectively, "Equipment"), which will, in a typical transaction, be leased to or otherwise financed on behalf of lessees or other qualified end users. Equipment portfolios generally consist of a range of lessees and Equipment types utilizing a variety of lease and other financing structures, which range is intended to reduce overall risk. Certain leasing Funds seek to invest in transactions with venture-funded or emerging entities, which may involve credit enhancements through structured transactions. Typical structured transactions may include features such as advance rentals, third-party guarantees, letters of credit, co-lessees, manufacturer support or other credit enhancements. Other leasing Funds typically select as lessees a greater percentage of companies that are generally large and well-established, or companies which are investment grade or with appropriate credit quality as determined by Wafra Capital Partners. Equipment with a predictable residual value (due to a large secondary market or other factors) is a consideration in certain cases.

### ***Investment Strategies – Real Estate***

The Firm's real estate Funds invest in Shari'ah law-compliant closed-ended master feeder and co-investment structures in the international and domestic real estate arena. Investments, which typically, though not exclusively, involve an external fund advisor that sources, services and effects the transactions, may include investments in commercial, retail, and residential properties in Asia, Europe and the United States or in financial instruments related to such investments.



### *Methods of Analysis – Leasing and Structured Finance*

Wafra Capital Partners collaborates, on an ongoing basis, with various middle-market and other Equipment lease originators or equity partners (“Lease Originators”) that the Firm has identified as specializing in a diversified base of Equipment and industry or other business sectors. Such Lease Originators may be based in or outside of the United States. In addition, Wafra Capital Partners or an affiliate may originate one-time transactions with counterparties as sources of lease or asset-backed or structured financing volume.

The Firm monitors sector, lessee/end-user and Equipment concentrations on a regular basis, and has established a due diligence process for both Lease Originator and counterparty selection and the underlying transactions. Typically, Wafra Capital Partners interviews and visits a potential Lease Originator or counterparty to learn about the originator’s specific focus, internal controls, internal transaction approval/credit process and key employees. The Firm may conduct, among other reviews, background checks, personal financial checks and industry reference checks with respect to a potential originator’s employees. Wafra Capital Partners typically requires risk-sharing arrangements with its partnering Lease Originators or counterparties, such as first loss guaranties or corporate guaranties. The credit of each potential lessee/end-user is typically analyzed through financial statement reviews, and, if necessary and applicable, credit checks. Equipment leasing and other structured finance transactions require the review of substantial documentation at different levels by the Lease Originator or corresponding counterparty and Wafra Capital Partners before any transactions are funded.

### *Methods of Analysis – Real Estate*

Wafra Capital Partners or an affiliate has established strategic partnerships with local real estate advisors in the geographic regions in which the Funds’ investments are focused. Wafra Capital Partners’ due diligence with respect to each property advisor generally involves in-person meetings, reviews of internal compliance programs and procedures, and analysis of an advisor’s track record and transaction approval procedures.

### *Risks – General*

An investment in a Fund involves substantial risks, including, but not limited to, those described below. An investment in a Fund is speculative and involves a high degree of risk, including that all or most of the amount invested may be lost. Past performance is not indicative of future results, and there is no assurance that a Fund’s investment objectives will be achieved or that Wafra Capital Partners’ investment strategies will be successful. The following summary identifies the material risks related to the Firm’s significant investment strategies and should be carefully evaluated before making investment with the Firm. The summary does not, however, identify all possible risks of an investment in a Fund or provide a full description of the identified risks. Potential investors are urged to carefully review a Fund’s offering materials for additional information.

Conflicts of Interest: Wafra Capital Partners, as investment adviser to each of the Funds, may cause a Fund to enter into transactions with an affiliate of the Firm, or with an entity in which related persons of the Firm (or related persons of any of the Firm's affiliates) have ownership interests or control. At times, for example, to facilitate the structuring of an investment opportunity or to otherwise facilitate a transaction for one or more Funds, certain directors or employees of the Firm may invest equity capital to fund the formation of an investment vehicle utilized in a transaction in which a Fund may invest or participate. While investment terms are expected to vary, generally, such related persons will not receive back their capital contributions and any return thereon until all terms of the investment by the Fund in connection with the applicable investment transaction have been satisfied. See also "Other Financial Risks" below.

In addition, Wafra Capital Partners and its affiliates may simultaneously operate funds with similar investment objectives. Wafra Capital Partners has established policies and procedures designed to ensure that all transactions made on behalf of a Fund are made in the best interest of the Fund, and to ensure that investment opportunities are allocated on a fair and equitable basis.

Certain directors and officers of Wafra Capital Partners will provide advisory services to entities other than the Funds, and will manage or otherwise be involved with other businesses and activities, including, though not limited to, WIAG, and will not devote their business time exclusively to managing and developing the Firm's investment strategies.

Certain acquisition, origination, structuring, due diligence or other fees related to an investment by a Fund may be paid to Wafra Capital Partners or an affiliate of Wafra Capital Partners, typically by Lease Originators, other counterparties or asset managers involved in such investment. Such costs, which are paid by the Fund as part of the aggregate cost of participating in the investment, will reduce the capital available for direct investment.

Illiquidity Risk: The Fund's underlying investments may be illiquid and of extended duration. Although Funds' investments may generate current income, the return of capital and the realization of gains, if any, from an investment may not occur until the partial or complete disposition of such investment, which may not occur for a number of years. Fund investors have limited redemption rights and could be restricted from exiting a Fund for an extended period of time.

Lock-Out Period Risk: Many of the Funds are subject to lock-out periods, which typically range from 24 to 36 months. During this period, a Fund's principal will not be returned to investors. This may influence the Fund to invest in longer term investments, which may not mature during the Fund term, thus potentially delaying the return of the investment as planned. In the alternative, if some or all of a Fund's underlying investments are of shorter duration than any applicable lock-out period, the Fund may have assets that are not fully invested, and thus may not be able to provide an adequate return to the investors. The lock-out provisions relating to a particular Fund, if any, are described in that Fund's offering documents.

Lack of Diversification: Many of the Funds are subject to Shari'ah guidelines, and all have finite amounts of capital. In addition, while some Funds, consistent with their investment objectives, strategies and restrictions, invest committed capital as investment transactions become available, other Funds, consistent with their investment objectives, strategies and restrictions, provide all or a significant portion of their available capital at or near the close of the Fund. As a result, due to the timing of the availability of funds and the desire to make timely investments, as well as possible limitations on potential investments, a Fund's investment portfolio may not be as diverse with respect to geographic, Lease Originator, Equipment, industry, or other diversification factors as a portfolio that is not subject to such restrictions.

Hedging: In connection with certain Fund investments, a Fund may utilize hedging techniques designed to minimize the risks of adverse movements in interest rates, securities prices, and/or currency exchange rates. While such transactions may reduce certain risks, the hedging transactions themselves may entail other risks, such as unanticipated changes in interest rates, securities prices or currency exchange rates may result in a poorer overall performance for the relevant Fund than if it had not entered into such hedging transactions. In addition, there may be a lack of control over the underlying investment of a Fund which is in a currency other than the Fund's currency. This may make it difficult for the Firm to hedge any resulting exposure.

In the case of some Funds that are not denominated in the currency of the underlying investments, such Funds may enter into currency swaps or hedging transactions with respect to both the investments and the projected cash flows. However, if the actual cash flows of a Fund's underlying investments do not substantially match the hedged cash flows, a difference in exchange rates between the time of the expected cash flows (and hedge or swap) and the actual cash flows may result in an unplanned loss to the Fund.

Currency Risk: Some of the Funds, which generally are U.S. dollar denominated investment vehicles, invest in transactions that are denominated in a different currency. In some cases these underlying transactions are not hedged. Currencies may decline in value relative to the U.S. dollar and, in the case of a hedged position, the U.S. dollar may decline relative to the currency being hedged. Currency exchange rates may fluctuate significantly over short periods of time, and a decline in the value of foreign currencies relative to the U.S. dollar will reduce the value of an investment held by a Fund and denominated in those currencies. Foreign currencies are also subject to risks caused by inflation, interest rates, budget deficits and low savings rates, political factors and government controls.

Leverage: A Fund's investment program may involve the use of leverage, which may increase the potential for loss if the value of the underlying asset drops below the associated borrowing. In addition, assets may be used to cross-collateralize debt. Such an arrangement may have an adverse impact on a more significant group of assets if the value of the relevant asset declines.

Other Financial Investments Risk: Pending the investment of a Fund's assets in accordance with its primary investment strategies, or in response to market or economic conditions, a Fund generally may invest all or any portion of its assets in cash and cash equivalents or financial instruments deemed appropriate by the Firm, including real

estate-related and/or asset-backed instruments and other similar investments, including investments specifically structured as Shari'ah-compliant investments, such as Murabaha transactions ("Murabahas"). Murabahas are typically short-term or long-term investment transactions that are not FDIC insured. The returns on such investments are often less than the overall yield target of the investing Fund. In addition, Murabahas can involve substantial counterparty risk and, as a result, the Funds (and, indirectly, Fund investors) bear the risk of default under any Murabaha arrangement. Such default risks include, but are not limited to, timing defaults (risk of extension past a certain pre-defined term), repayment risks or risk of loss of both capital and return. Some of the real estate-related and/or asset-backed instruments and other investments in which a Fund may participate may include investment transactions with entities managed and/or owned (in whole or in part) by related persons of Wafra Capital Partners.

**Taxation:** Wafra Capital Partners is of the view that the Funds should not be subject to U.S. income taxes or withholding taxes on income received from their U.S. activities, provided that (i) the investments entered into by a Fund constitute "portfolio debt" and (ii) a Fund does not engage in a trade or business within the U.S. If the investments did not qualify as portfolio debt, the U.S. source income of a Fund could be subject to a 30% withholding tax, and if a Fund were deemed to be engaged in a U.S. trade or business, the Fund would be required to file U.S. federal income tax returns, pay tax at regular corporate rates, and pay an additional thirty (30%) branch profits tax. Either or both of the aforementioned scenarios would materially and adversely impact a Fund's ability to achieve its investment objective.

### ***Risks – Leasing and Structured Finance***

**Industry Risk:** Leasing Funds generally rely primarily on the underlying Equipment leases or structured transactions as well as the residual value of the Equipment to generate returns. Such returns may be negatively impacted by defaults by lessees/end-users or a failure to realize residual value with respect to Equipment. The equipment leasing industry, including financial institutions which provide asset-backed financing, is highly competitive, and Wafra Capital Partners may be unable to source appropriate or attractive investments. This may cause a Fund to experience returns that are lower than anticipated, or to accept greater levels of risk. Fund performance may be affected by the credit risks of the lessees and the market risks of residual values, and other factors over which neither the Fund nor the Firm have control.

**Default Risk:** A leasing Fund may incur losses in the event that a lease counterparty defaults. Such losses, which may not be recoverable, may include, but are not limited to, rental or other revenue; legal and other costs associated with taking enforcement action against the counterparty and storing and transporting the leased Equipment; costs related to breaking financing arrangements associated with the lease, including costs associated with the early termination of financing or hedging arrangements and losses when selling Equipment earlier than originally anticipated.

The value of a leasing Fund's investments in financings may be detrimentally affected in the event that any other counterparty defaults on its obligations, there is insufficient collateral and/or there are extensive legal and other costs incurred in collecting on a defaulted financing. Wafra Capital Partners may attempt to minimize this risk by

requiring certain financial covenants, including, but not limited to, those related to the amount of the financing and the value of the underlying collateral, and other contractual provisions with respect to each financing. Certain financings may be supported, in whole or in part, by personal guarantees made by the counterparty or a relative, or guarantees made by a corporation affiliated with the counterparty. The amount realizable with respect to a financing may be detrimentally affected if a guarantor fails to meet its obligations under the guarantee. Moreover, the value of collateral supporting a financing may fluctuate, and there can be no assurance that collateral will retain its value or that any value assigned by Wafra Capital Partners can be realized in a liquidation event.

Equipment-Related Risk: A leasing Fund's contracts may require counterparties to maintain, service and insure the leased Equipment. If a counterparty fails to maintain Equipment in accordance with the terms of its lease, the Fund may have to make unanticipated expenditures to repair the Equipment. To the extent that the Fund purchases used Equipment, there is no assurance that an inspection of such Equipment prior to acquisition will reveal any or all defects and problems with the Equipment. The Fund may incur losses associated with the investment, including legal costs, costs of repair and lost revenue from the delay in being able to sell or re-lease the Equipment due to undetected problems or issues. In addition, the market value of a leasing Fund's Equipment may be lower than anticipated, resulting in a loss on the Fund's investment. At the time it enters into a lease to rent Equipment to a counterparty, the Fund does not know what the remarketing price of the leased Equipment will be when the lease ends and the Equipment is returned. If the remarketing price is lower than anticipated, which may occur as a result of a variety of factors over which the Fund has no control, the Lease Originator will either lose money or receive returns that are lower than anticipated, which may result in losses to the Fund. Furthermore, certain types of Equipment are subject to registration or other regulatory requirements, and a leasing Fund may lose the ability to own or operate that Equipment should it fail to comply with such requirements. In addition to impairing the Fund's ability to earn rentals from that Equipment, the Fund or Lease Originator may be subject to penalties or be forced into a sale of that Equipment on unfavorable terms. Governmental agencies may require changes or improvements to Equipment resulting in increased costs and loss of rental revenue while the changes are made, potentially adversely affecting the Fund's anticipated returns from that investment.

Bankruptcy: In the event that an end user files for protection under bankruptcy laws, a bankruptcy court may reject, reduce the term or alter the provisions of the operating lease with that end user. If this happens, a Fund may not receive the full amount of rental payments contemplated by that lease. A leasing Fund may also experience difficulties, legal costs and delays in recovering equipment from a bankrupt end user that is involved in a bankruptcy proceeding or has been declared bankrupt by a bankruptcy court. The sales proceeds a Fund ultimately may receive from disposing of recovered equipment may not cover its outstanding investment in that equipment.

Non-U.S. Transactions: It is likely that a Fund or Lease Originator may enter into transactions with non-U.S. counterparties. In connection with such transactions, the Equipment will be permanently or temporarily located outside the U.S., and the relevant contracts will be governed by non-U.S. laws. These transactions involve a number of risks, including, but not limited to, the following: the Fund or the Lease Originator, as applicable, may have difficulty repossessing Equipment outside the U.S.; legal costs may

be more expensive outside the U.S.; foreign governments may confiscate Equipment, nationalize Equipment, retrospectively change laws, impose new or changed fees, duties or taxes or impose foreign exchange restrictions which hamper the ability of the Lease Originator or the Fund, as applicable, to receive payments; foreign courts may not recognize judgments obtained in U.S. courts; there may be documentary risks where contracts are written in a language other than English; complications may arise from interpretations of tax or legal codes and any regulatory registration requirements; and changes in, or interpretations of, foreign laws and regulations may adversely affect the ability of the Fund or the Lease Originator, as applicable, to enter into leases, sell Equipment or repatriate profits. Furthermore, certain non-U.S. jurisdictions may be more prone to corruption, unsavory business practices, conflict, sanctions or civil unrest. All of these risks may impair the ability of the Fund or the Lease Originator, as applicable, to receive amounts due or to remarket Equipment in a satisfactory manner.

### *Risks – Real Estate*

Industry Risk: Real estate Funds are subject to certain risks associated with the ownership of real estate-related assets and the real estate industry in general. A Fund's performance or underlying value may be adversely affected by changes in economic or market conditions, compliance with environmental and zoning laws, litigation, increases in financing costs and property taxes, availability of financing, overbuilding, tenancy and vacancy issues, construction delays, cost overruns, limited insurance coverage for losses, market competition and other factors that neither the Fund nor the Firm can control.

Recessionary Environment Risk: Real estate has historically experienced substantial fluctuations and cycles in value and market conditions which may cause reductions in the value of real property interests. All real estate-related investments are subject to the risk that a general downturn in the relevant national and/or local economy will depress real estate prices. Economic events and circumstances in recent years have adversely affected, and may continue to adversely affect, real estate-related investments. Such events and circumstances include: a significant decline in the value of real estate and securities associated with real estate, which decline may continue for a prolonged period and result in a highly volatile and uncertain business environment for investors in real estate and real estate-related securities; limited credit availability; limited confidence in the financial sector; and less business activity. Wafra Capital Partners may not be able to timely anticipate or manage these and other risks, contingencies or developments relating to a recessionary environment.

Renovation, Expansion or Development Risk: To the extent that a real estate Fund's investments relate to the renovation, expansion and/or development of real estate, the real estate Fund will be exposed to particular risks associated with such properties, including the risks that favorable financing terms may not be available, construction may not be completed on a timely basis, to the agreed specification or within budget (thereby causing increases in debt-related expenses, construction costs, leasing delays and cash flow generation delays). Although construction contracts may require construction contractors to pay liquidated damages, a Fund will be exposed to the risk that certain losses may not be covered by such provisions, and the risk that the contractor's business may fail.

In addition, renovation, expansion and/or development activities may involve risks relating to the inability to obtain (or delays in obtaining) requisite zoning, land use, occupancy, land use and other governmental permits and/or authorizations, and, upon completion, the properties may perform below anticipated levels. To the extent that any renovation, expansion or development activities are financed through construction loans, there is a risk that, upon completion of construction, permanent financing may not be available on advantageous terms or at all.

Joint Venture Risk: A real estate Fund may co-invest with third-parties through funds, joint ventures or other entities which may not be controlled by Wafra Capital Partners or its affiliates or related persons. Such investments may involve risks not present if such third-parties were not involved, such as risks of ineffective decision making, impasses on joint venture decisions, and the risk that the third-party may declare bankruptcy or otherwise fail to meet financial commitments.

Environmental Risks: A real estate Fund's operations are subject to numerous statutes, rules and regulations relating to environmental protection ("Environmental Regulation"). Such Environmental Regulation subject current or previous owners or operators of real property to potential liability, including liability for the costs of investigation, monitoring, removal or remediation of hazardous materials, and changes in Environmental Regulation or in the environmental condition of a Fund's investments may create liabilities that did not exist at the time of acquisition of the investment, and that could not have been foreseen. The presence of hazardous materials on a property could also result in personal injury, property damage or similar claims by private parties. Furthermore, a Fund's investments may be located in earthquake zones or be subject to risks associated with other natural disasters.

## **ITEM 9- Disciplinary Information**

Not applicable.



## **ITEM 10 - Other Financial Industry Activities and Affiliations**

Certain management persons of Wafra Capital Partners are registered representatives of a registered broker-dealer, Wafra Securities Corporation, a member of the Financial Industry Regulatory Authority, Inc.

The following non-U.S. affiliates of Wafra Capital Partners provide, from time to time, to Wafra Capital Partners, its affiliates and Funds services outside of the United States, which may include advisory, management, business consulting, strategic planning, placement or similar services, as well as administration services and other services, which may be considered material to Wafra Capital Partners' business or the Funds: Wafra InterVest Corporation and Wafra Capital Partners, L.P.

The respective relationships with respect to, and services provided (if any) to, Wafra Capital Partners and/or any Fund are disclosed to potential Fund investors and are described in the relevant offering documents. To the extent that any of the Firm's related persons receive fees either from the Firm or a Fund as compensation for its services to the Firm or the Fund, as applicable, such compensation arrangements are generally in writing and disclosed in the relevant agreements and/or offering documents. Agreements may provide that a portion of fees otherwise payable to Wafra Capital Partners will be paid or allocated to such affiliated entities. To the extent that a Fund directly engages an affiliate to perform non-advisory services for the Fund, any fees associated with such services will be separate from, and in addition to, the advisory fees paid to Wafra Capital Partners.

Wafra Capital Partners, and/or any affiliate, officer, director and/or employee of Wafra Capital Partners or WIAG (together, the "Wafra Owners") own(s) financial interests in one or more companies or entities with which a Fund may enter into business transactions in seeking to achieve its investment objective. In the event that a Fund transacts with such a company or entity, the Firm negotiates the transaction terms on behalf of the Fund. A conflict of interest may exist with respect to such negotiations, as the Wafra Owners would benefit from the counterparty company or entity receiving favorable terms, which could be at the expense of the Fund. The Firm has adopted policies and procedures designed to ensure that, based on all of the factors and circumstances involved, the terms of such transactions are equitable to the Funds. Nevertheless, such transactional and/or financial terms may not be derived through "arm's-length" negotiations; no assurance can be provided that the consideration and/or other financial benefits that the Wafra Owners receive due to their role on either side of such transactions is comparable to the consideration and/or other financial benefits that other parties in similar situations would receive.

Please see also "Conflicts of Interest" in Item 8 for information about investments made by related persons of the Firm in investment opportunities in which the Funds may participate.

## **ITEM 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Wafra Capital Partners has adopted a code of ethics (the “Code”) as required by Rule 204A-1 under the Advisers Act. The Code also reflects the Firm’s standards for the conduct of its business and for the performance of the Firm’s duties to Funds. All officers, directors, partners and employees of Wafra Capital Partners and any other person who provides advice on behalf of Wafra Capital Partners and is subject to the Firm’s control and supervision (referred to as “Supervised Persons”) are required to adhere to the Code, and to conduct themselves at all times in compliance with the following standards:

- The Firm has a strict policy of complying with all applicable laws, rules and regulations, including but not limited to federal securities laws; the Foreign Corrupt Practices Act of 1977, and applicable laws of foreign jurisdictions;
- As a fiduciary to the Funds, it is the Firm’s policy to act in the interests of the Funds and adhere to the highest ethical standards in its dealing with the Funds; and
- The Firm and its Supervised Persons will deal with the Funds in the utmost good faith and will disclose all material facts relating to the advisory relationship.

Wafra Capital Partners has appointed a Chief Compliance Officer (the “CCO”) to administer the Code and Wafra Capital Partners’ compliance program. Supervised Persons must be alert for any potential conflicts of interest between Wafra Capital Partners’ interests and the interests of each Fund, and for any improper activity on the part of other Supervised Persons, and promptly report any violations to the CCO. Supervised Persons must give prior notice of, and under certain circumstances receive written approval for, certain outside activities in which they wish to engage. This includes outside business interests, receipt of gifts beyond nominal value, personal trading of securities, and maintenance of personal brokerage accounts.

Wafra Capital Partners and its related persons have a material financial interest with respect to fees paid by the Funds and investments made for or on behalf of the Funds. As discussed above, a Fund may transact with companies or other entities in which the Wafra Owners hold financial interests. These and other factors could create an incentive for the Firm to make investment decisions that are different from those that would be made in the absence of such interests and arrangements. The offering documents relating to each Fund, which are provided to investors prior to their making an investment, provide clear disclosure about these investments and conflicts of interest.

The Firm has adopted policies designed to prevent insider trading activities. The policies restrict or otherwise address certain practices and activities of Supervised Persons, including trading activities for or on behalf of a Supervised Person’s immediate family members.

Under the Code and compliance program all employees are designated as either “Access Persons” or “Non-Access Persons.” Access Persons generally include any Supervised Persons who (i) have access to nonpublic information regarding any investment with

respect to a Fund; (ii) are involved in making investment decisions or recommendations regarding a Fund; or (iii) have access to such decisions or recommendations that are nonpublic. Access Persons must generally seek and receive approval from the Firm prior to purchasing or selling any security for their personal accounts other than: (i) those in any individual trade or aggregation of a series of trades with respect to the same company's securities within a five business days period, which is less than or equal to \$15,000 (ii) direct obligations of the U.S. government, (iii) bankers' acceptances, bank certificates of deposit, commercial paper and high-quality short-term debt instruments, including repurchase agreements, (iv) shares issued by money market funds, (v) shares issued by open-end funds (which includes funds such as exchange-traded funds ("ETFs") other than the Funds or any pooled investment vehicle whose investment adviser or principal underwriter is controlled by, or is under common control with, the Firm (such pooled investment vehicles, "Reportable Funds"), and (vi) shares issued by unit investment trusts that are invested exclusively in one or more open-end funds, none of which are Reportable Funds. For Non-Access Persons, and certain Access Persons exempted by the Firm, advance approval for the trading of securities is not necessarily required. However, all transactions in securities (except those noted above) occurring in all employees' accounts are regularly monitored and reviewed.

Access and Non-Access Persons are required to submit reports detailing their personal securities holdings of reportable securities as defined in the Code on an initial basis and an annual basis and to report transactions quarterly typically through submitting brokerage account statements and trade confirmations.

If you would like a copy of Wafra Capital Partners' Code of Ethics, please forward your written request via facsimile at (212) 813-9488 or to:

Attn: Chief Compliance Officer  
Wafra Capital Partners Inc.  
345 Park Avenue, 41<sup>st</sup> Floor  
New York, New York, 10154

## **ITEM 12 - Brokerage Practices**

Not applicable.

## **ITEM 13 - Review of Accounts**

Under the supervision of the Firm's Chief Investment Officer, investment personnel at Wafra Capital Partners review and evaluate accounts to ensure compliance with each Fund's investment objectives, policies and restrictions. Additionally, accounts are periodically reviewed for asset diversification, other requirements and performance. These reviews are conducted on a regular basis.

In addition to ongoing informal monitoring and reviewing of accounts, members of Wafra Capital Partners also meet regularly and on an as-needed basis to review new transaction prospects and to discuss current holdings to the extent there is recent or new news or factors requiring assessment.

Wafra Capital Partners' Funds' investors or their representatives receive written reports from the Funds pursuant to the terms of each Fund's offering memorandum or as otherwise described in the applicable offering documents.

#### **ITEM 14 - Client Referrals and Other Compensation**

Not applicable.

#### **ITEM 15- Custody**

Not applicable.

#### **ITEM 16 - Investment Discretion**

Terms with respect to the Funds are set out in the relevant offering documents.

#### **ITEM 17- Voting Client Securities**

Not applicable.

#### **ITEM 18- Financial Information**

Not applicable.