

Wafra Capital Partners Inc.



350 Park Avenue, 16th Floor
New York, NY 10022
Telephone: (212) 377-0030
Fax: (212) 293-6346

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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 Joseph Stowell, Chief Compliance Officer, at (212) 377-0033. 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.

ITEM 2- Material Changes

Wafra Capital Partners would like to report the following material changes since the last annual update, dated March 31, 2018:

- Effective September 4, 2018, Joseph Stowell was appointed Chief Compliance Officer, replacing previous CCO

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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 non-U.S. domiciled investment vehicles intended for non-U.S. investors, based on each such Fund’s investment objectives, strategies, guidelines and restrictions. The Firm registered as an investment adviser with the Securities and Exchange Commission (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 Wafra Investment Advisory Group, Inc. (“WIAG”), an affiliate of the Firm. Wafra Capital Partners is majority-owned by Wafra InterVest Corporation (“WIC”), a Cayman Islands company that is beneficially-owned by the Public Institution for Social Security of Kuwait. WIAG, an SEC-registered investment adviser, is wholly-owned by WIC. WIAG provides certain administrative and operational services to the Firm, including: payroll; office management and corporate accounting; affiliates’ audit oversight; and compliance oversight. Wafra Capital Partners (Luxembourg) S.A.R.L., wholly-owned by Wafra Capital Partners, LP, a Cayman Islands partnership, is based in Luxembourg and provides certain administrative and other services with regard to the Firm’s business, principally involving non-US transactions. Such services include accounting services, providing certain advice relating to tax and Shari’ah matters and conducting certain due diligence and ongoing monitoring of certain investment transactions.

On September 1, 2015, the Firm entered into a joint venture with Watani Investment Company K.S.C.C., an entity organized under the laws of Kuwait (“NBK Capital”), that conducts business under the trade name WCP Investments LP (“WCPI”). WCPI serves, and, in the future, is expected to serve as the manager (or its equivalent) for Funds advised by the Firm and marketed by NBK Capital to certain non-governmental investors primarily based in the Middle East and North Africa, which arrangements are disclosed in each such Fund’s offering documents.

The Firm’s advisory services principally focus on structuring and advising investment vehicles which invest in the structured finance, including equipment leasing, asset-based finance and specialty finance, and real estate arenas in the form of debt and other financial instruments and which vehicles, generally, though not always, are intended to comply with Shari’ah principles. Prior to Wafra Capital Partners’ formation as a distinct corporate affiliate of WIAG and subsidiary of WIC, certain of 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 December 31, 2017, the Firm managed approximately \$4.3 billion of Fund assets and commitments, of which \$3.86 billion were 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 an adjusted net asset value of the Fund. Generally, these investment advisory fees are deducted from each Fund’s account on a quarterly basis. Funds also distribute to Wafra Capital Partners or to an affiliate of Wafra Capital Partners

amounts akin to performance-based compensation, as discussed in Item 6. In some cases, Fund investors are subject to capital-based and/or asset-based investment advisory fees and performance-based (or similar) compensation through their Fund's investment in another Fund.

In addition to paying investment advisory fees and, if applicable, performance-based (or similar) compensation, the Funds may be (and generally are) also subject to other investment fees and expenses, which may be considered material either individually or in the aggregate. Such fees and expenses may be paid to both affiliates and non-affiliates of the Firm and 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 fees and expenses, including travel and related expenses associated with investments, whether ultimately consummated or not, including origination, servicing, acquisition or other similar fees, expenses relating to the establishment and maintenance and administration of, and legal and other professional advice relating to Fund subsidiaries or special purpose vehicles, Fund general partners or managing members or similar entities; interest expenses; taxes, including penalties thereon, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; officer and directors' fees and expenses, which are paid to related persons of Wafra Capital Partners; travel and entertainment expenses; legal, auditing, accounting, consulting and other professional expenses; administration expenses; research expenses; and any other expenses related to the origination, purchase, preservation, sale or transmittal of Fund assets. Investments in certain Funds are and may in the future incur sales charges in connection with their subscription for Fund interests, and such sales charges may and in certain instances are shared with one or more affiliates of Wafra Capital Partners.

The investment objective of a Fund may be to achieve during its term returns adequate to provide investors with an overall stated fixed or range of annual return and, by the expiration of such a Fund's term, the return of investors' capital. In those instances, Fund terms often provide that Wafra Capital Partners or one or more affiliates thereof or any one or more of their respective designees (which may include, for the avoidance of doubt, directors, officers and employees of the Firm and its affiliates), by virtue of one or more of those parties' ownership of certain shares or interests in such Fund, will receive the entirety of the excess value, if any, of the investments made by that Fund above and beyond that required to provide for the return of the investors' capital and the stated return.

With respect to certain Funds, Wafra Capital Partners or one or more affiliates also receive commitment, origination, acquisition, structuring, amendment, financing, monitoring and/or other fees related to or from certain investments in which one or more Funds may invest or propose to invest, as disclosed in the Fund's Private Placement Memorandum, Investment Advisory Agreement, and/or Management Agreement.

The receipt of any of the foregoing fees or compensation by Wafra Capital Partners, its related persons or affiliates, which are expected to be, material when considered individually or in the aggregate, will not reduce or offset any investment advisory fees

payable by the applicable Fund or Funds to the Firm (or one or more of its affiliates).

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, which potential investors are urged to consult.

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

As noted in Item 5, certain Funds incur a performance-based (or similar) distribution or performance-based fee or similar allocation, 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 one or more affiliates 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 in or economic exposure to such Fund's underlying investments.

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, which potential investors are urged to consult.

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 periodically and has policies in place 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 non-U.S. domiciled 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 objectives, Wafra Capital Partners seeks to identify investment opportunities principally in equipment leasing, transportation, asset-backed, specialty finance, and other structured financial instruments or arrangements, real estate and real-estate related instruments, and/or other financing transactions, debt structures and/or leverage-oriented investments. Although Wafra Capital Partners does not currently offer separately managed accounts, it may seek to enter into the separately managed account business in the future.

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, including the entirety thereof. If investors are not generally familiar with and prepared to bear 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.

The following is a summary of the investment strategies employed by Wafra Capital Partners in making investment decisions.

Investment Strategies and Methods of Analysis – Structured Finance

The Firm's structured finance Funds, which include any styled as "leasing," "equipment leasing," or "finance" or "financing" funds (collectively, "SF Funds"), typically seek to provide investors with periodic returns primarily derived from investments in equipment leasing, transportation, specialty finance, and other asset-backed or structured financing transactions and credit opportunities. Pending the investment of a SF Fund's assets in accordance with its primary investment strategy, or in response to market or economic conditions, a SF Fund generally may invest all or any portion of its assets in cash and cash equivalents or financial instruments, including asset-backed instruments and other similar investments. Many of these SF Funds invest through Shari'ah compliant structures.

In seeking to implement a SF Fund's investment strategy, a SF Fund will seek related exposures through investments that will involve, among other things, one or more, or any combination of, the following:

- strategic partnerships with/funding of or other exposure to companies or non-bank financial institutions, whether established platforms or new ventures, specializing in the origination and/or servicing/managing of equipment leasing, venture debt, real estate and real estate related finance, asset-based finance, structured finance or other financing transactions (including non-performing loans, small/micro-ticket leasing and various other alternative forms of commercial and/or consumer finance);
- borrowing (i.e., leverage) in the form and in amounts deemed appropriate by the Firm in its sole discretion;
- issuance of fund-level guarantees;
- investment in or exposure to mezzanine loans or otherwise subordinated credit instruments or structures;
- exposure to various forms of collateral, including, but not limited to, aircraft (fixed and rotary-wing), equipment and assets for the transportation, storage or distribution of petroleum and petroleum derived products, ships, automobiles and automotive assets, rolling stock and any related assets thereof;

- exposure (direct or indirect and including through securities or other financial instruments related to such exposures or companies engaged in the business of, or related businesses to, such exposures) to various forms of equipment and other assets/sources of return, including, but not limited to, computer networking equipment, telecommunications equipment, robotics, manufacturing equipment, forklifts, medical equipment, office furniture, oil and mining equipment (including equipment or other assets related to the exploration for, or transportation, distribution and storage of, petroleum and petroleum-derived products), construction equipment, automobiles and automotive assets, semi-conductor manufacturing and/or testing equipment, aircraft and related assets and financial instruments, real estate and/or real estate-related financial instruments, ships and/or related assets and financial instruments; transportation assets and/or transportation-related financial instruments; infrastructure assets (e.g., equipment) and/or related financial instruments; intellectual property; and warrants or other equity instruments;
- exposure to non-performing loans, including, but not limited to, non-performing residential mortgage loans;
- exposure to U.S. and non-U.S. currencies and the purchase and sale of various financial instruments and/or securities;
- exposure to direct or indirect counterparties of varying credit quality, including venture-funded or emerging entities as well as larger, more well-established companies;
- direct or indirect counterparty credit enhancement through personal or corporate guarantees, advance rentals, vendor support, security deposits, letters of credit and bank guarantees; and/or
- investments in, and co-investments alongside, other pooled investment vehicles, including those that are managed according to Shari'ah principles, and asset acquisitions from other Wafra Capital Partners and non-Wafra Capital Partners managed funds.

Although SF Funds generally seek to diversify their risks by investing in a variety of transaction types and structures with varying collateral, equipment and/or other features and elements, SF Funds are not subject to any formal diversification requirements. In attempting to maximize SF Funds' returns, the Firm may concentrate the holdings of SF Funds in those investments that, in its sole judgment believes provides the best profit opportunities consistent with an SF Funds' investment objective.

Due to legal, regulatory, tax and other considerations, SF Funds generally make investments utilizing a variety of investment structures, which structures may involve the use of special or single purpose entities organized in various jurisdictions around the world.

Additionally, and for the avoidance of doubt, as SF Funds may have exposures to real estate and real estate related finance, the risks associated with RE Funds and real estate exposures (as described below) similarly apply to SF Funds.

Investment Strategies and Methods of Analysis – Real Estate

The Firm's real estate Funds ("RE Funds") finance the acquisition, recapitalization and restructuring of real estate properties predominantly located in the United States and invest in other attractive real estate debt investment opportunities based on Wafra Capital Partners' ongoing analysis of prevailing market and economic conditions. Pending the investment of a RE Fund's assets in accordance with its primary investment strategy, or in response to market or economic conditions, a RE Fund generally may invest all or any portion of its assets in cash and cash equivalents or financial instruments, including asset-backed instruments and other similar investments. The RE Funds' 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 generally in Asia and Europe or in financial instruments related to such investments.

Investments are expected to involve, among other things, one or more, or any combination of, the following:

- strategic partnerships with/funding of companies or financial institutions, whether established platforms or new ventures, specializing in the origination and/or servicing/managing of real estate debt and real estate related finance transactions;
- providing balance sheet loans to specialty finance companies focused on real estate finance or real estate related debt;
- borrowing (i.e., leverage) in the form and in amounts deemed appropriate by the Wafra issuance of Fund-level guarantees;
- exposure (direct or indirect and including through securities or other financial instruments related to such exposures or companies engaged in the business of, or related businesses to, such exposures) to various types of real estate assets, including, but not limited to, single family, multifamily, commercial, retail and hospitality, healthcare (including, but not limited to, nursing and skilled care facilities) and senior and assisted living facilities, with investment strategies, including, but not limited to, core, value-add, opportunistic and development/construction;
- exposure to U.S. and non-U.S. currencies and the purchase and sale of various financial instruments and/or securities;
- counterparties and/or end-users of varying credit quality, including venture-funded or emerging entities as well as larger, more well-established companies;
- counterparty credit enhancement including, but not limited to, through personal or corporate guarantees, advance rentals, vendor support, security deposits, letters of credit and bank guarantees; and/or
- investments in, and co-investments alongside, other pooled investment vehicles and asset acquisitions from other Wafra and non-Wafra managed funds.

Certain other investment vehicles managed by the Firm or its affiliates typically provide mezzanine debt for the capitalization of cash flow producing real estate assets. These vehicles predominantly invest in garden style multi-family properties located throughout the United States that possess a value-add element, eventually allowing the borrower or sponsor to refinance their investment with conventional debt.

Although RE Funds generally seek to diversify their risks, the RE Funds are not subject to any formal diversification requirements. In attempting to maximize RE Funds' returns, the Firm may concentrate the holdings of RE Funds in investments that, in the sole judgment of the Firm, provide the best profit opportunities consistent with the RE Funds' investment objective.

Due to legal, regulatory, tax and other considerations, RE Funds generally make investments utilizing a variety of investment structures, which structures may involve the use of special or single purposes entities organized in various jurisdictions around the world.

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. All or most of the amount invested therein 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 an investment with the Firm. This 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, which should be read in conjunction with this summary and the disclosures herein generally.

Conflicts of Interest: Wafra Capital Partners, as investment adviser to each of the Funds, likely will cause a Fund to enter into transactions or other contractual arrangements (including guarantees) with an affiliate of the Firm, another Fund, 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, or provide credit enhancement for a Fund transaction, certain directors, officers or employees of the Firm or its affiliates may invest equity capital to fund the formation of an investment vehicle utilized in a transaction in which (or through which) a Fund may invest or participate, typically in the form of a debt financing or loan. While investment terms are expected to vary as well as the amount of equity capital invested (which may be limited as compared to the debt financing or loan provided by the Fund), generally such related persons will not receive back their capital contributions and any return thereon, with the exception of tax distributions, until all terms of the investment by the Fund in connection with the applicable investment transaction have been satisfied. Such returns may be material, are not impacted by returns (positive or negative) in other Fund investment transactions and may not be considered to have been determined on an

arm's length basis, as certain likely participants in such equity capital investments are generally the parties which determine the terms on which the Fund will provide debt financing or loan or otherwise invest. Please see also "Other Financial Risks" below.

In addition, Wafra Capital Partners and its affiliates may simultaneously operate Funds with similar investment objectives. Certain directors, officers and employees 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, Wafra Investment Advisory Group, Inc., and will not devote their business time exclusively to managing and developing a Fund's investment strategy or achieving any such Fund's investment objective.

It is also possible that a Fund or an entity owned or controlled by Wafra Capital Partners, one or more of its related persons or an affiliate of Wafra Capital Partners, may take an investment position that may be different from a position taken by another Fund. For example, one Fund may take an investment position that is structurally or otherwise senior to that taken by another Fund. If such an underlying counterparty or issuer (as the case may be) encounters financial problems, decisions over the terms of any workout may raise a conflict of interest.

Wafra Capital Partners, its affiliates, and/or certain employees, officers and directors ("Wafra Officers and Directors" and, collectively, with affiliates of Wafra Capital Partners, "Wafra Affiliates") own, in the aggregate, minority or majority financial interests in one or more of its Funds' anticipated counterparties. Wafra Capital Partners may simultaneously negotiate transactional and/or financial terms for parties on both sides of such transactions—i.e., as an advisor to one or more Funds on one side, from which Wafra Capital Partners or Wafra Affiliates earn management fees and/or performance fees, and as an owner of one of its Fund's counterparties on the other, from which Wafra Capital Partners or Wafra Affiliates derive revenue or have the potential for capital appreciation through their ownership stakes. Accordingly, such transactional and/or financial terms may not be derived through "arm's-length" negotiations and no assurance can be provided that the consideration and/or other financial benefits that Wafra Capital Partners or Wafra Affiliates 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. WCPI, an affiliate of Wafra Capital Partners and the Distributor, NBK Capital (hereinafter "Distributor"), is a Manager of Funds; therefore, in such cases, the conflicts of interests described above would also apply with respect to that Manager's relationship with the Fund, Wafra Capital Partners, and the Funds' counterparties and service providers to the Funds (including, without limitation, the Distributor). Furthermore, in certain instances, the Distributor is the sole subscriber to the Fund and, in such cases, would have a conflict of interest with respect to any underlying beneficial owners of the Fund, to the extent such beneficial owners are not the sole subscriber of the Fund.

Additionally, a Fund's counterparty may, in certain instances, terminate any given transaction with the Fund and enter into a new transaction with another Wafra Capital Partners managed Fund or another of the Fund's counterparties, including the purchase or sale of assets or portfolios of assets from another Fund counterparty. This may result in one Wafra Capital Partners managed fund buying or refinancing assets directly

or indirectly from another Wafra Capital Partners managed fund. Wafra Capital Partners or Wafra Affiliates may be responsible for causing a Fund's counterparties to take such actions or otherwise initiate such actions.

Further, Wafra Capital Partners and its affiliates may simultaneously sponsor and/or manage private funds with similar investment objectives. As a result of the foregoing, Wafra Capital Partners and its affiliates currently have, and may in the future have, additional conflicts of interest in allocating investments among its Funds, including ones in which Wafra Capital Partners and its affiliates may have a greater financial interest. Wafra Capital Partners has established policies and procedures designed to ensure that transactions made on behalf of a Fund are made in the best interest of the Fund, and to ensure that investment opportunities are allocated among its clients on a fair and equitable basis, and which allocation process may take into account the length of time that the Fund has had uninvested and/or uncommitted cash with Wafra Capital Partners in allocating certain investment opportunities between such clients.

Certain acquisition, origination, structuring, due diligence or other fees related to an investment or a proposed investment by a Fund may be paid to Wafra Capital Partners, one or more of its related persons, or an affiliate of Wafra Capital Partners, typically by various middle-market, venture/emerging and other originators or equity partners ("Originators"), other counterparties or asset managers involved in such investment or potential investment, and will not reduce or offset any investment advisory or management fee paid by the Fund. Such fees, if funded by the Fund as part of the aggregate cost of participating in the investment, will reduce the capital available for direct investment by the Fund.

Independent Representative: Valuation Research Corporation (the "independent representative") will, as requested, provide an opinion as to whether principal economic terms of certain transactions are fair from a financial point of the Fund and whether any perceived or potential conflicts of interest arise as a result of such transactions. The opinion of the independent representative with respect to certain matters may bind a Fund's shareholders. No person should invest in a Fund unless willing to entrust these opinions to the independent representative. A Fund may designate the independent representative to receive, on behalf of each shareholder, notices and account statements as may be required under paragraph (a)(2) and (a)(3) of Rule 206(4)-2 of the Advisers Act. Furthermore, the Fund may bring before the independent representative for approval of any transaction under Section 206 of the Advisers Act or similar transaction and the costs of such services will likely be a Fund expense. None of the Fund, the Manager or the Investment Advisor shall have any liability for entering into any transaction for which such consent or other approval or opinion has been received or for not entering into any transaction for which such consent or other approval or opinion has been withheld.

Other Financial Investment Risks: 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 other financial instruments or other transactions deemed appropriate by the Firm, including real estate-related and/or asset-backed instruments or transactions and

other similar investments, including pooled investment vehicles and investments specifically structured as Shari'ah-compliant investments, such as Murabaha transactions ("Murabahas"), which may have durations ranging from short-term to long-term. Murabaha investment transactions are not FDIC insured. The returns on such investments are often (though not always) less than the overall yield target of the investing Fund. In addition, Murabahas 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, which may include investments structured as Murabaha transactions, likely will include investment transactions with entities managed and/or owned (in whole or in part) by the Firm or related persons of the Firm. Please see also "Risks – Real Estate" below for a general discussion of risks associated with real-estate and/or real-estate related investments.

Leverage: A Fund's investment program likely will involve the use of, or exposure to, significant leverage, which may increase the potential for loss if the value of the underlying asset drops below the associated borrowing. Even in instances where leverage is not employed at the Fund level, the Fund's underlying transactions may nonetheless involve significant leverage, thus increasing the risk of loss. The Funds expect to make many of their investments in the form of mezzanine or otherwise subordinated debt or debt like instruments and structures (including unsecured positions), which may increase the risk of loss as compared to investments in more senior and/or secured instruments and structures. 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. Accordingly, any event that adversely affects the value of an underlying investment or asset would be magnified to the extent leverage is employed. This may result in a substantial loss, which would be greater than if leverage had not been employed.

Shari'ah Risk: Pooled investment vehicles alongside which a Fund may invest in or co-invest with, including those managed by Wafra Capital Partners, may be governed, in part, by a Shari'ah board charged with monitoring such vehicles' compliance with Shari'ah principles. Such boards may require, in connection with certification of the Fund's activities for Shari'ah purposes, the unwinding or otherwise restructuring of a transaction in which a Fund is participating at a time or in a manner unfavorable to such Fund. To the extent that the Shari'ah Supervisory Board comes to the conclusion that the Fund is non-compliant with Shari'ah principles and recommends unwinding or restructuring a transaction, and the Fund elects to do so, there is the possibility, given timing and other market conditions, that the Fund will experience a loss that in the absence of such "Shari'ah-compliant mandate" it would not necessarily have incurred.

Such boards will not give specific investment recommendations to the Fund, however, because Wafra Capital Partners remains responsible for the investment management of the Fund's assets. In addition, such co-investments, or direct investments made by a Fund, may be documented using contracts and forms designed to comply with Shari'ah principles. There can be no assurance that courts or other

relevant authorities will interpret such contracts and forms consistently or as anticipated or intended by Wafra Capital Partners. Should a court or other relevant authority interpret such contracts and forms in a manner unanticipated or unintended by Wafra Capital Partners, the Fund may experience a loss.

Subordinated Investments: The Funds likely will make investments that are subordinated or otherwise junior in a Fund counterparty's capital structure and that involve privately negotiated structures. To the extent the Funds invest in or otherwise have exposure to such subordinated debt, such investments and the Funds' remedies with respect thereto, including the ability to foreclose on any collateral securing such investments, where applicable, will be subject to the rights of holders of more senior tranches in the relevant Funds' counterparty's capital structure and, to the extent applicable, contractual intercreditor and/or participation agreement provisions. Significant losses related to such investments could adversely affect the Funds' returns.

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 U.S. investments entered into by the Funds constitute "portfolio debt" or are otherwise eligible for an exemption from U.S. tax and (ii) the Funds do not engage in a trade or business within the U.S. If the Funds were considered to be engaged in a U.S. trade or business (for example, as a result of its investments in MLPs), the Funds would be required to file U.S. federal income tax returns, pay tax at regular corporate rates, and pay an additional 30% branch profits tax, which would materially impact the Funds' ability to achieve their investment objective. The determination of whether non-U.S. corporations, such as the Funds, are engaged in a U.S. trade or business is determined on the basis of the facts and circumstances in each case. No assurance can be given that the Funds will not be considered to be engaged in a U.S. trade or business. Thus, no assurance can be given that the Funds' income and gains will not be subject to U.S. federal income tax and branch profits tax or subject to state and local taxes.

If the activities of the Funds are deemed to constitute a U.S. trade or business, the Funds would be subject to a 30% U.S. federal withholding tax payable with respect to items of "fixed or determinable annual or periodical" income (which term includes, among other things, certain interest income, dividends, rents and royalties) which are considered to be from sources within the U.S. and which are not effectively connected with a U.S. trade or business. This tax will apply even if the Funds comply with their obligations under the Hiring Incentives to Restore Employment Act (the "HIRE Act"). Subject to certain related party ownership rules and other limitations, any interest received by the Funds that qualify as "portfolio interest" may be exempt from U.S. withholding tax. "Portfolio interest" is generally defined (with certain exceptions) as interest paid on registered obligations issued after July 18, 1984 with respect to which the person who is otherwise required to withhold tax has received the required certification that the beneficial owner of the obligation is not a U.S. person.

The aforementioned scenarios would materially and adversely impact the Funds' ability to achieve their investment objective and there can be no assurance that the Firm's views with regard to these matters will be upheld by any applicable taxing authority or relevant courts.

No Operating History: Generally, at the time an investor is making an investment into a Fund, it is a new enterprise with no operating history. Accordingly, an investment in such a Fund entails a high degree of risk. There can be no assurance that the Fund will achieve its investment objective or that Wafra Capital Partners will be able to succeed in implementing the Fund's investment strategy. There exists a possibility that an investor could suffer a complete loss of committed or invested capital as a result of its commitment to, and/or its subsequent investment in, the Fund.

Dependence on Fund Manager and Investment Adviser: All decisions with respect to a Fund's assets and with regards to achieving its investment objective through its investment strategy will be made solely by the investment team of Wafra Capital Partners. The holders of the participating non-voting shares will have no right or power to take part in the management of any Fund. The success of a Fund for the foreseeable future will depend largely upon the ability of its investment adviser and the market judgment and discretion of its investment personnel. Competition in the financial services industry for qualified employees is intense. A Fund's continued ability to effectively manage its portfolio depends on its investment adviser's ability to attract new employees and to retain and motivate its existing employees. Misconduct by employees of such investment adviser could cause significant losses to the Fund. Employee misconduct may include binding a Fund to transactions that exceed authorized limits or present unacceptable risks. In addition, employees may violate legal or contractual obligations to such investment adviser or its counterparties which could result in litigation or serious financial or reputational harm to the Fund.

Achievement of a Fund's Investment Objective: No guarantee or representation is made that a Fund's investment objective will be obtained, in part because the availability and performance of investment opportunities is subject to changes in economic and market conditions, which may be volatile. Moreover, all or a substantial portion of any distributions from a Fund may be a return *of* principal and not a return *on* principal. Rates of distributions will not necessarily be indicative of a Fund's overall performance. To the extent that distributions a Fund makes are distributions of uninvested principal, the principal available to be invested will be reduced, increasing the possibility that a Fund will not be able to achieve its investment objective.

Volatile Market Conditions: Global financial markets and economic conditions have been, and continue to be, volatile. Significant write-offs in the financial services sector, the re-pricing of credit risk and the continuing weak economic conditions have made, and will likely continue to make, for a difficult investment environment. The current state of global financial markets and current economic conditions might adversely impact a Fund's returns.

Illiquidity Risk: A Fund's underlying investments are likely to be illiquid and may be of extended duration. Although a Fund's 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.

Non-U.S. Transactions: The Funds, directly or indirectly, may enter into transactions with or involving non-U.S. counterparties. In connection with such transactions, the relevant assets may be permanently or temporarily located outside the U.S., and the relevant contracts may be governed by non-U.S. laws.

Limited Redemption: Fund investors have no redemption rights and could be restricted from exiting a Fund for an extended period of time. Fund investors also have limited rights to transfer shares.

Joint Venture Risk: Funds 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 its financial commitments.

Funds may invest in certain transactions directly by, for example, acquiring a transaction by means of an assignment, or indirectly by, for example, acquiring a participation interest. Holders of participation interests may be subject to additional risks not applicable to a holder of a direct interest in a transaction, such as the additional credit risk of the counterparty, the lack of voting rights and the lack of direct enforcement rights in connection with a default under the underlying transaction.

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 may 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.

Exit Strategy Risk: In order to meet capital repayment obligations, targets or duration expectations, a Fund may need to sell or refinance its underlying investments. Depending on the market cycle in any given market, there may not be willing buyers or buyers willing to pay the Fund the expected value of an investment. Similarly, there may not be financiers willing or able to refinance a Fund's investment on acceptable terms. As a result, such a Fund may need to either extend its term, if permissible, or realize a substantial loss on liquidation of its investment.

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, receive committed capital as investment transactions become available, other Funds, consistent with their investment objectives, strategies and restrictions, receive all or a significant portion of their available capital at or near the launch 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, Originator or other counterparty, direct or indirect exposure to equipment or other assets, which may include financings or other intangible assets (collectively, “Assets”), industry, or other diversification factors as a portfolio that is not subject to such restrictions.

Blind Pool: A Fund’s investments may not be specified, and investors cannot fully assess the risk involved in such Fund’s portfolio.

Limited Transferability: A Fund’s investor shares are not listed on any securities exchange, and there are significant restrictions on transferability.

Indemnification; Reserve for Contingent Liabilities: In the normal course of its operations, a Fund may enter into contracts that contain indemnification provisions. While Wafra Capital Partners expects the risk of loss to be remote, future claims are inherently unpredictable; accordingly, a Fund’s maximum exposure under these arrangements is unknown. Under certain circumstances, Wafra Capital Partners, in consultation with its directors, may find it necessary to establish a reserve for contingent liabilities or withhold a portion of a shareholders redemption proceeds in which case, depending on how such reserve is maintained, the amount in reserve may remain at the risk of investment activities.

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 and 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 (or the cash flows associated with such investment) which is denominated 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 anticipated investments and the projected cash flows therefrom. However, if the actual cash flows of a Fund’s underlying investments do not substantially match the hedged cash flows, the difference in timing may result in the need to purchase needed funds at spot, subjecting the fund to a possible difference in exchange rates at the time of receipt of the actual cash flows, or funds which cannot be immediately repaid to investors, resulting in uninvested funds, which may result in an additional expense to the Fund. While the Fund generally will seek to enter into investments with contractual cash flows that may minimize this risk, there can be no assurance that it will be successful in doing so or that it will in fact receive its contracted-for cash flows.

Financing Arrangements; Availability of Credit and Fund Level Guarantees: A Fund’s investment program may involve the use of borrowings, including the use of margin, repurchase agreements, bank or dealer credit lines or the issuance of Fund level guarantees. There can be no assurance that such Fund will be able to maintain adequate financing arrangements under all market circumstances.

As a general matter, the banks and dealers that may provide financing to a Fund can apply essentially discretionary margin, “haircuts”, financing and security and collateral valuation policies. Banks and dealers could change these policies at any time, for any reason, including a change in market circumstances, government, regulatory or judicial action or simply a change in the policy of the relevant bank. Changes by banks and dealers in one or more of these policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances, government regulatory or judicial action, may result in large margin calls, loss of financing, forced liquidations of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other banks and dealers. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants simultaneously. The imposition of any such limitations or restrictions could compel a Fund to liquidate all or part of its portfolio at disadvantageous prices, perhaps leading to a complete loss of a Fund’s equity.

A Fund could also be subject to a “margin call”, pursuant to which it must either deposit additional funds with the broker or be the subject of mandatory liquidation of the securities over which the broker has been granted security to compensate for the decline in value. A “margin call” can essentially be made at the discretion of the relevant broker, even if the securities over which that broker has been granted security to secure such Fund’s margin accounts, have not declined in value. In the event of a sudden drop in the value of a Fund’s assets, its investment adviser might not be able to liquidate assets quickly enough to pay off the margin debt. In such a case, the relevant broker may liquidate additional assets of the Fund, in its sole discretion, in order to satisfy such margin debt.

Short Sales: A Fund’s investment program may include short selling. Short selling, or the sale of securities not owned by a Fund, necessarily involves certain additional risks. Such transactions expose such Fund to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by a Fund in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a “short squeeze” can occur, wherein a Fund might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier. There can be no assurance that securities necessary to cover a short position will be available for purchase.

Incentive to Make Riskier or More Speculative Investments: The receipt by Wafra Capital Partners of the excess value, if any, of the investments made by the Fund above and beyond that required to provide the holders of the Fund’s shares with their respective yield, and a return on such investors’ capital, may create an incentive for Wafra Capital Partners to cause the Fund to make investments that are riskier or more speculative than would be the case if Wafra Capital Partners was not entitled to such excess amounts, if any.

Currency Risk: Some of the Funds, which can be either U.S. dollar denominated or non-U.S. dollar investment vehicles, invest in transactions that are denominated in a different currency than the Fund's base currency. In some cases these underlying transactions are not hedged. Currencies may decline in value relative to Fund's base currency. Currency exchange rates may fluctuate significantly over short periods of time, and a decline in the value of any given relevant currency relative to the Fund's base currency will reduce the value of an investment held by a Fund and denominated in those currencies. Currencies are also subject to risks caused by inflation, interest rates, budget deficits and low savings rates, political factors and government controls. Other factors that may also affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment, capital appreciation and political developments. The determination as whether a Fund will enter into transactions to hedge such risks will be made by Wafra Capital Partners, in its sole discretion. Even in the event that Wafra Capital Partners enters into any such transactions, there can be no assurance that a Fund will be able to successfully mitigate the inherent currency risks attributable to investments made in other currencies, and, therefore, a Fund may experience losses attributable to such risks. Additionally, there can be no assurance that a Fund will be able to enter into effective hedges even if determined advisable by Wafra Capital Partners (i.e., such hedges may be unavailable or available only on terms determined by Wafra Capital Partners, in its sole discretion, to be unfavorable to a Fund) and thus a Fund may have substantial un-hedged currency exposures.

Credit Risk: Some Fund strategies include the purchase of, or direct or indirect exposure to, credit products. Although a Fund may seek to hedge a portion of the perceived vulnerable credit exposure relating to these investments, it may not always do so or be able to do so, and, in any event, such hedges may not always be effective. Accordingly, there will always be some and sometimes significant amounts of credit risk in such Fund's portfolio.

Derivatives: To the extent that a Fund invests in swaps, derivative or synthetic instruments, repurchase agreements or other over-the-counter transactions, such Fund may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organization guarantees, daily mark-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets (directly or indirectly) of a Fund, and hence a Fund should not be exposed to a credit risk with regard to such parties. However, it may not always be possible to achieve this segregation, and there may be practical or time problems associated with enforcing rights to its assets in the case of an insolvency of any such party.

Options: The purchase or sale of an option (including an over-the-counter option) involves the payment or receipt of a premium by the investor and the corresponding right

or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

Fixed Income: A Fund may have exposure (direct or indirect) to below investment-grade fixed income securities. Bonds and other fixed income securities, including, without limitation, higher yielding (and, therefore, higher risk) below investment-grade debt securities contain certain risks. Such securities may face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. High yield bonds (commonly known as "junk bonds") and other similar debt securities may be junior to the obligations of companies to senior creditors, trade creditors and employees. The lower rating of high yield debt reflects a greater possibility that adverse changes in the financial condition of the issuer or in general economic, financial, competitive, regulatory or other conditions may impair the ability of the issuer to make payments of principal and interest. High yield debt securities have historically experienced greater default rates than investment-grade debt securities.

Commodity and Futures Contracts: Trading in commodity and futures contracts and options thereon are highly specialized activities which while they may increase the total return in a Fund's investments, may entail greater than ordinary investment risks. A limited number of Wafra Capital Partners' Funds, if any, may have exposure (likely indirect) to such contracts.

Commodity and commodity futures markets are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin deposits normally required in commodity futures trading, a high degree of leverage may be typical of a commodity futures trading account. As a result, a relatively small price movement in a commodity futures contract may result in substantial losses to the trader. Commodity futures trading may also be illiquid. Certain commodity exchanges do not permit trading in particular futures contracts at prices that represent a fluctuation in price during a single day's trading beyond certain set limits. If prices fluctuate during a single day's trading beyond those limits, a party with direct exposure to commodity and futures contracts could be prevented from promptly liquidating unfavorable positions and thus be subject to substantial losses.

Commodity options, like commodity futures contracts, are speculative, and their use involves risk. Specific market movements of the cash commodity or futures contract underlying an option cannot be predicted and no assurance can be given that a liquid offset market will exist for any particular futures option at any particular time.

Commodity-Related Securities: The production and marketing of commodities, may be

affected by actions and changes in governments. In addition, commodity-related securities may be cyclical in nature. During periods of economic or financial instability, commodity-related securities may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various commodities. Commodity-related securities may also experience greater price fluctuations than the relevant commodity. In periods of rising commodity prices, such securities may rise at a faster rate, and conversely, in time of falling commodity prices, such securities may suffer a greater price decline.

Investment in Troubled Assets: The Funds may make investments in or otherwise have exposure to non-performing or other troubled assets, possibly utilizing leveraged capital structures. By their nature, these investments will involve a high degree of financial risk, and there can be no assurance that the Funds' rate of return objectives will be realized or that there will be any return of capital. Furthermore, investments in or exposure to properties operating in workout modes or under Chapter 11 of the United States Bankruptcy Code are, in certain circumstances, subject to certain additional potential liabilities which may exceed the value of the Funds' original investment. Numerous other risks also arise in the workout and bankruptcy contexts.

Assignments and Participations: A Fund may invest in certain transactions directly by, for example, acquiring a transaction by means of an assignment or indirectly by means of a participation interest. Holders of participation interests may be subject to additional risks not applicable to a holder of a direct interest in a transaction, such as the additional credit risk of the counterparty, the lack of voting rights and the lack of direct enforcement rights in connection with a default under the transaction.

Fraud: In making certain investments, a Fund may rely upon the accuracy and completeness of representations made by the issuer or sponsor of such investment, but cannot guarantee the accuracy or completeness of such representations. Of concern in originating and in purchasing investments is the possibility of material misrepresentation or omission on the part of an issuer or sponsor. Such inaccuracy or incompleteness may adversely affect the valuation of any collateral underlying an investment, or may adversely affect the likelihood that a lien on the collateral securing an investment has been properly created and perfected. Instances of fraud and other deceptive practices committed by senior management of certain companies in which the strategies may invest may undermine the ability of Wafra Capital Partners to conduct effective due diligence on, or successfully exit investments made by a Fund in, such companies. In addition, financial fraud may contribute to overall market volatility, which can negatively impact a Fund's investment strategy. Under certain circumstances, payments to a Fund may be reclaimed if they are later determined to have been made with an intent to defraud creditors or make a preferential payment.

Follow-on Investments: Following an initial investment in an opportunity, a Fund may make additional investments in that opportunity, generally known as "follow-on" investments, in order to, among other things, increase or maintain in whole or in part its exposure to the opportunity or attempt to preserve or enhance the value of its investment. A Fund may elect not to make follow-on investments or may otherwise lack sufficient funds to make these investments. If a Fund (or another party) fails to make a follow-on investment, the continued viability of an opportunity may, in some circumstances,

be jeopardized.

Regulation: The Funds must comply with various legal requirements, including requirements imposed by the securities laws in various jurisdictions. Should any of the applicable laws change over the scheduled term of a Fund, the legal requirements to which a Fund and its investors may be subject could differ materially from current requirements and could negatively impact a Fund's ability to achieve its investment objective. If a Fund is not registered as an investment company under the U.S. Investment Company Act of 1940, as amended (or any similar U.S. state laws), investors will not be accorded the protective measures provided by such legislation. In addition, some Funds do not constitute a mutual fund under the Mutual Funds Law (As Revised) of the Cayman Islands and thus are not subject to regulation under such law.

Provision of Information: A Fund or any of its directors or agents domiciled in the Cayman Islands, may be compelled to provide information, subject to a request for information made by a regulatory or governmental authority or agency under applicable law, e.g., by the Cayman Islands Monetary Authority, either for itself or for a recognized overseas regulatory authority, and associated regulations, agreements, arrangements and memoranda of understanding. Disclosure of confidential information under such laws will not be regarded as a breach of any duty of confidentiality and, in certain circumstances, the directors may be prohibited from disclosing that the request has been made. Directors may also be required to provide information regarding investors to U.S. governmental and regulatory authorities, including the SEC and the U.S. Internal Revenue Service. By subscribing for certain shares, each investor consents to the release of its information to relevant authorities.

Credit Ratings: Wafra Capital Partners may use credit ratings issued by credit rating agencies as part of its evaluation of the creditworthiness of a counterparty (direct or indirect) or the safety of principal and interest payments of rated securities or other financial instruments. These ratings do not, however, fully reflect the true risks of an investment. In addition, credit rating agencies may or may not make timely changes in a rating to reflect changes in the economy or in the condition of the issuer that affect the market value of the security or instrument. Consequently, credit ratings are used only as a partial indicator of investment quality. It is likely that many of a Fund's investments will not be rated by a credit rating agency.

Custody and Prime Brokerage Risk: A Fund may open an account with and allocate assets to one or more prime brokers. There are risks involved in dealing with the custodians or prime brokers who settle Fund trades. Although the Fund Manager will monitor any such prime broker(s) to the Fund, there is no guarantee that a prime broker, or any other custodian that a Fund may use from time to time, will not become bankrupt or insolvent. In such instance, there is no certainty that, in the event of a failure of a broker-dealer that has custody of Fund assets, the Fund would not incur losses due to its assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets, or both.

Further, a Fund and/or any prime broker to such Fund may appoint sub-custodians to hold the assets of the Fund. The prime broker may not be responsible for cash or assets which are held by sub-custodians in certain jurisdictions, nor for any losses suffered by

the Fund as a result of the bankruptcy or insolvency of any such sub-custodian. A Fund may therefore have a potential exposure on the default of any sub-custodian and, as a result, many of the protections that would normally be provided to a fund by a custodian may not be available to the Fund. Under certain circumstances, including certain transactions where a Fund's assets are pledged as collateral for leverage from a non-broker-dealer custodian or a non-broker-dealer affiliate of a prime broker, or where a Fund's assets are held at a non-U.S. custodian, the securities and other assets deposited with the custodian or broker may not be clearly identified as being assets of the Fund and hence such Fund could be exposed to a credit risk with regard to such parties. Custody services in certain non-U.S. jurisdictions remain undeveloped and, accordingly, there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions. Given the undeveloped state of regulations on custodial activities and bankruptcy, insolvency, or mismanagement in certain non-U.S. jurisdictions, the ability of a Fund to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy or insolvency could be in doubt, as a Fund may be subject to significantly less favorable laws than many of the protections that would be available under U.S. laws. In addition, there may be practical or time problems associated with enforcing a Fund's rights to its assets in the case of a bankruptcy or insolvency of any such party.

Risks Related to Public Health Developments: The business operations of companies and economic activity in general could be adversely affected by the effects of viruses, epidemics, or disease outbreaks. Any prolonged recurrence of such adverse public health developments in any country, region or globally could have a material adverse effect on the business operations of companies in which a Fund may invest.

Terrorist Action: There is a risk of terrorist attacks on the United States and elsewhere causing significant loss of life and property damage and disruptions in the global market. Economic and diplomatic sanctions may be in place or imposed on certain states and military action may be commenced. The impact of such events is unclear, but could have a material effect on general economic conditions and market liquidity and thus the achievement of a Fund's investment objective.

Cyber Security: As the use of the internet and other technologies has become more prevalent in the course of business, a Fund and its service providers, including the Firm, have become more susceptible to operational and financial risks associated with cyber security. Cyber security incidents can result from intentional attacks, such as obtaining unauthorized access to information systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or information, corrupting data or inciting operational disruptions. Cyber security incidents can also result from unintentional events, such as the inadvertent release of sensitive information. Any such incident with respect to a Fund, any of its service providers or an issuer of securities in which a Fund invests may affect business operations, potentially resulting in financial losses, privacy violations, transaction disruptions, legal and regulatory infractions and fines, reputational damage and compensation and/or additional compliance costs. There is no guarantee that any measures designed to reduce the risks associated with cyber security incidents will be effective, particularly since Funds do not directly control the cyber security defenses or plans of their service providers, financial intermediaries and companies in which they invest or with which they do business.

Risks – Structured Finance

Industry Risk: The structured and asset-based finance industry, is highly competitive, and Wafra Capital Partners may be unable to source appropriate or attractive investments. This may cause a SF Fund to experience returns that are lower than anticipated, or to accept greater levels of risk.

Past Performance: There can be no assurance that the levels of delinquencies and write-offs experienced in recent years by (1) companies specializing in the origination and/or servicing of equipment leasing, venture debt, structured finance or other financing or specialty financing transactions or (2) Wafra Capital Partners with respect to its SF Funds and their investments will be indicative of the performance of any particular originator, servicer or SF Fund or that they will continue in the future. Delinquencies and write-offs could increase significantly for various reasons, including changes in the federal income tax law, changes in the local, regional or national economies, changes in technology or other events. Significant increases in the level of write-offs by these parties may result in material losses for a SF Fund's investors.

Default Risk: SF Funds generally rely significantly on the underlying leases or structured transactions as well as the residual value of the Assets to generate returns. A SF Fund is subject to the risk of loss through the failure to perform or default of any of the SF Fund's direct or indirect counterparties, including, but not limited to, master lessees, Murabaha providers, underlying lessees/end-users/counterparties and servicers. 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 relevant counterparty; storing and transporting leased equipment; costs related to breaking financing arrangements, including costs associated with the early termination or restructuring of hedging arrangements and losses when selling Assets earlier than originally anticipated or otherwise at a dis-advantageous time.

Wafra Capital Partners seeks to minimize such counterparty risk through various forms of counterparty diversification and performance monitoring; however, there can be no assurance that these efforts will be successful. Wafra Capital Partners may also attempt to minimize this risk by requiring certain financial covenants with respect to a SF Fund's dealings with such counterparties, 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 company 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.

Moreover, a direct or indirect counterparty's failure to satisfy financial, operating or "key man" covenants imposed by a SF Fund or another provider of financing could trigger cross-defaults that jeopardize such counterparty's ability to make payments under financings made by a SF Fund.

Residual Value Risk: SF Fund performance may be affected by the market risks of residual values, over which neither the SF Fund nor Wafra Capital Partners have control. The market value of a SF Fund's equipment or other assets in which it may have exposure (*e.g.*, through a security interest in such equipment or other asset) may be lower than anticipated, resulting in a loss on a SF Fund's investment. At the time it enters into an equipment-related transaction, a SF Fund does not know what the remarketing price of the relevant equipment will be when the transaction ends. If the remarketing price is lower than anticipated, the SF Fund may experience a loss.

Additional Equipment-Related Risk: A SF Fund's contracts directly or indirectly may require direct or indirect counterparties to maintain, service and insure leased equipment. If such counterparty fails to maintain equipment in accordance with the terms of the relevant contract, the SF Fund may itself have to make unanticipated expenditures to repair the equipment. To the extent that a SF Fund purchases, or finances the purchase of, 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. A SF 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. Furthermore, certain types of equipment are subject to registration or other regulatory requirements, and a SF Fund (or its counterparty, as the case may be) may lose the ability to own or operate that equipment should it fail to comply with such requirements. In addition to impairing the SF Fund's (or its counterparty's, as the case may be) ability to earn rentals from that equipment, the Fund or counterparty 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 SF Fund's anticipated returns from that investment.

Real-Estate Finance: A SF Fund may have substantial exposure to real-estate finance or financial instruments. In particular, a SF Fund may have exposure to a one or more specialty finance companies that specialize in various forms of "hard-money" real-estate lending. Such underlying loans likely will be underwritten primarily on an asset basis rather than a credit basis. Asset based loans involve numerous risks, some of which include: (i) an increased risk of the non-availability of credit for a borrower to develop a property or to refinance its loan at maturity; (ii) an increased risk of foreclosures in the area surrounding the security property negatively affecting the value of the property securing an underlying loan (iii) increased constraints on consumer credit affecting the ability of borrowers to sell residential property or construction projects; and (iv) increased risk of an abandonment of property by an underlying borrower due to other financial problems or general market decline. Counterparties to such underlying loans may be unable or unwilling to obtain financing from traditional sources, such as commercial banks. Loans made to such individuals or entities may entail a high risk of delinquency and loss. Rehabilitation loans and constructions loans, to which a SD Fund may have exposure, each involve additional risks which may not be prevalent in loans secured by fully improved real property, including the increased risk that a mechanics lien will have priority over the relevant underlying loan financed by the SF Fund.

Additionally, a rehabilitation loan for the purpose of funding the remodeling of an existing home in a mature neighborhood, involves less risk of default upon maturity than a construction loan for the purpose of constructing a new residential development project on vacant land for sale to unidentified third parties (i.e., spec. home development).

Maritime Shipping: A SF Fund may have substantial exposure to shipping or shipping related investments. There are various risks associated with the maritime shipping industry, including:

The industry is both cyclical and volatile in terms of charter rates, the market value of vessels and profitability due to factors specific to the shipping industry as well as general economic factors. Charter rate volatility can be significant. Fluctuations in charter rates result from, among other things, changes in the supply and demand for vessel capacity and changes in the supply and demand for energy resources, commodities, semi-finished and finished consumer and industrial products transported by sea. The supply of vessels generally increases with deliveries of new vessels and decreases with the scrapping of older vessels, conversion of vessels to other uses, such as floating production and storage facilities, and loss of tonnage as a result of casualties. An over-supply of vessel capacity, combined with a decline in the demand for such vessels, may result in a reduction of charter hire rates. As a result of charter rate volatility, vessels associated with a SF Fund may only be able to be chartered at unprofitable rates or may not be able to be chartered at all, which could have a negative impact on a SF Fund's maritime shipping investments.

The market value of vessels can also fluctuate significantly depending on a number of factors, including: prevailing charter rates; market conditions affecting the shipping industry; types, sizes and ages of vessels; supply of and demand for vessels; cost of new buildings; governmental or other regulations; the need to upgrade secondhand and previously owned vessels as a result of charterer requirements, technological advances in vessel design or equipment or otherwise; competition within the shipping industry and the availability of other modes of transportation. If vessel values decline, impairments may need to be recorded for any vessels associated with a SF Fund, or if vessels associated with a SF Fund are sold when vessel values have fallen, but before a related impairment has been recorded, the sale may be at less than the vessel's carrying amount. Either of these situations could result in a loss, which could have a negative impact on a SF Fund's maritime shipping investments.

In addition, charter rates and the market value of vessels can fluctuate as a result of broader economic factors. The world economy continues to face a number of challenges, including turmoil and hostilities in the Middle East and other geographic areas and continuing economic weakness in the European Union and Asia Pacific Region. There has historically been a strong link between development of the world economy and the demand for maritime shipping services. An extended period of deterioration in the outlook for the world economy could reduce the overall demand for maritime shipping services and have a negative impact on charter rates or vessel values. Further, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, and the overall stability of the Euro. An extended period of adverse development in the outlook for European countries could reduce the overall demand for maritime shipping services.

Any of the specific factors that impact charter rates or the market value of vessels as well as the general factors that impact the world and regional economies could have a material adverse effect on a SF Fund's maritime shipping investments. However, these factors are generally outside of a SF Fund's control, and the nature, timing and degree of changes in shipping industry conditions and general economic conditions are unpredictable.

The maritime shipping industry is a highly competitive market that is capital intensive and highly fragmented. Competition for maritime transportation of goods and products is intense and depends on charter rates and the location, size, age, condition and acceptability of vessels and their operators to charterers. Due in part to the highly fragmented market, competitors with greater resources could operate larger fleets than any fleet of vessels associated with a SF Fund and thus be able to offer lower charter rates and higher quality vessels.

As a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the availability and cost of obtaining money from the credit markets has become more difficult as many lenders, in certain cases, have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at all or on terms similar to current debt and reduced, and in some cases ceased, to provide funding to borrowers, particularly in the maritime shipping industry due to the historically volatile asset values of vessels. Due to these factors, financing may not be available if needed and to the extent required on acceptable terms. If financing or refinancing is not available at the relevant time for a SF Fund's maritime shipping related investments, or is available only on unfavorable terms, a SF Fund may experience significant losses relating to its maritime shipping investments.

A SF Fund's shipping investments may involve (directly or indirectly) a counterparty that has other debt. If such counterparty fails to be in compliance with certain financial and other covenants in its relevant debt agreements, and is unable to remedy such breach, the relevant financing party could, among other actions, accelerate its debt and foreclose on the underlying asset. Such an action could have a material adverse effect on a SF Fund's maritime shipping investments.

A SF Fund may also enter into or otherwise has exposure to sale-leaseback transactions. To the extent a SF Fund enters into a sale-leaseback transaction, a SF Fund would purchase a vessel and then lease the same vessel back to the person from whom it purchased the vessel. In the event of the bankruptcy of the lessee, the transaction could be re-characterized as either a financing or a joint venture, either of which outcomes could adversely affect a SF Fund's shipping related investments. If the sale-leaseback were re-characterized as a financing, a SF Fund might not be considered the owner of the vessel, and as a result would have the status of a creditor in relation to the lessee. In that event, a SF Fund would no longer have the right to sell or encumber its ownership interest in the vessel. Instead, it might have an unsecured claim against the lessee for the amounts owed under the lease. If the sale-leaseback were re-characterized as a joint venture, the lessee and a SF Fund could be treated as co-venturers with regard to the vessel. As a result, a SF Fund could be held liable, under some circumstances, for debts incurred by the lessee relating to the vessel. Either of these outcomes could materially adversely affect a SF Fund's cash flow and the amount available for distributions.

Maritime shipping is affected by extensive and changing international, national, state and local laws, regulations, treaties, conventions and standards in force in international waters, the jurisdictions in which vessels operate, and the country or countries in which vessels are registered, including those governing the management and disposal of hazardous substances and wastes, the cleanup of oil spills and other contamination, air emissions, and water discharges and ballast and bilge water management. Compliance with these requirements can be costly. These requirements can also affect the resale value or useful lives vessels, require reductions in cargo capacity, vessel modifications or operational changes or restrictions, lead to decreased availability of insurance coverage for environmental matters or result in the denial of access to certain jurisdictional waters or ports, or detention in certain ports. Under local, national and foreign laws, as well as international treaties and conventions, vessel owners can incur material liabilities, including cleanup obligations, natural resource damages and third-party claims for personal injury or property damages, in the event that there is a release of petroleum or other hazardous substances from their vessels or otherwise in connection with their operations. Vessel owners can also incur substantial penalties, fines and other civil or criminal sanctions, including in certain instances seizure or detention of vessels, as a result of violations of or liabilities under environmental laws, regulations and other requirements. Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which can subject vessel owners to liability without regard to whether they are negligent or at fault.

Maritime shipping is also affected by extensive and changing international, national, state and local laws, regulations and treaties related to the taxation of vessels and shipping services. Changes in tax laws, regulations or treaties or changes in factual circumstances that implicate tax laws, regulations or treaties, among other things, could have a material adverse effect on a SF Fund's maritime shipping investments.

Due to concern over the risk of climate change, a number of countries, U.S. states, the European Union and the International Maritime Organization have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emission from vessel emissions. These regulatory measures may include, among others, adoption of cap and trade regimes, carbon taxes, increased efficiency standards, and incentives or mandates for renewable energy. Additionally, a treaty may be adopted in the future that includes restrictions on shipping emissions. Compliance with changes in laws and regulations relating to climate change could increase the costs of operating and maintaining vessels and could require significant financial expenditures by vessel owners.

From time to time on charterers' instructions, vessels associated with a SF Fund may call on ports located in countries subject to sanctions and embargoes imposed by the U.S. government, the European Union or other jurisdictions and countries identified by the U.S. government, the European Union or other jurisdiction as state sponsors of terrorism. These sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. Any violation by vessels associated with a SF Fund could result in fines, penalties or other sanctions that could negatively impact a SF Fund's maritime shipping investments.

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean and in the Gulf of Aden off the coast of Somalia. Acts of piracy could result in harm or danger to the crews that man vessels. In addition, if these piracy attacks occur in regions in which vessels are deployed that are characterized by insurers as "war risk" zones or by the Joint War Committee, a committee of underwriting representatives, as "war and strikes" listed areas, premiums payable for insurance coverage could increase significantly and such coverage may be more difficult to obtain. In addition, crew costs, including costs which may be incurred to the extent onboard security guards are needed, could increase in such circumstances. Vessels associated with a SF Fund may not be adequately insured to cover losses from these incidents.

International shipping is subject to various security and customs inspection and related procedures in countries of origin, destination and trans-shipment points. Inspection procedures can result in the seizure of the contents of vessels, delays in loading, offloading or delivery, and the levying of customs duties, fines or other penalties, which could have a material adverse effect on a SF Fund and its maritime shipping investments.

Vessels and their cargoes are at risk of being damaged or lost, due to events such as marine disasters, bad weather, mechanical failures, human error, environmental accidents, war, terrorism, piracy, political circumstances and hostilities in foreign countries, labor strikes and boycotts, changes in tax rates or policies, governmental expropriation and other operational risks. In the event of a casualty to a vessel or its cargo or other catastrophic event, applicable insurance policies may not adequately cover the related costs or insurers may refuse to pay particular claims. Further, it may not always be possible to obtain adequate insurance coverage at reasonable rates for vessels associated with a SF Fund in the future.

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against vessels associated with a SF Fund for unsatisfied debts, claims or damages and such liens may have priority over the rights and interests of a SF Fund in such vessels. In many jurisdictions, a maritime lien holder may enforce its lien by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more vessels could interrupt related cash flows and require the payment of a significant amount of money to have the arrest lifted. In addition, in some jurisdictions, such as South Africa, under the "sister ship" theory of liability, a claimant may arrest both the vessel that is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same vessel owner.

A government could requisition vessels associated with a SF Fund for title or for hire. Requisition for title occurs when a government takes control of a vessel and becomes her owner, while requisition for hire occurs when a government takes control of a vessel and effectively becomes her charterer at dictated charter rates. Generally, requisitions occur during periods of war or emergency, although governments may elect to requisition vessels in other circumstances. Although vessels owners are entitled to compensation in the event of a requisition of one or more of vessels, the amount and timing of payment could be materially less and later than the charter hire that would have been payable otherwise. In addition, vessel owners bear all risk of loss or damage to a vessel under requisition for hire.

In general, the costs to maintain a vessel in good operating condition increase as the vessel ages. Due to improvements in engine technology, older vessels are typically less fuel-efficient than more recently constructed vessels. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations, safety, environmental or other equipment standards related to the age of vessels may require expenditures for alterations or the addition of new equipment to older vessels to comply with safety or environmental laws or regulations that may be enacted in the future. These laws or regulations may also restrict the type of activities in that vessels may engage in or prohibit their operation in certain geographic regions.

The foregoing summarizes certain risks related to a SF Fund's maritime shipping investments, but there may be other factors related to the maritime shipping industry that could have a material adverse effect on a SF Fund and its investments.

Certain Equipment Leasing Considerations: The Funds will likely have direct or indirect exposure to leasing transactions. Leasing transactions generally rely primarily on the underlying equipment sub-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 sub-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 the Funds 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 sub-lessees/end-users and the market risks of residual values, and other factors over which neither the Funds nor Wafra Capital Partners have control.

A leasing transaction may result in a loss 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 Funds' leasing 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 Funds may have to make unanticipated expenditures to repair the equipment. To the extent that the Funds purchase 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 Funds 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 the equipment may be lower than anticipated, resulting in a loss on the Funds' investment. At the time it enters into a lease to rent equipment to a counterparty, the Funds do 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 Funds have no control, the Funds (directly or indirectly) will either lose money or receive

returns that are lower than anticipated, which may result in losses to the Funds' investors. Furthermore, certain types of equipment are subject to registration or other regulatory requirements, and the Funds or their counterparties may lose the ability to own or operate that equipment should they fail to comply with such requirements. In addition to impairing the Funds' ability to earn rentals from that equipment, the Funds (directly or indirectly) 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 Funds' anticipated returns from that investment.

In the event that a sub-lessee/end-user files for protection under bankruptcy laws, a bankruptcy court may reject, reduce the term or alter the provisions of the operating leases with that end user. If this happens, the Funds may not receive the full amount of rental payments contemplated by those 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 the Funds ultimately may receive from disposing of recovered equipment may not cover their outstanding investment in that equipment.

U.S. state laws, as well as the laws of other jurisdictions may impose requirements and restrictions relating to foreclosure sales and on the obtaining of deficiency judgments following such sales. The application of those requirements and restrictions may result in losses for the Funds.

The Funds may acquire equipment subject to substantial deferred purchase obligations. The sole source of payment for such obligations will be collections on the various leases or other financing arrangements, and payments on such leases or other financing arrangements will go first to satisfy the installment obligations, which, if insufficient, could result in the Funds losing the equipment subject to the deferred purchase obligations.

Aviation: A SF Fund may have substantial exposure to aviation or aviation related investments. There are various risks associated with the aviation industry, including:

Economic recessions, war, the price of petroleum, the availability of more attractively priced and/or more efficient aircraft, price discounting by manufacturers of new aircraft, obsolescence (whether due to changes in technology or changes in regulation), and the occurrence or threat of terrorism can have a material effect on aircraft values, especially in the short term, but the effect may be permanent. Most of these circumstances either cannot be predicted or cannot be predicted with any degree of certainty, and these circumstances may adversely affect a SF Fund.

The commercial aircraft leasing and sales industry has periodically experienced cycles of aircraft oversupply and undersupply. The oversupply of a specific type of aircraft in the market is likely to depress aircraft values of that type of aircraft.

In addition to factors linked to the aviation industry, other factors that may affect the value of an aircraft include: (i) manufacturers merging or exiting the industry or ceasing to produce aircraft types; (ii) the particular maintenance and operating history of the aircraft

and engines; (iii) the number of operators using that type of aircraft; (iv) whether the aircraft is subject to a lease; (v) any regulatory and legal requirements that must be satisfied before the aircraft can be operated, sold or re-leased, including airworthiness directives; (vi) compatibility of aircraft parts and layout of the aircraft amongst operators of particular aircraft; and (vii) any renegotiation of a lease on less favorable terms.

Any decrease in values of and rental rates for used commercial aircraft which may result from the above factors or other unanticipated factors may have a material adverse effect on a SF Fund's operations and cash flow and may adversely affect its investments and, consequently, the investment of Shareholders in a SF Fund.

The availability for sale or lease of new, technologically and/or more fuel efficient advanced aircraft and the imposition of stringent noise or emissions regulations or mandatory airworthiness directives may make certain aircraft or engine types less desirable in the marketplace and therefore may adversely affect a SF Fund's ability to lease or sell such aircraft or engines. Consequently, in some cases a SF Fund may have to contend with this when leasing or selling an aircraft, particularly as it gets close to the end of its economic useful life.

The maintenance and operation of aircraft and engines are strictly regulated by the Federal Aviation Administration in the United States and similar governmental authorities in foreign jurisdictions. These rules and regulations govern such matters as certification, registration, inspection, operation, and maintenance procedures, airworthiness directives ("ADs"), personnel certification and record keeping. The cost of compliance with such requirements is significant.

Fuel costs represent a major expense to companies operating within the airline industry, and fuel prices fluctuate widely depending primarily on international market conditions, geopolitical and environmental events, currency exchange rates and natural disasters. A period marked by a continuing high cost of fuel will likely have a material adverse impact on airline profitability.

As a direct result of the September 11, 2001 terrorist attacks and subsequent terrorist attacks abroad, notably in the Middle East, Southeast Asia and Europe, and recent incidences of threatened but unsuccessful attacks, increased security restrictions have been implemented on air travel in the United States and many other parts of the world, the cost to airlines for aircraft and liability insurance and the enhanced security measures discussed below have increased. War or armed hostilities or the fear of such events, could have a similar effect on the aviation industry.

Future terrorist attacks, war or armed hostilities, or the fear of such events, may further increase airline costs, depress air travel demand, cause certain aviation insurance to become available only at significantly increased premiums or not be available at all and could have a further adverse impact on the airline industry and on the financial condition and liquidity of airline lessees, aircraft values and rental rates, all of which could adversely affect a SF Fund's investments.

The global outbreak and transmission of Severe Acute Respiratory Syndrome or "SARS" in 2002-2003 was linked to air travel early in its development and as a result negatively

affected passenger demand for air travel. SARS had a severe impact on the aviation industry evidenced in the sharp decline in passenger bookings and cancellation of many flights and employee layoffs. While these effects were felt most predominantly in Asia, SARS spread to other areas, including North America. Additional outbreaks of SARS or other diseases including the Avian Bird Flu, or the fear of such events could reasonably be expected to further negatively impact passenger demand for air travel, the aviation industry generally, including government imposed travel restrictions and ultimately the performance of a SF Fund's investments.

Certain Railroad Industry Considerations: A SF Fund may have substantial exposure to the railroad industry. There are inherent risks associated with investment in companies in such industry. If there is significant demand for a company's services that exceeds such company's designed network capacity, the company may experience network difficulties that could compromise service levels and overall operations. Alternatively, a decrease in demand for rail service could have a material adverse effect on a given company's overall operations, financial condition, and liquidity.

Further, many railroad companies transport hazardous materials. Any rail accident or other incident involving the release of hazardous materials could involve significant costs and claims for personal injury, property damage, and environmental penalties and remediation, which could have a material adverse effect on a company's operations, financial condition, and liquidity.

The railroad industry is also typically subject to governmental regulation by local and federal authorities covering a variety of health, safety, labor, environmental, economic, and other matters. Many laws and regulations require companies to obtain and maintain various licenses, permits and other authorizations. A company's failure to comply with applicable laws and regulations could have a material adverse effect on the company. Moreover, governments or regulators may change the legislative or regulatory frameworks within which a company operates without providing the company any recourse to address any adverse effects on its business. Any such legislation or regulations could result in increasing the cost of rail services, which in turn could have a material adverse effect on a company's operations, financial condition, and liquidity.

In addition, any labor stoppages, strikes or lockouts within a company could have a material adverse effect on the company's operations, financial condition, and liquidity.

The railroad industry as a whole is also subject to business interruptions and expenditures related severe weather conditions and other natural phenomena, including earthquakes, hurricanes, fires, floods, mudslides or landslides, extreme temperatures, and significant precipitation. Such weather-related events could cause significant business interruptions and have a material adverse effect on any given company's operations, financial condition, and liquidity.

Moreover, since many railroad companies operate in densely populated urban areas, such companies are exposed to the potential for various claims and litigation related to labor and employment, personal injury, property damage, environmental liability, and other matters. Any material changes to litigation trends in a given area or a catastrophic rail accident or series of accidents involving any or all of property damage, personal injury,

and environmental liability could have a material adverse effect on a given company's operations, financial condition, and liquidity.

Fuel costs also generally constitute a significant portion of rail transportation expenses. Diesel fuel prices are subject to dramatic fluctuations, and significant price increases could have a material adverse effect on a company's operations and financial condition. International, political, and economic circumstances affect fuel prices and supplies. Weather can also affect fuel supplies and limit domestic refining capacity. If a fuel supply shortage were to arise, higher fuel prices could have a material adverse effect on a company's operations, financial condition, and liquidity.

Due to the significant capital expenditures required to operate and maintain a safe and efficient railroad, companies in the industry generally rely on the capital markets to meet capital requirements. Significant instability or disruptions of the capital markets, including the credit markets, or deterioration of a company's financial condition due to internal or external factors could restrict or prohibit a given company's access to, and significantly increase the cost of its financing sources and thus could have a material adverse effect on such company's operations, financial condition, and liquidity.

Rail lines, facilities, and equipment, including rail cars carrying hazardous materials, could be direct targets or indirect casualties of terrorist attacks. Terrorist attacks, or other similar events, any government response thereto, and war or risk of war may adversely affect a company's operations, financial condition, and liquidity.

Certain Automotive Industry Considerations: A SF Fund may have substantial exposure to the automotive industry through investments in, including but not limited to, companies that manufacture, supply and/or wholesale automobiles, automobile parts and/or the materials used in the production of such automobiles. The automotive industry is highly cyclical and volatile, dependent on the prices of raw materials and commodities, including steel, precious metals, aluminum, oil and gas. Resultantly, investments in the automotive industry may be subject to broad price fluctuations, reflecting the volatility of the price of energy and basic materials and possible instability of supply of various raw materials and commodities, as well as automobile parts and components. For example, automobile manufacturers are highly dependent on numerous suppliers, thus variable supply can greatly affect the chain of production. Other factors that affect the price of automobiles are sales and financing incentives and governmental regulations (including tariffs, import regulation and other taxes). Furthermore, the automotive industry is highly affected by trends and economic pressures, including currency and interest rate fluctuations, as well as supply and demand. Demand for automobiles depends to a large extent on social, political and economic conditions in a given market and is often subject to great shifts in consumer demand.

A downturn in the world economy can greatly affect the automotive industry. Should the world economy suddenly deteriorate, a number of financial institutions and investors will face difficulties in providing capital to the financial markets at levels corresponding to their own financial capacity, and, as a result, there is a risk that companies may not be able to raise capital under terms that they would expect to receive with their creditworthiness. If such companies are unable to raise the necessary capital under appropriate conditions on a timely basis, such companies' financial condition and results

of operations may be adversely affected.

Furthermore, the worldwide automotive industry is subject to various laws and governmental regulations including those related to vehicle safety and environmental matters such as emission levels, fuel economy, noise and pollution. In particular, automotive manufacturers are required to implement safety measures, such as recalls for vehicles that do not or may not comply with the safety standards of laws and governmental regulations. Many governments also impose tariffs and other trade barriers, taxes and levies, or enact price or exchange controls. Moreover, new legislation or changes in existing legislation may also subject such automotive companies to additional expenses in the future. If such companies incur significant costs related to implementing safety measures or meeting laws and governmental regulations, their financial condition and results of operations may be adversely affected.

The automotive industry is also subject to various risks associated with conducting business worldwide, which include natural calamities; political and economic instability; fuel shortages; interruption in social infrastructure including energy supply, transportation systems, gas, water, or communication systems resulting from natural hazards or technological hazards; wars; terrorism; labor strikes and work stoppages, any of which can significantly affect the chain of production.

Certain Hard Asset and Oil Pipeline Concerns: A SF Fund may have substantial exposure to hard assets, including global crude oil and refined petroleum products pipelines, terminals and other transportation and logistics assets.

The production and marketing of hard assets may be affected by actions and changes in governments. In addition, hard assets and hard asset securities may be cyclical in nature. During periods of economic or financial instability, hard asset securities may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various hard assets. In addition, hard asset companies may also be subject to the risks generally associated with extraction of natural resources, such as the risks of mining and oil drilling, and the risks of the hazards associated with natural resources, such as fire, drought, increased regulatory and environmental costs, and others. Hard asset securities may also experience greater price fluctuations than the relevant hard asset. In periods of rising hard asset prices, such securities may rise at a faster rate, and conversely, in time of falling hard asset prices, such securities may suffer a greater price decline.

Furthermore, the energy infrastructure – crude and natural gas pipelines, exploration and production rigs, natural gas processing plants, refineries, power plants, transmission lines, sub-stations, petroleum depots and storage centers, coal mines, rail-system etc. – are all vulnerable to hurricanes and numerous other weather systems. Pricing of commodities can fluctuate wildly on any event or major unexpected change in weather or climate which would effect the energy infrastructure.

Consumer Finance/Retail Lending Risks: A SF Fund may invest in companies that engage in consumer finance/retail lending. There are inherent risks associated with investment in such companies. In particular, such companies may be detrimentally affected to the extent borrowers default on their obligations, they have insufficient

collateral and/or there are extensive legal and other costs incurred in collecting on defaulted loans. In addition, certain loans may be supported, in whole or in part, by personal guarantees made by borrowers or relatives, or guarantees made by corporations affiliated with borrowers. The amount realizable with respect to any given loan may be detrimentally affected if a guarantor fails to meet its obligations under the guarantee. Moreover, the value of collateral supporting loans may fluctuate. There are also monetary, as well as a time costs involved in collecting on defaulted loans and, if applicable, taking possession of and subsequently liquidating various types of collateral.

The consumer lending industry continues to be targeted by new laws or regulations in many jurisdictions that could restrict short-term consumer lending products and services. Governments at the national, state and local levels, as well as foreign governments, may seek to impose new laws, regulatory restrictions or licensing requirements that affect such products or services. Furthermore, in recent years, consumer loans, and in particular the category commonly referred to as “payday loans,” which includes certain short-term loan products, have come under increased regulatory scrutiny that has resulted in increasingly restrictive regulations and legislation that makes offering such loans in certain states in the United States or foreign countries less profitable or unattractive. Any legislative or regulatory actions that affect the consumer loan business at the national, state, foreign and local level could, if enacted or interpreted differently, have a material adverse impact on such investments.

Deferred Purchase Obligations: A SF Fund may acquire equipment subject to substantial deferred purchase obligations. The sole source of payment for such obligations will be collections on the various leases or other financing arrangements, and payments on such leases or other financing arrangements will go first to satisfy the installment obligations, which, if insufficient, could result in a SF Fund losing the equipment subject to the deferred purchase obligation.

Master Limited Partnerships: A SF Fund may invest in, or otherwise have exposure to an investment in, a MLP. The value of a SF Fund's investment in an MLP depends largely on the MLP being treated as partnerships for U.S. federal income tax purposes. If an MLP does not meet current law requirements to maintain partnership status, or if it is unable to do so because of tax law changes, it would be taxed as a corporation. In that case, the MLP would be obligated to pay income tax at the entity level and distributions received by the SF Fund would be taxed entirely as dividend income. As a result, there would be a material reduction in the SF Fund's after tax return.

Items of income, gains, losses and deductions of each MLP flow through to a SF Fund in its capacity as a partner of the MLP. Historically, a substantial portion of MLP income has been offset by tax deductions. If the amount of MLP income tax deductions that may be claimed by the SF Fund is less than anticipated, investors will incur greater current income taxes. A significant slowdown in acquisition activity by the MLPs in a SF Fund's portfolio also could accelerate investors' obligations to pay income taxes due in part to less accelerated depreciation generated by new acquisitions.

Bankruptcy, Operating Leases: In the event that a lessee or end-user of equipment 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 SF Fund may not receive the full amount of rental payments contemplated by that lease. A SF Fund may also experience difficulties, legal costs and delays in recovering equipment from a bankrupt lessee or end-user that is involved in a bankruptcy proceeding or has been declared bankrupt by a bankruptcy court. The sales proceeds a SF Fund ultimately may receive from disposing of recovered equipment may not cover its outstanding investment in that equipment.

Additional Financing Risks, Generally: In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed “lender liability”). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain potential SF Fund investments, a SF Fund could be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of the other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.” Because of the nature of certain potential SF Fund investments, a SF Fund could be subject to claims from creditors of an obligor that the investments issued or otherwise entered into by such obligor that are held by a SF Fund should be equitably subordinated.

A SF Fund’s investments may involve investments in which the SF Fund would not be the lead creditor. It is, accordingly, possible that lender liability or equitable subordination claims affecting the SF Fund’s investments could arise without the direct involvement of the SF Fund.

Non-U.S. Transactions: It is likely that a SF Fund or Originator may enter into transactions with non-U.S. counterparties. In connection with such transactions, the relevant Assets may be permanently or temporarily located outside the U.S., and the relevant contracts may be governed by non-U.S. laws. These transactions involve a number of risks, including, but not limited to, the following: the SF Fund or the Originator, as applicable, may have difficulty repossessing Assets outside the U.S.; legal costs may be more expensive outside the U.S.; foreign governments may confiscate Assets, nationalize Assets, retrospectively change laws, impose new or changed fees, duties or taxes or impose foreign exchange restrictions which hamper the ability of the Originator or the SF 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 SF Fund or the Originator, as applicable, to enter into leases or other financings, sell Assets 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 SF Fund or the Originator, as applicable, to receive amounts due or to remarket Assets, as applicable, in a satisfactory manner.

Emerging-Growth and Expansion-Stage Companies: A SF Fund's investment portfolio may have a substantial exposure to venture-capital funded, emerging-growth and/or expansion-stage privately-owned businesses, which may have relatively limited operating histories. Compared to larger established or publicly-owned firms, these companies may be more vulnerable to economic downturns, may have more limited access to capital and higher funding costs, may have a weaker financial position, and may need more capital to expand or compete. These businesses also may experience substantial variations in operating results. They may face intense competition, including from companies with greater financial, managerial, technical and marketing resources. Companies with new products or services could sustain significant losses if projected markets do not materialize. Furthermore, some of these companies do business in regulated industries and could be affected by changes in government regulation. Such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Accordingly, these factors could impair their cash flow or result in other events, such as bankruptcy, which may adversely affect the return on, or the recovery of, a SF Fund's investment in such businesses.

Technology-Related Companies: A SF Fund's investment portfolio may have a substantial exposure to technology-related companies, many of which have narrow product lines and small market shares, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. The revenues, income (or losses) and valuations of technology-related companies can and often do fluctuate suddenly and dramatically. In addition, technology-related markets are generally characterized by abrupt business cycles and intense competition.

Additional Exposures—Fixed Income: A SF Fund's investment portfolio may have substantial direct or indirect exposure to fixed income securities and other like instruments (*e.g.*, indirectly in connection with a Murabaha transaction). Fixed income securities and other like instruments are obligations of an issuer or obligor to make payments of principal and/or interest on future dates, and include, among other securities and instruments: bank debt; loans, bonds (including "junk bonds"), notes, and debentures issued by corporations; debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities or by a non-U.S. government or one of its agencies or instrumentalities; municipal securities; and mortgage-backed and asset-backed securities or derivatives. These securities and instruments may pay fixed, variable, or floating rates of interest, and may include zero coupon obligations.

Fixed-income securities and instruments are subject to the risk of the issuer's, obligor's or a guarantor's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to factors such as interest rate sensitivity, market perception of the creditworthiness of the issuer/obligor, and general

market liquidity (*i.e.*, market risk). Fixed income investments may be subject to early redemption features, refinancing options, pre-payment options or similar provisions which, in each case, could result in the issuer/obligor repaying the principal on an obligation earlier than expected. This may happen when there is a decline in interest rates or when a borrower's performance allows the refinancing of certain classes of debt with lower cost debt. Fixed income securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities. There may not be a liquid market for any of the debt instruments in which a SF Fund has direct or indirect exposure, which may negatively impact a SF Fund's performance.

Additional Exposures—Equities: A SF Fund's investment portfolio may have substantial direct or indirect exposure to equity and equity-related securities and instruments, such as convertible securities and warrants (*e.g.*, such instruments may serve as collateral and/or an expected source of repayment upon disposition for a financing provided by a SF Fund). The value of equity securities and related instruments varies in response to many factors. Factors specific to an issuer, such as certain decisions by management, lower demand for its products or services, or even the loss of a key executive, could result in a decrease in the value of the issuer's securities. Factors specific to the industry in which the issuer participates, such as increased competition or costs of production or consumer or investor perception, can have a similar effect. The value of an issuer's stock can also be adversely affected by changes in financial markets generally, such as an increase in interest rates or a decrease in consumer confidence, that are unrelated to the issuer itself or its industry. In addition, certain options and other equity-related instruments may be subject to additional risks, including liquidity risk, counterparty credit risk, legal risk, and operations risk, and may involve significant economic leverage and, in some cases, be subject to significant risks of loss. These factors and others can cause significant fluctuations in the prices of these securities and instruments and can result in significant losses.

Risks – Real Estate

Industry Risk: RE Funds are subject to certain risks associated with the ownership of real estate-related assets and the real estate industry in general. A RE 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 RE 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 RE Fund's investments relate to the renovation, expansion and/or development of real estate, the RE 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 RE 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.

Concentration Risk: Geographic concentration of a RE Fund's real-estate or real-estate related investments may increase the risk that adverse economic or other developments or natural or man-made disasters affecting a particular region of a country could increase the frequency and severity of losses. Other regional factors—*e.g.*, earthquakes, floods, hurricanes, changes in governmental rules or fiscal policies or terrorist acts—also may adversely affect a RE Fund's investments.

Environmental Risks: A RE 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 RE 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 RE Fund's investments may be located in earthquake zones or be subject to risks associated with other natural disasters.

Political Risks: A RE Fund's assets are located in numerous foreign jurisdictions, which may include emerging markets. Foreign governments may confiscate or nationalize assets belonging to a RE Fund, retrospectively change laws, impose new or changed fees, duties or taxes or impose foreign exchange restrictions or there may be changes in, or interpretations of, foreign laws and regulations which may adversely affect the RE Fund's ability to receive payments or repatriate profits. In addition,

foreign courts may not recognize judgments obtained in courts of another country, 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 certain jurisdictions may be more prone to corruption, unsavory business practices, conflict, sanctions or civil unrest. All of these risks may impair a RE Fund's ability to receive amounts due and achieve its investment objectives.

Emerging market countries can pose additional risks, including greater social, economic or political uncertainty or instability, more substantial governmental involvement in the economy, or political crises that could lead to price controls, forced mergers, expropriation or confiscatory taxation, seizure, nationalization or creation of government monopolies. The currencies of emerging markets countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investment in assets denominated or otherwise pegged to the local currency or economy.

General Real Estate Risks: An investment in a RE Fund entails substantial exposure to the real estate industry. In addition, a RE Fund may invest in a variety of global real estate properties. Accordingly, such RE Fund will be subject to the risks incident to ownership and development of real estate, including risks, some of which are mentioned above, associated with changes in the general economic climate, changes in the overall real estate market, local real estate conditions, dependency on management skill, heavy cash flow dependency, overbuilding, extended vacancies of properties, increased taxes and operating expenses, changes in zoning laws, losses due to costs and liability resulting from the clean-up of environmental problems, casualty or condemnation losses, limitations on rents, changes in neighborhood values and the appeal of properties to tenants, the financial condition of tenants, supply of or demand for competing properties in an area, accelerated construction activity, technological innovations that dramatically alter space requirements, the availability of financing, changes in interest rates, competition based on rental rates, energy and supply shortages, various uninsured and uninsurable risks (including possible terrorist activity) and government regulations.

Further, the real properties in which a RE Fund invests may be subject to environmental laws, regulations and administrative rulings of the applicable jurisdiction which, among other things, may establish standards for the treatment, storage and disposal of solid and hazardous waste. Real property owners are subject to federal and state environmental laws which impose joint and several liability on past and present owners and users of real property for hazardous substance remediation and removal costs. For instance, certain laws or regulations may impose strict liability, often regardless of fault, on various parties (jointly and severally), including owners and operators, associated with real estate affected by a release of a regulated environmental contaminant. It is possible that certain properties in which a RE Fund invests could be contaminated with regulated environmental contaminants, that such RE Fund could be subject to strict liability because of such contaminants, and that insurance may not be available to protect the RE Fund from such exposure or, if available, is unduly cost prohibitive for the RE Fund to obtain.

A RE Fund may invest in projects in all stages of development, from "greenfield"

projects on undeveloped sites, to “brownfield” projects on derelict industrial and commercial sites, to late stage conversion, renovation and operating projects. Each such stage has its own particular risks. While later stage projects are often considered less speculative than earlier stage investments, that is by no means always the case, and the risk/reward profiles of earlier stage projects may be materially greater than later stage transactions.

In addition, investments in real estate or interests in real estate are illiquid and subject to industry cycles, downturns in demand, market disruptions and the lack of available capital from potential lenders or investors. Accordingly, there can be no assurance that a RE Fund’s investment adviser will be able to dispose of its investments in a timely manner and/or on favorable terms. Furthermore, there can be no assurance that there will be tenants or purchasers for the office or commercial space or residential units ultimately developed.

A RE Fund may employ leverage in connection with its operations and investments. The use of leverage involves a high degree of financial risk and may increase such RE Fund’s exposure to factors such as rising interest rates, downturns in the economy or deterioration in the condition of the properties underlying such investments.

Real estate development and repositioning is a highly competitive business which involves significant risks. In particular, because of the long lead-time between the inception of a project and its completion, a well-conceived project may, as a result of changes in the real estate market, economic and other conditions prior to its completion (including as a result of the construction of competing projects), become an economically unattractive investment. It is possible that a RE Fund may make a commitment prior to obtaining all necessary entitlements, approvals or consents and may not obtain or may incur significant costs to obtain such items. In addition, real estate development involves the risk that construction may not be completed within budget or on schedule because of cost overruns, unforeseen construction difficulties, work stoppages, shortages of building materials, the inability of contractors to perform their obligations under construction contracts, defects in plans and specifications, failure to obtain necessary entitlements, or other factors. Any delay in completing a project may result in increased interest and construction cost, the potential loss of purchasers or tenants, increased competition from other projects and the possibility of defaults under project financings. In addition, the demand for quality real estate projects is largely dependent upon the continued economic growth of the markets and submarkets in which these projects are located. There can be no assurance that such economic growth or demand for such projects will continue in the markets in which a RE Fund makes its investments or that the actual occupancy and/or rental rates for the real property underlying the RE Fund’s investments will not be less than the projected occupancy and/or rental rates used in determining whether to make such investments. Furthermore, increased real estate development in such markets may lead to periods of oversupply and result in vacancies, lower rentals and lower sale prices for real estate projects.

Furthermore, investments in real estate-related debt securities will involve special risks relating to the particular issuer of the securities, including the financial condition, liquidity, results of operations, business and prospects of the issuer.

Commercial and Residential Mortgage-Backed Securities: Investing in commercial and residential mortgage-backed securities involves the general risks typically associated with investing in traditional fixed-income securities (including interest rate and credit risk) and certain additional risks and special considerations (including the risk of principal prepayment and the risk of investing in real estate). Mortgage-backed securities generally provide for the payment of interest and principal on the mortgage-backed securities on a frequent basis and there also exists the possibility, particularly with respect to residential mortgage-backed securities, that principal may be prepaid at any time due to, among other reasons, prepayments on the underlying mortgage loans or other assets. As a result of prepayments, a RE Fund may be required to reinvest assets at an inopportune time, which may expose the RE Fund to a lower rate of return. The rate of prepayments on underlying mortgages affects the price and volatility of a mortgage-backed security, and may have the effect of shortening or extending the effective maturity beyond what was anticipated. Further, different types of mortgage-backed securities are subject to varying degrees of prepayment risk. Finally, the risks of investing in such instruments reflect the risks of investing in real estate securing the underlying loans, including the effect of local and other economic conditions, the ability of tenants to make payments, and the ability to attract and retain tenants.

A RE Fund may invest in subprime assets, specifically many of the mortgage loans that the RE Fund may purchase have underwriting exceptions and other attributes, such as prior delinquent payments, that may increase the risk of loss to such RE Fund. In the event that there are foreclosures on subprime mortgages and a RE Fund takes physical possession of real estate properties, the RE Fund will have the added expense of administering or selling such properties rather than having an indirect interest, in addition to being subject to risks associated with the direct ownership of real estate including, but not limited to, decreases in real estate values, overbuilding, increased competition and other risks related to local or general economic conditions, increases in operating costs and property taxes, changes in zoning laws, casualty or condemnation losses, possible environmental liabilities, regulatory limitations on rent and fluctuations in rental income. The borrowers under the mortgage loans that a RE Fund will purchase may have low credit scores as a result of poor credit or no credit history. Historically, there is a higher risk of default on loans by borrowers with low credit scores. The pools of prime, Alt A and subprime mortgage loans that a RE Fund may purchase include mortgage loans that are either currently delinquent or have been delinquent in the past. Mortgage loans with a history of delinquencies are more likely to experience delinquencies in the future, even if these mortgage loans are current at the time of purchase.

Recent Developments in the Subprime Residential Mortgage Lending Market May Adversely Affect the RE Fund: Investors should note that the residential mortgage market has recently encountered difficulties which may adversely affect the performance or market value of a RE Fund. Therefore, although a RE Fund's investment adviser may believe that the dislocation in the subprime residential mortgage market has created an attractive environment for finding value in securities, loans and other instruments, there is no assurance that such RE Fund will be able to do so.

Delinquencies, defaults and foreclosures on residential mortgage loans have increased and may continue to increase, which may affect the performance of CDO securities, asset

backed securities and other securities, in particular subprime residential mortgage securities which are backed by subprime mortgage loans. Subprime mortgage loans are generally made to borrowers with lower credit scores and are generally made with higher loan-to-value ratios than mortgage loans made to more creditworthy home buyers. Accordingly, mortgage loans backing subprime residential mortgage securities are more sensitive to economic factors that could affect the ability of borrowers to pay their obligations under the mortgage loans backing these securities. A portion of CDO and asset backed securities' collateral may consist of subprime residential mortgage securities. A deterioration in the assets collateralizing the CDO, asset backed or other securities held by a RE Fund would negatively affect the cash flows of the collateral securities, and consequently the performance or market value of the RE Fund. Therefore, a RE Fund will be sensitive to the same economic factors that affect subprime residential mortgage securities. Further, a portion of the collateral securities may consist of securities which include or have significant exposure to subprime residential mortgage securities which were originated or are serviced (or both) by subprime mortgage companies which are currently in bankruptcy proceedings or which are experiencing financial difficulties or regulatory enforcement actions which have restricted the ability of the lender or its affiliates to originate mortgage loans and may affect its ability to service or subservice mortgage loans.

Lending: A RE Fund may invest in or otherwise have exposure to a variety of real estate related debt investments, including sub-performing or non-performing debt. In addition to the risks of borrower default, these investments will be subject to a variety of risks, including the risks of mismanagement or a decline in value of collateral, contested foreclosures, bankruptcy of the debtor, claims for lender liability, violations of usury laws and the imposition of common law or statutory restrictions on contractual remedies for defaults on such investments.

Distressed Mortgage Loans: A RE Fund may invest in non-performing and sub-performing mortgage loans, as well as mortgage loans that have had a history of delinquencies or defaults. These mortgage loans may be in default or may have a greater than normal risk of future defaults, delinquencies, bankruptcies or fraud losses, as compared to a pool of newly originated, high-quality loans of comparable type, size and geographic concentration. Returns on an investment of this type depend on the borrower's ability to make required payments and, in the event of default, the ability of the loans' servicer to foreclose and liquidate the mortgage loan.

Residential Whole Loan Mortgages: A RE Fund may invest in or otherwise have exposure to residential whole loan mortgages (including related structured transactions in which the underlying credit risk is based on such whole loans). Such whole loan mortgages may include subprime, non-performing and sub-performing mortgage loans which are subject to increased risks as opposed to prime whole loan mortgages. A whole loan mortgage is directly exposed to losses resulting from default and foreclosure. Therefore, the value of the underlying property, the creditworthiness and financial position of the borrower, and the priority and enforceability of the lien are each of great importance. To the extent that the value of the property underlying these mortgage loans decreases and there is a foreclosure on such property following a borrower default, the proceeds of such property may be insufficient to cover the outstanding balance on such loan. There can be no assurance as to

the adequacy of the protection of the terms of the loan, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, claims may be asserted that might interfere with enforcement of the rights of the Fund. In the event of a foreclosure, the Fund would bear the risk of loss. Real estate assets generally experience periods of illiquidity and this lack of liquidity might result from general economic conditions impacting the real estate and credit markets, low occupancy rates, high operating expenses, the early stage of development, the absence of a willing buyer or an established market for these assets, as well as legal or contractual restrictions on resale. The liquidation proceeds upon sale of such real estate may not be sufficient to recover the Fund's cost basis in the loan, resulting in a loss to the Fund. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.

Real Estate Investment Trusts ("REITs"): A RE Fund may invest in REITs. Such REITs may be affected by changes in underlying real estate values, which may have an exaggerated effect to the extent that REITs in which the RE Fund invests may concentrate investments in particular geographic regions or property types. Additionally, rising interest rates may cause investors in REITs to demand a higher annual yield from future distributions, which may in turn decrease market prices for equity securities issued by REITs. Rising interest rates also generally increase the costs of obtaining financing, which could cause the value of a RE Fund's investments to decline. During periods of declining interest rates, certain mortgage REITs may hold mortgages that the mortgagors elect to prepay, which prepayment may diminish the yield on securities issued by such mortgage REITs. In addition, mortgage REITs may be affected by the ability of borrowers to repay when due the debt extended by the REIT and equity REITs may be affected by the ability of tenants to pay rent.

Certain REITs have relatively small market capitalizations, which may tend to increase the volatility of the market price of securities issued by such REITs. Furthermore, REITs are dependent upon specialized management skills, have limited diversification and are, therefore, subject to risks inherent in operating and financing a limited number of projects. REITs depend generally on their ability to generate cash flow to make distributions to investors.

ITEM 9- Disciplinary Information

Not applicable.

ITEM 10 - Other Financial Industry Activities and Affiliations

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

Wafra InterVest Corporation and Wafra Capital Partners, L.P., non-U.S. affiliates of Wafra Capital Partners, provide to, together with certain of their affiliates, from time to time, Wafra Capital Partners, its affiliates and Funds services outside of the United States, which may include corporate 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 Capital Partners forms part of a joint venture with Watani Investment Company K.S.C.C., an entity organized under the laws of Kuwait ("NBK Capital") under the trade name WCP Investments LP ("WCPI"). NBK Capital, or an affiliate thereof ("the Distributor"), generally purchases Fund shares and distributes underlying beneficial ownership interests in Fund shares to investors and receives a fee from such investors pursuant to agreements and/or arrangements between them. Further, a portion of the collected fee is ultimately paid by the Distributor to WCPI. Additionally, for the provision of its services, the Distributor also receives a portion of the management fee that is paid to WCPI. Please see also "Advisory Business" in Item 4 for information about WCPI.

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 or their 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. Please see also Item 5 above, which includes important information and disclosures regarding fees and other compensation.

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 in which or with which a Fund likely will enter into business transactions, and or may provide to equity or other financing, in seeking to achieve its investment objective. In the event that a Fund transacts with or invests in 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 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 certain threshold values, 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 disclosure about these investments and conflicts of interest.

Items 5, 6 and 10 include important information regarding, and disclosures about, the Firm’s and its related persons’ and affiliates’ participation or interests in Fund transactions and agreements. The Firm may engage in principal, agency cross or similar transactions with respect to the Funds. The Firm is aware of the potential conflicts of interest created by principal, agency cross or similar transactions. To the extent that the Firm engages in such transactions with respect to a Fund, it has established, in addition to other practices, a policy against self-dealing in order to prevent “dumping” of unwanted

securities into Fund accounts and placing earning additional compensation ahead of a Fund's interests. Any employee who plans to arrange a principal or agency cross transaction for or with a Fund must promptly notify the CCO and include a description of the proposed transaction. No principal or agency cross transaction may be effected without the prior written approval of the CFO. To the extent the Firm does engage in such transactions, it will do so in compliance with Section 206(3) of the Advisers Act.

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 "Access Persons," "Access Exempt 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 day 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 for several Access Persons exempted by the Firm who do not regularly trade in or have knowledge about securities for Wafra Capital Partner funds and affiliates thereof, 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, Access Exempt, 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) 293-6346 or to:

Attn: Chief Compliance Officer
Wafra Capital Partners Inc.
350 Park Avenue, 16th Floor
New York, New York, 10022

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.

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

If Wafra Capital Partners or any of its related persons holds, directly or indirectly, client funds or securities, or has the authority to obtain possession of them in connection with advisory services provided by the advisor, Wafra Capital Partners is deemed to have "custody" of such funds or securities pursuant to Advisers Act Rule 206(4)-2. Generally, client assets must be maintained with a "qualified custodian" under the rule.

The determination of whether or not Wafra Capital Partners maintains custody with respect to any particular client is dependent on its agreement with such client and location and control of a client's funds and securities. Wafra Capital Partners has custody of certain clients' funds and securities, and for others it is not deemed to have custody. As applicable, clients which receive statements from us should compare their account statements against statements received directly from their qualified custodian. Generally, all of Wafra Capital Partners' funds are audited annually by a public

accounting firm; investors in a fund should carefully review the fund's annual audited financial statements.

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.