

RISK FACTORS

1.1 GENERAL RISKS

The general risks of investing in the Fund are as follows:

- . (a) while the Managers believe that the Fund offers potential for capital appreciation, no guarantee can be given that Fund will be profitable. Prospective investors should read this Private Placement Memorandum and discuss all risks with their financial and legal advisers before making an investment.
- . (b) prospective investors should be aware that. Investment in the Fund is designed to produce returns over the medium term (36 months) and is not suitable for short term speculation.

1.2 SPECIFIC RISKS

- . (a) Market Risk
The income from securities, may be influenced by political and economic conditions, changes in interest rates, the earnings of the corporations whose securities are comprised in the portfolio, and the market's perception of the securities.
- . (b) Foreign Currency Risk
The Managers do actively hedge the foreign currency exposure of investments of the Fund however, the Fund may be exposed to exchange rate risks. As investments of the Fund may be denominated in foreign currencies, fluctuations of the exchange rates of foreign currencies against the base currency of the Fund may have an impact on the income of the Fund and affect the value of the Purchase.
Any changes in the exchange rate between the base currency and the currency of the asset may lead to a depreciation of the value of the Fund's assets as expressed in the base currency. In order to mitigate this risk, in the case of any non-US\$ investments, the Managers may diversify the investments across different currencies.
Classes may be denominated in currencies other than the base currency of the Fund and changes in the exchange rate between the base currency and the denominated currency of the Class may lead to a depreciation of the value of the investor's holding expressed in the base currency as compared with the investment made in the denominated currency.
- . (c) Liquidity Risk
The extent of market liquidity is dependent on the size and state of the markets and therefore affects the Fund's ability to acquire or dispose of assets at the price and time they so desire. Securities listed on the smaller emerging markets are generally less liquid in comparison to those listed on more developed markets and may therefore affect the relevant Fund's ability to acquire or dispose of securities at the price and time desired. There may also be state regulations governing the outward remittance by foreign investors of their share of net profits and purchases and the repatriation of their investments in a foreign currency.
In addition, the Fund is not listed on any company exchange and there is no ready secondary market for the securities in the Fund. Holders can only redeem their purchase by completing a repurchase request and forwarding the same to the Managers through their registered distributors. If there is a surge in repurchases at any particular time, the Managers may impose a gate on repurchases. If that happens, repurchase of purchase and/or the payment of repurchase proceeds may be delayed. In addition, Holders may not realise their purchase during any period when repurchase is suspended.

(d) Emerging Market Risk

Investments in emerging markets securities are generally more volatile than those of developed countries, with the result that the Purchase may be subject to greater price volatility.

The auditing and financial reporting methods used in some emerging markets may differ from internationally recognised standards, and information on the accounts of some companies listed on such markets may not be an accurate reflection of their financial strength.

There may also be state regulations governing the outward remittance by foreign investors of their share of net profits and purchases and the repatriation of their investments in a foreign currency.

(e) Equity Risk

The Fund may invest in companies and other equity securities, which are subject to market risks and are in general more volatile than investment-grade fixed income securities. Purchase in the Fund investing in equities may therefore be subject to greater price volatility.

(f) Country Specific Risk

The Fund may invest in securities of a limited number of countries. Where the Fund invests in a few, select countries, it will be exposed to fluctuations in the economies of these countries, and the market, currency, political, social environment and other risks related specifically to these countries, which may affect the market price of its investments in these countries. Exposure to a limited number of countries also increases the potential volatility of the Fund due to the increased concentration risk as they are less diversified compared to exposure to specific regional or global markets.

(g) Income Distribution

Investors should note that income of the Fund (if any) will be distributed to Holders at the absolute discretion of the Client. Sources of income for distribution may include purchases and/or interest income and/or capital gains derived from the investments of the Fund. Such purchases and/or interest income may be adversely affected by events such as but not limited to companies suffering unexpected losses, having lower than expected purchases and adverse exchange rate fluctuations. In addition to distributions to Holders out of distributable income and/or capital gains, the Managers may at their discretion, with the consent of the Administrator, make capital distributions to Holders at such time as they deem fit in accordance with the provisions of the Deed.

(h) Risk Associated with the Investment Strategy of the Fund

The ability of the Managers to make any distribution payout is largely dependent on the successful execution of the investment strategy of the Fund. The distributions are particularly sensitive to the purchase yield and capital gains/losses from the Fund's investments in equities.

(i) Usage of Financial Derivative Instruments

While the prudent and judicious use of derivatives by investment professionals can be beneficial, derivatives involve risks different from, and in some cases, greater than, the risks presented by more traditional investments. Some of the risks associated with derivatives are market risk, management risk, credit risk, liquidity risk, moratorium risk, capital control risk, tax risk and leverage risk. The Managers have the necessary expertise and controls for investments in derivatives and have in place systems to monitor the derivative positions for the Fund, if any.

The viability of exercising derivative instruments depends on the market price of the investments to which they relate, and accordingly, the Managers may from time to time decide that it is not viable to exercise certain derivatives held by the Fund within the prescribed period, in which case, any costs incurred in obtaining the derivatives will not be recoverable. Additionally, the market price of the relevant investment may not exceed the exercise price attached to the derivative instrument at any

time during the exercise period or at the time at which the warrants or options are exercised and in such an event, this may result in an immediate loss to the Fund.

The above should not be considered to be an exhaustive list of the risks which potential investors should consider before investing in the Fund. Potential investors should be aware that an investment in the Fund may be exposed to other risks of an exceptional nature from time to time.