

AMPLIFY IMPACT THROUGH PRIVATE MARKET INVESTING

NCF Alternative Investments Pool

At NCF, we believe biblical generosity goes beyond transactions. Faithful stewardship invites us to discern, design, and deploy all God has entrusted to you. The NCF Alternative Investments Pool (AIP) complements existing strategies by offering access to thoughtfully selected private market opportunities designed to diversify a Giving Fund and strengthen long-term grantmaking capacity. By participating, your Giving Fund could benefit from:

Access to private markets

- Gain exposure to distinct private investments
- Get direct entry into a professionally managed portfolio with a low investment minimum

Compelling growth potential

- Pursue increased charitable capital for future grantmaking
- Help enhance long-term return potential with added diversification
- Work to strengthen charitable investment portfolio and complement public market investments

Immediate diversification

- Access a diversified portfolio with a single investment allocation
- Help reduce concentration risk for greater resilience

Redemptive impact

- Seek to generate near-term and long-term kingdom impact
- Support faithful stewardship through a rigorous, values-aligned selection process
- Strategically deploy charitable capital efficiently in efforts to advance initiatives focused on human flourishing

The NCF AIP is designed to provide more than an investment vehicle. It opens the door for you to:

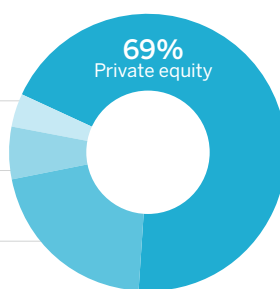
- Engage with a community of like-minded, faith-driven investors
- Invest in innovative business models designed for redemptive impact
- Pursue mission-aligned strategies without sacrificing financial performance

Portfolio mix¹

- Launched in 2023
- \$71.5 million committed
- 25 current investments (19 funds/6 direct co-investments)
- Double-digit net IRR since inception²

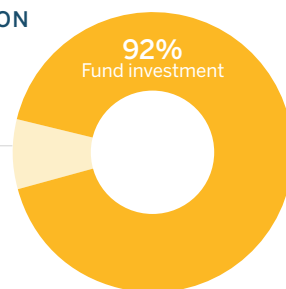
ASSET STRATEGIES

- 4% Private credit
- 6% Venture capital
- 21% Real estate



COMPOSITION

- 8% Co-investment



NCF

National
Christian
Foundation®

Contact your local team at ncfgiving.com/teams | (800) 681-6223

Opportunity for impact³

In collaboration with Sovereign's Capital, these are examples of current pool investments advancing human flourishing.

Venture capital

Teamworthy
Ventures

TRUST VENTURES

THE
WONDER
PROJECT

Real estate

HILLTOP
RESIDENTIAL

Launch
11 OAKS

Welden Field

Private equity

ASCEND

EVEREST
FUND

Riverside

Co-investments

BRINDLEE
FIRE SERVICES

Hallow

Clear

Supported with specialized expertise

This team of investment professionals is equipped with decades of experience in both non-profit and for-profit alternative investing.



Michael Shields, CFA

Chief Investment Officer

Michael has 40+ years of financial services/investment industry experience and was most recently the President, CEO & board member of Piedmont Trust Co.



Mark Whitsitt

Senior Vice President

Mark has 25+ years of institutional investment management and accounting experience and was formerly the SVP, Portfolio Manager at Hartford Investment Management Company.



Mary Cernilli

Director, Investment Offerings

Mary has 25+ years of institutional investment management experience and was formerly the Director of Investments at Community Foundation for Greater Atlanta.



Luke Roush

Co-CEO, Managing Partner

Luke has 25+ years of experience, is the Co-Founder of Sovereign's Capital, and was formerly the leader of VC-backed startups and Fortune 500 companies.



John Coleman

Co-CEO, Managing Partner

John has 20+ years of experience, is a senior operator across private markets, and was formerly the head of Invesco's PE/VC fund-of-funds (\$1.5B AuM); McKinsey consultant.



Ben Erskine

Partner, Real Estate

Ben has 17+ years of commercial real estate investment experience and was the Founder of Callis Capital and Managing Director at Jones Lang LaSalle.

Summary terms and conditions⁴

Fund name	NCF Alternative Investments Pool (AIP)
Current fund size	\$71.5M committed to underlying investments; \$23.4M invested
Fund structure	Evergreen
Minimum allocation	\$100,000
Current expense ratio⁵	1.5% on NAV, plus 10% of returns over 7% preferred hurdle
Allocations⁶	Semi-annual; based on most recent quarterly NAV; not to exceed 80% of the Giving Fund balance at the time of the allocation
Withdrawals⁷	Semi-annual (post lock-up); based on most recent quarterly NAV
Lock-up period⁸	5 years
Withdrawal mechanics	60 days' notice prior to withdrawal date
Allocation/withdrawal limitations⁹	Semi-annual withdrawals limited to 10% of the total Pool's NAV; subject to the discretion of NCF

Important information

Footnotes

1. Data as of 08/31/2026. Allocation targets are subject to change. Net performance metrics are computed based on the total value of any distributions to date and the current fair market value of remaining investments after accounting for management fees, carried interest, and other relevant fund expenses. Investments are not ordered/named in any particular sequence.
2. Past performance is not indicative of future results. Net performance metrics are computed based on the total value of any distributions to date and the current fair market value of remaining investments after accounting for management fees, carried interest, and other relevant fund expenses. Investments are not ordered/named in any particular sequence. Net performance as of 03/31/2026.
3. The companies represent a select group of portfolio companies indirectly held by the pool through its fund-of-fund investments. This particular group is for illustrative purposes only with respect to the theme of human flourishing. A complete list of the pool's underlying portfolio company exposure is available upon request. The third-party trademarks appearing herein are the property of their respective owners and use by Sovereign's Capital Management, LLC ("SCM") does not imply affiliation with or endorsement of SCM. Specific investments described herein do not represent all investment decisions made by the NCF AIP Investments team. The reader should not assume that investment decisions identified and discussed were or will be profitable. Specific investment advice references provided herein are for illustrative purposes only and are not necessarily representative of investments that will be made in the future.
4. For illustrative purposes only; all investment terms are qualified in their entirety by the official term sheet.
5. Expense ratio includes management and sub-advisory fees and is subject to change over time as the portfolio evolves. It does not include fees and expenses of the underlying fund investments. An investment in the AIP will be held directly by the Giving Fund and may also be subject to NCF's ministry support fee.
6. Allocations refer to the purchase of shares of the pool by an NCF Giving Fund in exchange for cash transferred from the Giving Fund to the AIP.

7. Withdrawals refer to the sale of shares of the AIP by an NCF Giving Fund in exchange for cash transferred from the AIP to the Giving Fund.
8. Each allocation to the AIP is subject to a five-year lock-up period from the date of allocation. Withdrawal requests are not permitted until the 5th anniversary of the respective allocation date, and semi-annually thereafter.
9. NCF reserves the right to limit allocation requests and/or withdrawal requests at any allocation/withdrawal date. Please refer to the official term sheet for more details.

Sovereign's disclaimer

National Christian Foundation Endorsement: This document contains endorsements and testimonials by employees of the National Christian Charitable Foundation, Inc. ("NCF"). NCF has not received any direct cash or non-cash compensation in exchange for providing the following endorsements and testimonials herein. Nevertheless, NCF, as a sponsor of donor-advised funds ("NCF Giving Funds") and other types of charitable funds, is an investor in the Fund, and NCF receives returns from the Fund and may receive ministry oversight fees or other compensation in connection with donor-advised funds or other charitable funds participation in the Fund. Based on the foregoing, there is a conflict of interest in that NCF is incentivized to promote SCM and the Fund for the purpose of increasing donor interest in NCF's alternative investments platform. All assets in NCF Giving Funds are owned and controlled exclusively by NCF. While account holders may recommend funds in which NCF may invest the assets, NCF retains final authority over all decisions to invest or grant assets in NCF's sole discretion.

General Risks Related to Private Equity, Venture Capital, and Co-Investment/Fund of Funds Strategies. The Private Investment Fund's investment strategies could include direct investments, and investments in private companies, other private funds, co-investments, secondaries and separate General Partner investments ("GP Stakes") that pursue or otherwise relate to private equity investment strategies, among other strategies. As such, the success of the portfolio companies' activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances. These factors may affect the level and volatility of security prices and liquidity of the Private Investment Funds' investments. Unexpected volatility or illiquidity could impair the portfolio companies' profitability or result in its suffering losses. Early-stage venture capital are investments that pursue or otherwise relate to venture capital investment strategies, with a focus on companies and businesses that are in the early and growth stages of development. Such early-stage and growth-stage technology companies may include companies that utilized advanced science, technology, engineering, and/or mathematics to innovate in their respective markets.

Highly Competitive Market for Venture Capital and Growth Equity Investment Opportunities. The activity of identifying, completing, and realizing venture capital and growth equity investments is highly competitive and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions. In particular, in light of changes in such conditions, including changes in long-term interest rates, certain types of investment opportunities may not be available on terms that are as attractive as the terms on which opportunities were available in the past. Venture capital and growth equity investing have seen many new participants emerge, including well-established investment firms, corporations, wealthy individuals and foreign investors, including, without limitation, partnerships and corporations, other venture capital and private equity firms, business development companies, sovereign wealth funds, domestic and international public pension plans, individuals, financial institutions and other investors investing directly or through affiliates. Some of these competitors may have more relevant experience, greater financial and other resources, and more personnel than the general partner, the firm, and the Private Investment Fund. Consequently, it is possible that competition for appropriate investment opportunities may increase, thus reducing the number of investment opportunities available to the Private Investment Fund and adversely affecting the terms upon which investments can be made. To the extent that there is increased competition for such investments, returns to the Private Investment Fund may decrease.

Nature and Illiquidity of Investments. It is anticipated that a substantial portion of a private investment fund's private equity investments will be highly illiquid, and there can be no assurances that a private investment fund will be able to realize a positive return on such investments.

Operating and Financial Risks of Privately Held Companies. Privately held companies where the AIP invests could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment or an economic downturn. As a result, companies which a private investment fund expects to be stable may operate at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive position, or may otherwise have a weak financial condition or be experiencing financial distress. In some cases, the success of a private investment fund's investment strategy will depend, in part, on the ability of the portfolio company to restructure and effect improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that a portfolio company will be able to successfully identify and implement such restructuring programs and improvements.

Venture capital investments in early stage and growth stage companies are often highly dependent on communications and information systems and are exposed to many types of operational risks, including the risk of fraud or security breaches by employees or other parties, record keeping errors, errors resulting from faulty or "hacked" computer or telecommunication systems, computer failures or interruptions, and damage to computer and telecommunication systems caused by internal or external events. New technologies and improved products and services are continually being developed, rendering older technologies, products, and services obsolete. Further, the failure of these systems could cause significant interruptions in the operations of portfolio companies and could harm the reputation of the Firm and/or their affiliates, the Private Investment Fund and/or such portfolio company, subjecting such entity and its respective affiliates to legal claims and adverse publicity or otherwise affect their business and financial performance.

Leverage. It is anticipated that certain private equity investments, including certain investments in other private funds, may use leverage when making investments in portfolio companies. In addition, a portfolio investment may increase the leverage of a portfolio company by using promissory notes or other indebtedness issued by the portfolio company as part of the purchase consideration. Although the use of leverage may enhance returns and increase the number of investments that a portfolio investment can make, it may also substantially increase the risk of loss. Leveraged capital structure of portfolio companies generally will increase the exposure of those companies to adverse economic factors such as rising interest rates, downturns in the economy or deterioration in the condition of the portfolio company or its industry. Leverage generally will increase investment returns if a private equity investment earns a greater return on the investments purchased with borrowed funds than it pays for the use of those funds but also may increase losses. The use of leverage is speculative and involves certain risks. The use of leverage may decrease the return on an investment if the investment fails to earn as much on its investment purchased with borrowed funds as it pays for the use of those funds. The use of leverage may in this way magnify the volatility of changes in the value of an investment, especially in times of a "credit crunch" or during general market turmoil, such as that experienced in early 2020.

If an investment is unable to access additional credit, it may be forced to liquidate investments at inopportune times, which may further depress the returns. Because the securities in which a portfolio company will invest may be among the most junior in a portfolio company's capital structure, the inability of a portfolio company to service its debt obligations could result in a loss of a portfolio investment. Certain portfolio companies may borrow money from brokers and banks (i.e., through credit facilities, lines of credit, or other margin or borrowing arrangements) for investment purposes. Borrowings to purchase equity securities typically will be secured by the pledge of those securities, and the financing of securities purchases may also be effected through reverse repurchase agreements with banks, brokers, and other financial institutions. In the event that a portfolio investment's equity or debt instruments decline in value, the portfolio company could be subject to a "margin call" or "collateral call," under which the portfolio company must either deposit additional collateral with the lender or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. If a portfolio company is required to deleverage in a more rapid fashion than expected or intended, its returns will likely be substantially reduced, and it may be forced to liquidate entirely if it cannot meet its margin calls or otherwise cover its outstanding indebtedness. In addition, legal and regulatory changes applicable to private investment funds or financial services companies generally may either force portfolio companies to deleverage or otherwise limit their ability to utilize leverage.

Risk of Early-Stage Investments. The Private Investment Fund's venture capital investment strategy by its nature involves business, financial, market and legal risks. Among these risks are the general risks associated with investing in companies at the early or growth-stage of development or with limited operating history, companies operating at a loss or with substantial variations in operating results from period to period, companies with the need for substantial additional

capital to support expansion or to achieve or maintain a competitive position and companies dependent on new or developing technology. There will generally be little or no publicly available information regarding the status and prospects of these companies. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified managerial and technical personnel. There can be no assurance that the development or marketing efforts of any particular portfolio company will be successful or that its business will be profitable. The underlying portfolio companies may be unseasoned, unprofitable or have no established operating histories or earnings and may lack technical, marketing, financial and other resources. Less-established companies tend to have lower capitalization and fewer resources, and therefore, are often more vulnerable to financial failure. These companies may be dependent upon the success of one product or service, a unique distribution channel, or the effectiveness of its manager or management team.

The failure of this one product, service or distribution channel, or the loss or ineffectiveness of a key executive or executives within the management team may have a materially adverse impact on such companies. The Private Investment Fund will not have an active role in the day-to-day management of the companies in which it invests. To the extent that the management of a portfolio company performs poorly, the Private Investment Fund's investment in such company could be adversely affected. Furthermore, these companies may be more vulnerable to competition and to overall economic condition than larger, more established entities. In early-stage enterprises, a major risk exists that a proposed service or product cannot be developed successfully with the resources available to the portfolio company. There is no assurance that the development efforts of any portfolio company will be successful or, if successful, will be completed within the budget or time period originally estimated. The services and products may also be subject to a high degree of technical obsolescence. There is no assurance that any portfolio company can successfully develop future generations of its services or products. Additional funds may be necessary to complete such development, and there is no assurance that such funds will be available from any particular source. The receptiveness of potential acquirers to portfolio companies will vary over time and, even if a portfolio company investment is disposed of pursuant to a merger, consolidation or similar transaction, the stock, security, or other interests in the surviving entity may not be marketable.

The public market for high technology and other emerging growth companies is volatile. Such volatility may adversely affect the development of portfolio companies. In particular, the receptiveness of the public market to initial public offerings by portfolio companies may vary dramatically from period to period. An otherwise successful portfolio company may yield poor investment returns if it is unable to consummate an initial public offering, and the portfolio company's securities typically will be subject to contractual "lock-up," securities law or other restrictions which may, for a material period of time, prevent disposition of such securities. There can be no guarantee that any investment in such portfolio companies will result in a liquidity event through a merger, acquisition, public offering or otherwise, and there is a significant risk that some or all of such investments will yield little or no return.

Technology Industry Risks. The Private Investment Fund may invest in private companies that operate or invest in the information, financial and communications technology industry. The technology sector is subject to various risks, including rapidly changing market conditions and participants, new competing products and services, and improvements in existing products and services. Some portfolio investments may compete in this volatile industry. There is no assurance that products or services sold by such portfolio investments will not become obsolete or negatively affected by competing products and services or other factors. In addition, communications companies in developed, emerging and frontier markets continue to undergo significant changes due mainly to evolving levels of governmental regulation or deregulation as well as the rapid development of communications technologies. Competitive pressures within this industry are intense, and the securities of companies operating in this industry may be subject to substantial price volatility. The fintech sector is challenged by various factors such as instability, fluctuation, or an overall decline within fintech industries may not be balanced by investments in other industries not so affected. A market downturn would likely lead to a decline in the volume of transactions that financial services institutions execute for their customers and thus lead to a decline in revenues from fees, commissions and spreads. Within the fintech industry, the development of products is generally a costly and time-consuming process.

Additional Capital Requirements of Portfolio Companies. Certain portfolio companies may be in early stages of development and require additional financing to satisfy their working capital requirement or growth strategies. If the funds provided are not sufficient, a company may have to raise additional capital at a price unfavorable to the existing investors. In addition, investors in a portfolio company may make additional debt and equity investments or exercise warrants,

options or convertible securities that were acquired in the initial investment in such company in order to preserve the investors' proportionate ownership when a subsequent financing is planned, or to protect the initial investment when such investment's performance does not meet expectations. To the extent a portfolio company in which the Private Investment Fund has directly or indirectly invested receives additional funding in subsequent financings and the Private Investment Fund does not directly or indirectly participate in such additional financing rounds, the Private Investment Fund's interest in such portfolio company would be diluted. The availability of capital is generally a function of capital market conditions that cannot be managed by the Private Investment Fund or any portfolio company. There can be no assurance that the portfolio companies will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source.

General Risks of Co-Investments and Other Private Funds. When the Private Investment Fund invests alongside other investors in a co-investment structure, the realization of portfolio company investments made as co-investments may take longer than would the realization of investments under the sole control of the Firm or the Private Investment Fund because co-investors may require an exit procedure requiring notification of the other co-investors and possibly giving the other co-investors a right of first refusal or a right to initiate a buy-sell procedure (i.e., one party specifying the terms upon which it is prepared to purchase the other party's or parties' participation in the investment and the non-initiating party or parties having the option of either buying the initiating party's participation or selling its or their participation in the investment on the specified terms).

Co-investments may involve risks in connection with such third-party involvement, including the possibility that a third-party may have financial difficulties, resulting in a negative impact on such investment, or that the Private Investment Fund may in certain circumstances be held liable for the actions of such third-party co-investor. Third-party co-investors may also have economic or business interests or goals that are inconsistent with those of the Private Investment Fund or may be in a position to take or block action in a manner contrary to the Private Investment Fund's investment objective.

In circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to the co-investments, including incentive compensation arrangements, and the interests of such third parties may not be aligned with the interests of the Private Investment Fund.

When the Private Investment Fund makes direct investments in operating companies that are co-investments alongside other private funds, the Private Investment Fund will be highly dependent upon the capabilities of the applicable portfolio managers. The Private Investment Fund may indirectly make binding commitments to co-investments without an ability to participate in the management and control of, and with no or limited ability to transfer its interests in, the pertinent operating company. In some cases, the Private Investment Fund may be obligated to fund its entire direct investment in a co-investment upfront, and in other cases the Private Investment Fund may make commitments to fund investments from time to time as called by the investment manager or general partner of another private fund participating in a co-investment. Generally, neither the firm nor the Private Investment Fund will have control over the timing of capital calls or distributions received from such co-investments, or over investment decisions made in respect of such co-investments. When the Private Investment Fund participates in a co-investment, the Private Investment Fund will generally not have control over the underlying portfolio company and will not be able to direct the policies or management decisions of such portfolio company. Thus, the returns to the Private Investment Fund from any such investments are expected to be more dependent upon the performance of the particular portfolio company and its management, such that the firm, on behalf of the Private Investment Fund, is not expected to be able to direct the policies or management decisions of such portfolio company.

Portfolio Concentration and Lack of Diversification. Although the general partner will seek to diversify the Private Investment Fund's portfolio to the extent possible consistent with the investment strategy, various factors, including prevailing market conditions, available investment opportunities, constraints imposed by investments in other private funds, and the timing of investments, may prevent the general partner from diversifying the Private Investment Fund's portfolio or may result in the portfolio not being as diversified as the general partner might otherwise prefer. In addition, because underlying investments may be the same sector, the Private Investment Fund's portfolio may be less diversified than intended. Furthermore, these types of investments could end up over concentrated in certain investments, types of investments and/or geographic regions. In cases where there are a limited number of investments, the aggregate returns realized by the investors may be substantially adversely affected by the unfavorable performance of a small number of such investments. There can be no assurance as to the degree of diversification of an investment in another private fund, either by geographic region, industry, or transaction type. In addition, certain geographic regions, industries and/

or sub-sectors may be more adversely affected from economic pressures when compared to other geographic regions, industries, or sub-sectors.

General Risks of Secondaries. A private investment fund's investment strategy may include investments in secondaries. There is no established market for secondaries, and the firm does not currently expect a liquid market to develop. Moreover, the market for secondaries has been evolving and is likely to continue to evolve. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number and attractiveness of investment opportunities available to the Private Investment Fund and adversely affecting the terms upon which investments can be made. Accordingly, there can be no assurance that the Private Investment Fund will be able to identify sufficient investment opportunities or that it will be able to acquire sufficient secondaries on attractive terms. When the Private Investment Fund acquires a secondary, the Private Investment Fund may acquire contingent liabilities associated with such interest. Specifically, when the seller has received distributions from the relevant Investment and, subsequently, there are recalls of any portion of such distributions, the Firm's Private Investment Fund (as the purchaser of a third-party private fund investment to which such distributions are attributable) may be obligated to pay an amount equivalent to such distributions to investment. While the Private Investment Fund may be able, in turn, to make a claim against the seller of the interest for any monies so paid to the investment, there can be no assurance that the Firm's Private Investment Fund would have such right or prevail in any such claim. In certain instances, the purchase of an interest in a new private fund may be less attractive than a secondary market purchase of an existing limited partner interest. In such cases, it may not be possible for the Private Investment Fund to exclude from such purchases those investments that the Firm considers (for commercial, tax, legal, or other reasons) less attractive. The overall performance of the Private Investment Fund's secondaries will depend in part on the acquisition price paid, which may be negotiated based on incomplete or imperfect information.

General Risks of GP Stakes. As part of its investment program, certain private investment funds may make investments in GP Stakes, which carry special risks relative to other potential portfolio investments. The Private Investment Fund's investments in GP Stakes are expected to involve equity investments in general partner or managing member interests in emerging or growth private equity or venture capital managers via a broad range of joint venture arrangements, including, without limitation, general partner and managing member entities which sponsor and manage one or more third-party private investment funds or other investment vehicles or entities.

As such, the Private Investment Fund's investments will be subject to all of the risks associated with a general partner or managing member of a third-party private investment fund or investment vehicle, which include, among other risks, the risk of adverse legal, tax, regulatory, or reputational events regarding the relevant management teams and their investment and other activities, the risks associated with highly illiquid investments over which the firm generally expects to have no control or influence, the risk of one or more clawback or giveback mechanisms in the applicable investments becoming operative and requiring the Private Investment Fund to return part or all of prior distributions received from such portfolio investments, and the risk that the Firm will not be able to achieve an exit from the Private Investment Fund's investments in GP Stakes before the end of the Private Investment Fund's term. As a result, investors in the relevant Private Investment Fund are subject to special provisions relating to the return of previously distributed capital. The limited partner investors may be required to return distributions made for the purpose of satisfying their pro rata share of the Private Investment Fund's indemnification obligations outlined in the governing documents. However, the amount to be returned will not be an amount in excess of the aggregate amount of distributions actually received from the Private Investment Fund.

Certain Private Investment Fund investments in GP Stakes may involve holding an ownership interest in one or more state or SEC-registered investment advisers, which may subject the fund to ownership and disclosure requirements and generally serve to heighten the legal, regulatory, and reputational risks associated with such Private Investment Fund investments.

Foreign Investments. A private investment fund may invest in companies located outside of the United States. Investments in non-U.S. companies involve the following risks, among others: (a) currency exchange risks, controls on, and changes in controls on, foreign investment and limitations on repatriation of invested capital and on a portfolio fund's ability to exchange local currencies for U.S. dollars, (b) differences between U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets, and the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements, (c) changes in tax treaties, and (d) the possible imposition of non-U.S. taxes on income and gains recognized with respect to such investments.

While it is anticipated that each portfolio manager will intend, where it deems appropriate, to manage a portfolio fund in a manner that will minimize exposure to the foregoing risks, there can be no assurance that adverse developments or changes in law in certain non-U.S. countries in which the portfolio fund invests will not adversely affect the value of investments located in such countries. The economics of individual non-U.S. countries may differ favorably or unfavorably from the U.S. economy in such respects as growth or gross domestic product, rate of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resource self-sufficiency and balance of payments position.

Investing in Emerging Markets. The political and economic institutions in countries with emerging economies like certain Latin American or Asian countries may undergo rapid and significant changes and rapid growth. Investing in emerging economies may entail political, economic, and social risks not usually associated with investing in more developed markets, such as nationalization, expropriation, or other political, economic, and social developments, which could adversely affect the portfolio funds or their portfolio companies.

Currency Exchange Risk. It is anticipated that the books of a private investment fund will be maintained, and contributions to and distributions from a portfolio fund generally will be made, in U.S. dollars. A portfolio fund's non-U.S. investments, however, may be denominated in currencies other than the U.S. dollar, and the value of such investments will depend in part on the relative strength of the U.S. dollar compared to such other currencies. A portfolio fund may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between foreign currencies and the U.S. dollar, as well as the transaction costs associated with converting foreign currencies into U.S. dollars. Changes in foreign currency exchange rates may also affect the value of dividends and interest earned, and the level of gains and losses realized on the sale of such investments. The rates of exchange between the U.S. dollar and other currencies are affected by many factors, including forces of supply and demand in the foreign currency exchange market. Exchange rates also are affected by the international balance of payments and other economic and financial conditions, government intervention, speculation, and other factors. A portfolio manager may, but is not expected to be obligated to, enter into currency hedging arrangements in connection with a portfolio fund's non-U.S. investment activities. Even if a portfolio fund does enter into such arrangements, there can be no assurance that they would successfully protect the value of the portfolio fund's non-U.S. investments. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks and costs. Thus, while a private investment fund may benefit from the use of these hedging mechanisms, unanticipated changes in commodity prices, interest rates, securities prices, currency exchange rates and/or other events relating to such hedging transactions may result in a poorer overall performance for the Private Investment Fund than if it had not entered into such hedging transactions.

Material, Non-Public Information. Certain employees of the firm or a portfolio company and/or its respective affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. As result, there could be restrictions, and the Private Investment Fund may not be free to act upon any such information and may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

Bankruptcy of portfolio companies. A private investment fund may make investments in portfolio companies that may experience financial difficulties and become insolvent or file for bankruptcy protection. Various U.S. federal and state and non-U.S. laws in connection with such bankruptcy proceedings could operate to the detriment of a private investment fund. There is also a risk that a court may subordinate a private investment fund's investment to other creditors or require the private investment fund to return amounts previously paid to it by a portfolio company that became insolvent or files for bankruptcy, a risk that could increase if the private investment fund has management rights in such portfolio company.

Financial Institution Risk; Distress Events. An investment in a private investment fund is subject to the risk that one of the private investment fund's banks, brokers, hedging counterparties, lenders or other custodians of some or all of the private investment fund's assets (each, a "Financial Institution") fails to perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty (each, a "Distress Event"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, Sovereign's Capital, the private investment funds and/or their portfolio companies may not be able to access deposits, borrowing facilities or other services for an extended period of time or ever. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation ("FDIC"), in the case of banks, or the Securities Investor Protection Corporation ("SIPC"), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of loss, and any non-U.S. Financial Institutions that are not

subject to similar regimes pose increased risk of loss. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on Sovereign's Capital's ability to manage the private investment funds and their investments, and on the ability of Sovereign's Capital, any private investment fund and/or portfolio companies to maintain operations, which in each case could result in significant losses and unconsummated investment acquisitions and dispositions. Such losses could potentially: (i) cause a private investment fund to pay fees and expenses in the event the private investment fund is not able to close a transaction (whether due to the inability to draw capital on a credit line provided by a financial institution experiencing a Distress Event, the inability of investors to make capital contributions or otherwise); (ii) result in a private investment fund being unable to acquire or dispose of investments at prices that Sovereign's Capital believes reflect the fair value of such investments; and/or (iii) result in portfolio companies being unable to make payroll, fulfill obligations and/or maintain operations. Although Sovereign's Capital expects to exercise contractual remedies under the agreements with financial institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays.

Many financial institutions require, as a condition to using their services or otherwise, that Sovereign's Capital and/or the relevant private investment fund maintain all or a set amount or percentage of their respective accounts or assets with such financial institutions, which heightens the risks associated with a Distress Event with respect to such financial institutions. Although Sovereign's Capital seeks to do business with financial institutions that it believes are creditworthy and capable of fulfilling their respective obligations to the private investment funds, Sovereign's Capital is under no obligation to use a minimum number of financial institutions with respect to any private investment fund, or to maintain account balances at or below the relevant insured amounts.