Morgan Stanley

INVESTMENT MANAGEMENT

AIP Private Markets
Current Opportunities in Private Equity and Real Estate

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Asia Pacific Association for Fiduciary Studies | November 30, 2018

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Today's Discussion

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SECTION 1

Macroeconomic and Geopolitical Backdrop

Challenging Geopolitical And Macroeconomic Backdrop

- Less predictable policy framework
- Volatility, and not always where expected
- Elevated (equity) valuations implying subdued outlook for returns

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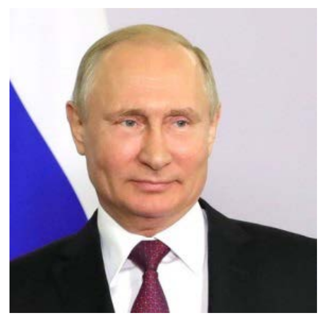
Less Predictable Policy Framework









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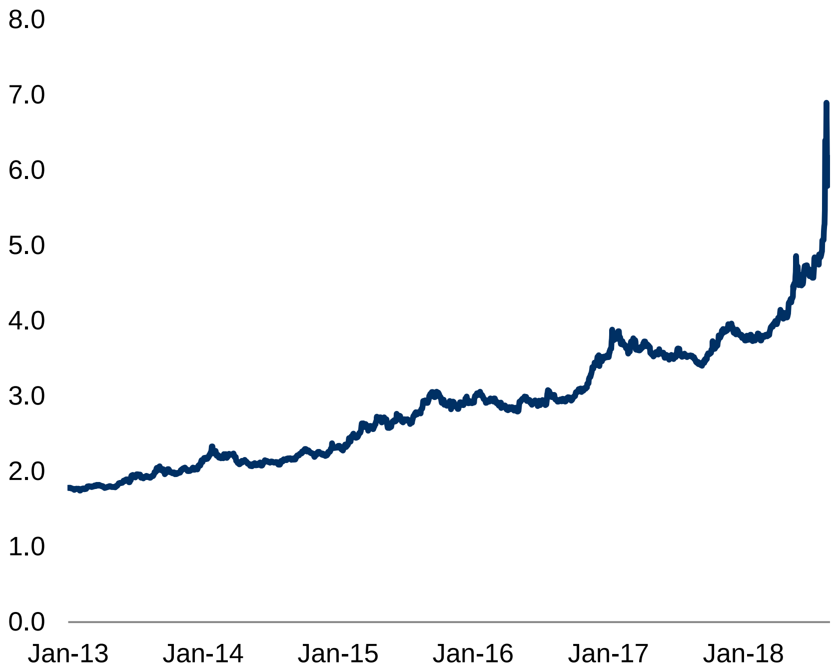
Volatility, And Not Always Where Expected

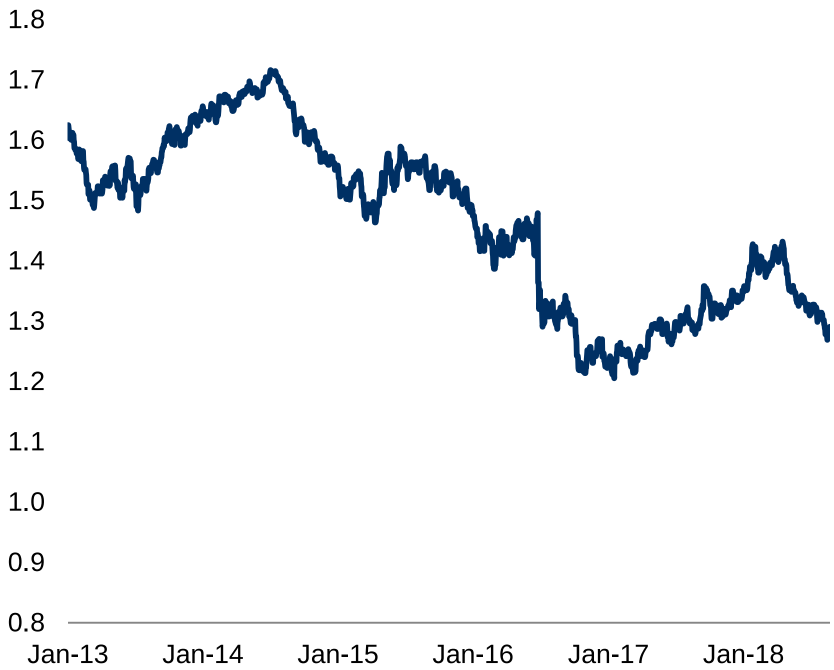
USD/Turkish Lira Rate

January 1, 2013 – August 22, 2018



GBP/USD Rate

January 1, 2013 – August 22, 2018



Source: Capital IQ, Data as of August 22, 2018
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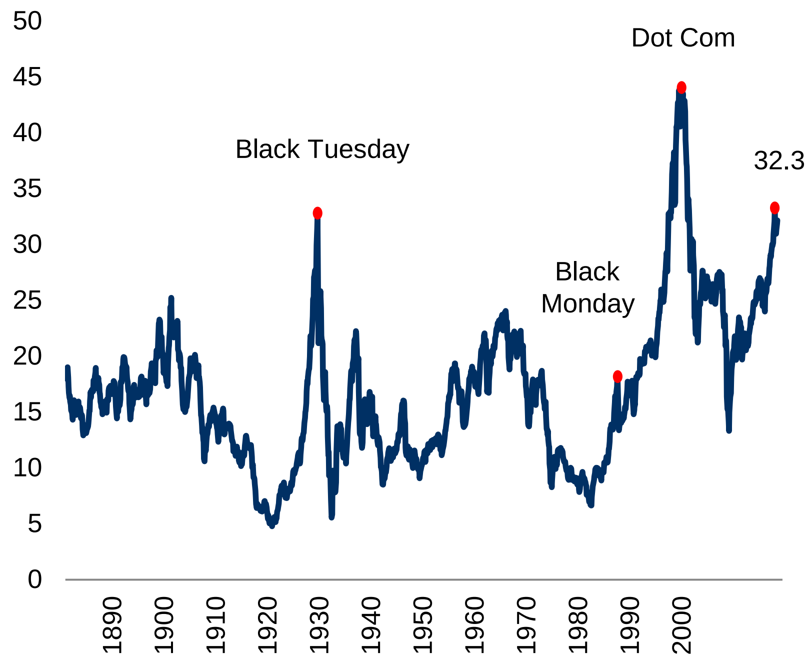
Elevated (Equity) Valuations Implying Subdued Outlook For Returns

CAPE 10, S&P 500 (1)

Cyclically Adjusted Price Earnings Ratio P/E10
Jan 1881 – July 2018



Current Long Term Return Forecasts Based on Valuation Levels (2)

- “Based on valuations and historical behaviours, U.S. equities are currently priced to return 0% over the next 10 years”
- “Outside the U.S., equities are priced for expected returns that are not quite that bearish, but still below historical averages”
- “… long term prospective returns from bonds today are comparable to or higher than those of equities, and almost certainly higher on a risk-adjusted basis”

1. Source: Robert Shiller. Data as of August 2018.
2. Source: Large Private Investment Office, July 2018.

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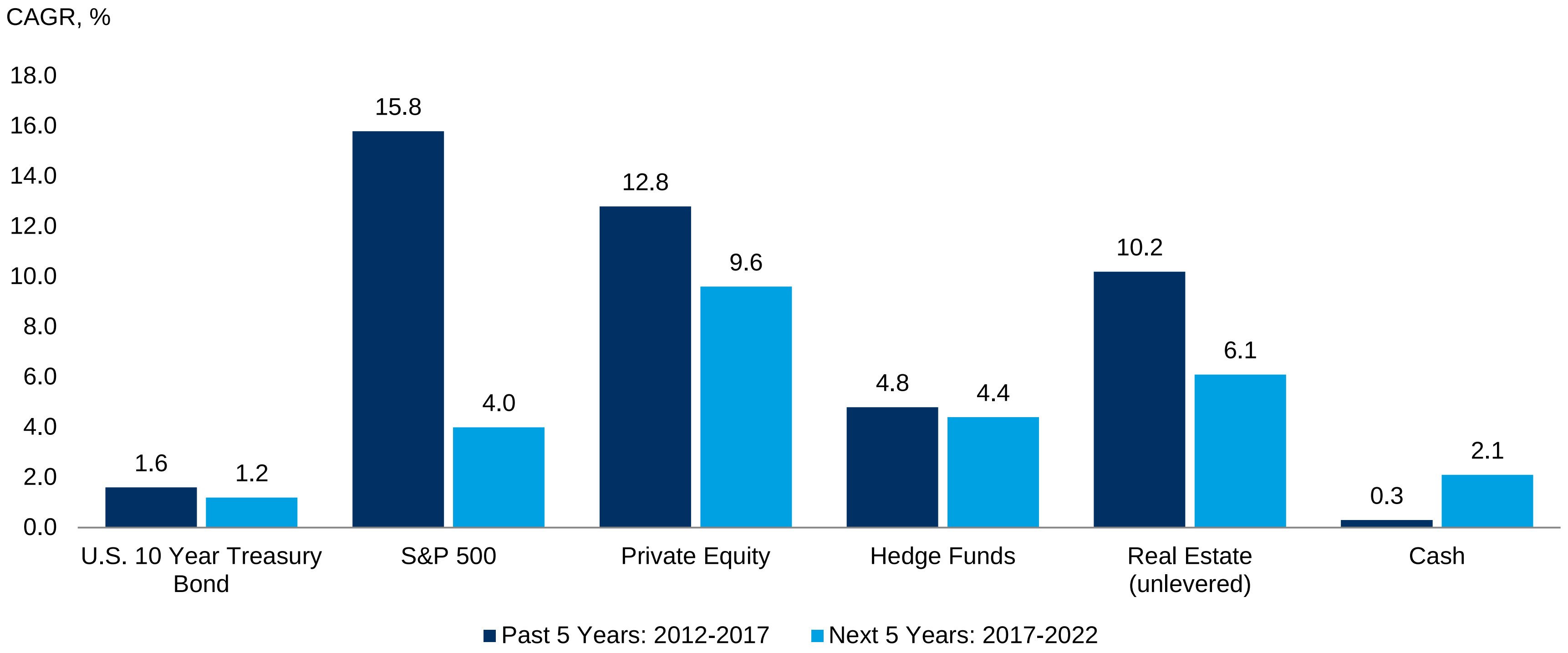
Elevated (Equity) Valuations Implying Subdued Outlook For Returns

Illustration, KKR Global Macro and Asset Allocation (1)



1. Source: Bloomberg, Cambridge Associates, NCREIF, HFRI Weighted Composite Index (HFRIFWI Index), KKR Global Macro & Asset Allocation. As of December 31, 2017. The NCREIF Property Index (NPI) is a quarterly, unleveraged composite total return for private commercial real estate properties held for investment purposes only. The HFRI Asset Weighted Composite Index is a global, asset-weighted index comprised of over 1,500 single-manager funds that report to HFR Database.

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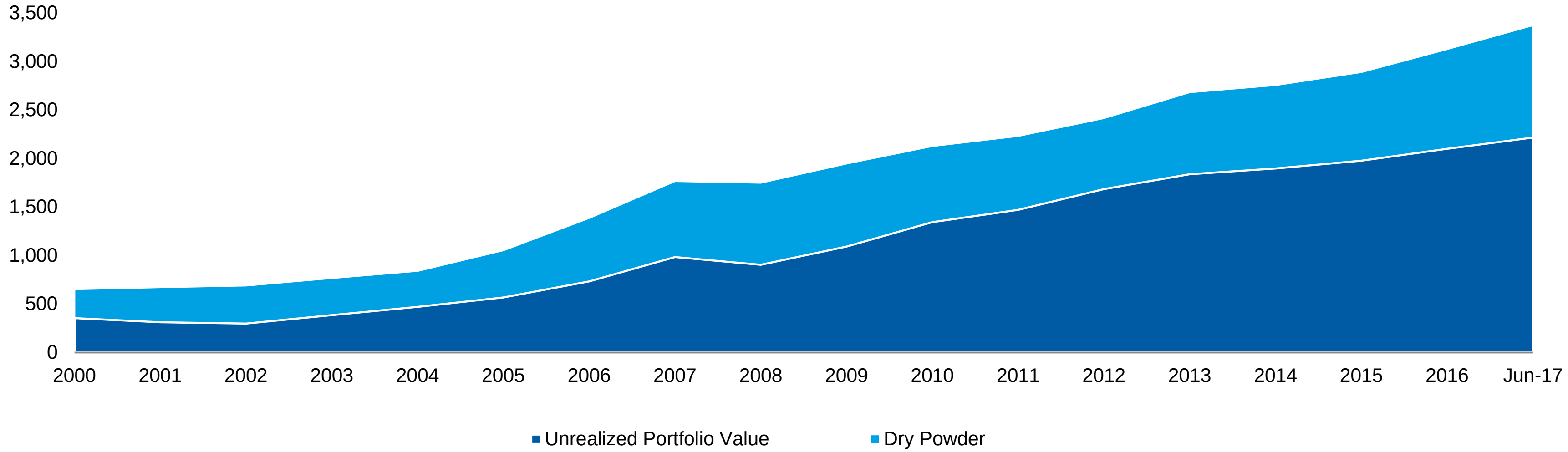
SECTION 2

Overview of the Current Private Markets Landscape

Significant Growth And Maturation In Private Equity

Global Private Equity Industry AUM (1)

$Bn



GLOBAL PE AUM AS A % OF GLOBAL GDP (2)	1.9%	2.0%	2.0%	2.0%	1.9%	2.2%	2.7%	3.1%	2.8%	3.2%	3.2%	3.0%	3.2%	3.5%	3.5%	3.9%	4.1% (4)
APPROX. NO. OF PE FUNDS (3)	2,300	3,000	3,500	3,900	4,500	5,300	6,300	7,300	8,100	8,500	9,000	9,400	9,700	10,200	10,900	11,700	12,300 (4)

1. Source: Preqin Private Equity Performance Monitor, January 2018.
2. Source: The World Bank, last updated 02/08/2017.
3. Preqin Fundraising data as of January 2018. Based on funds raised by vintage year and assumes that funds stay active for 12 years before they are liquidated.
4. Based on full year Global GDP and full year number of funds.

Disclosure: For illustrative purposes only. **Past performance is not indicative of future results.**

Broad Penetration And High Profile

VENTURE

Uber Crosses the 5 Billion Trip Milestone

– Techcrunch, June 2017

Spotify Surpasses 50 Million Paid Subs

– Business Insider, March 2017

GROWTH

Microsoft Confirms Takeover of Skype

– BBC, May 2011

TPG Makes A Big Cyber Security Bet On McAfee As Intel Refocuses

– Forbes September 2016

BUYOUT

Meet the Biggest Winner in the History of Fomula One: CVC Capital Partners

–The Guardian July 2015

Blackstone Sells 25% Hilton Stake To Chinese Conglomerate For $6.5 Billion

– Forbes, October 2016

DISTRESSED

Cerberus Deal for Chrysler Not Your Average LBO

– Reuters, May 2007

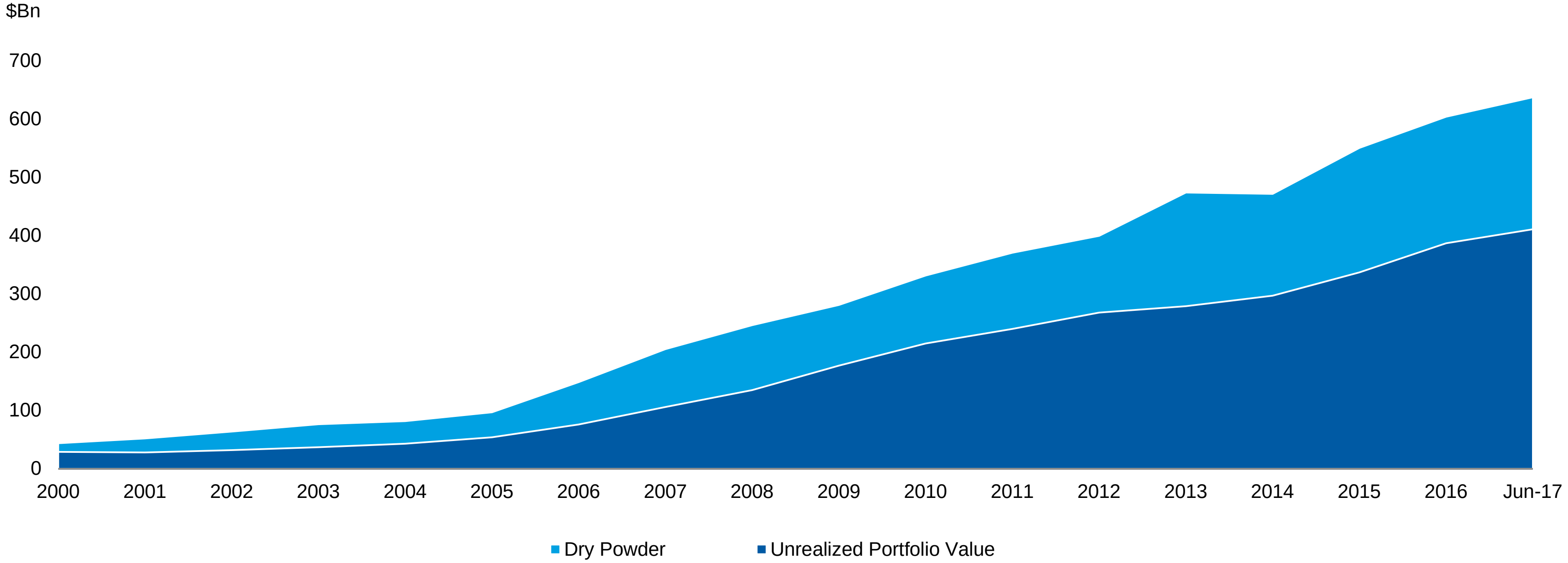
Lone Star's Bi-Lo Expects to Exit Bankruptcy Next Month

– The PE Hub Network, April 2010

For illustrative purposes only.

Private Credit Has Also Grown Meaningfully, Especially Since The Financial Crisis

Global Private Credit AUM (1)



APPROX. NO. OF PRIVATE CREDIT FUNDS (2)	50	90	130	180	240	320	410	510	610	680	720	780	780	840	960	1,040	1,140	1,220	1,280

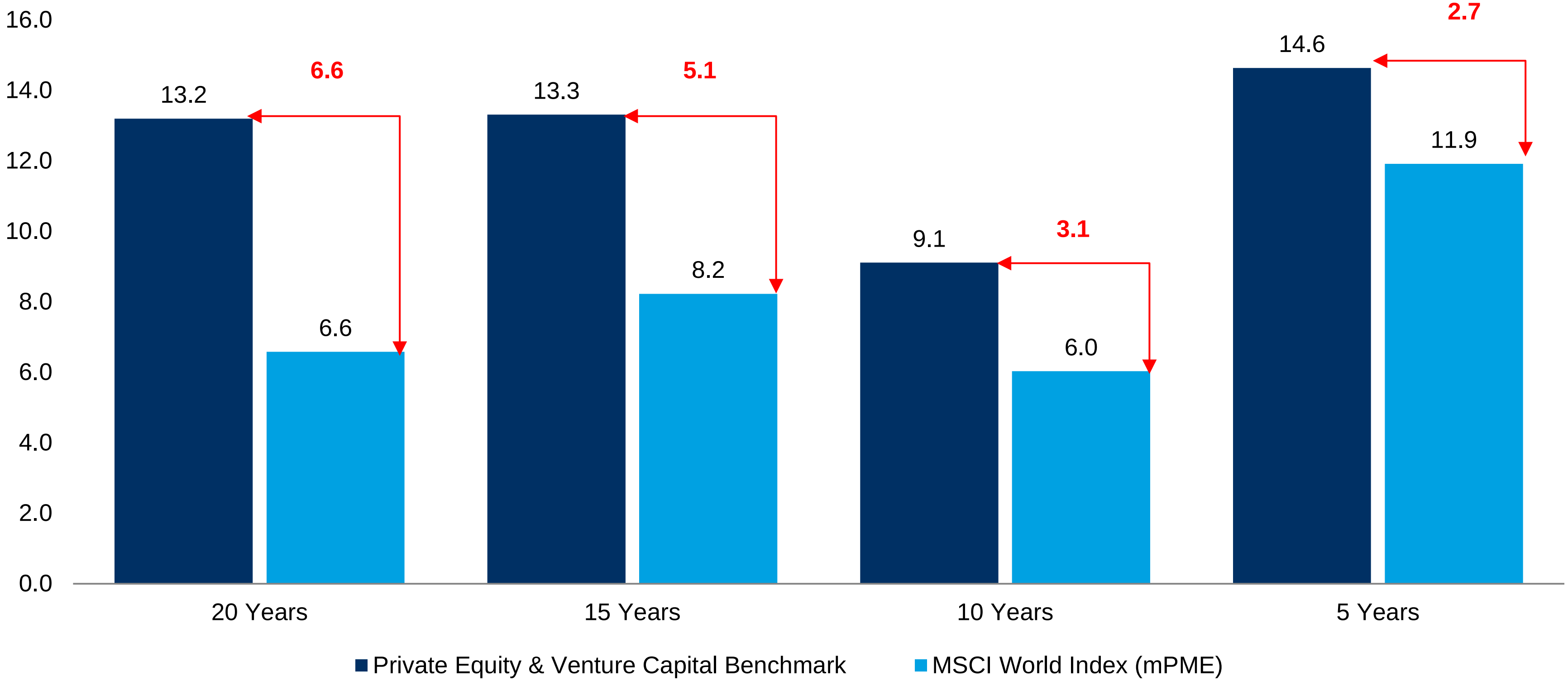
1. Source: Preqin Private Equity Performance Monitor 2018.
2. Preqin Fundraising data as of April, 2018. Based on funds raised by vintage year and assumes that funds stay active for 10 years before they are liquidated.

Past performance is not indicative of future results. For illustrative purposes only.

We Believe Industry Returns Continue To Be Attractive

Cambridge Associates Private Equity and Venture Capital Benchmark: Horizon Pooled Return (1)

% net IRR. As of December 31, 2017



1. Source: Cambridge Associates, as of December 31, 2017. Pooled horizon returns. Data includes all Buyouts, Growth and Venture Capital funds. Cambridge Associates Modified Public Market Equivalent (mPME): The mPME calculation is a private-to-public comparison that seeks to replicate private investment performance under public market conditions. The MSCI World Index is a broad global equity index that represents large and mid-cap equity performance across 23 developed markets countries.

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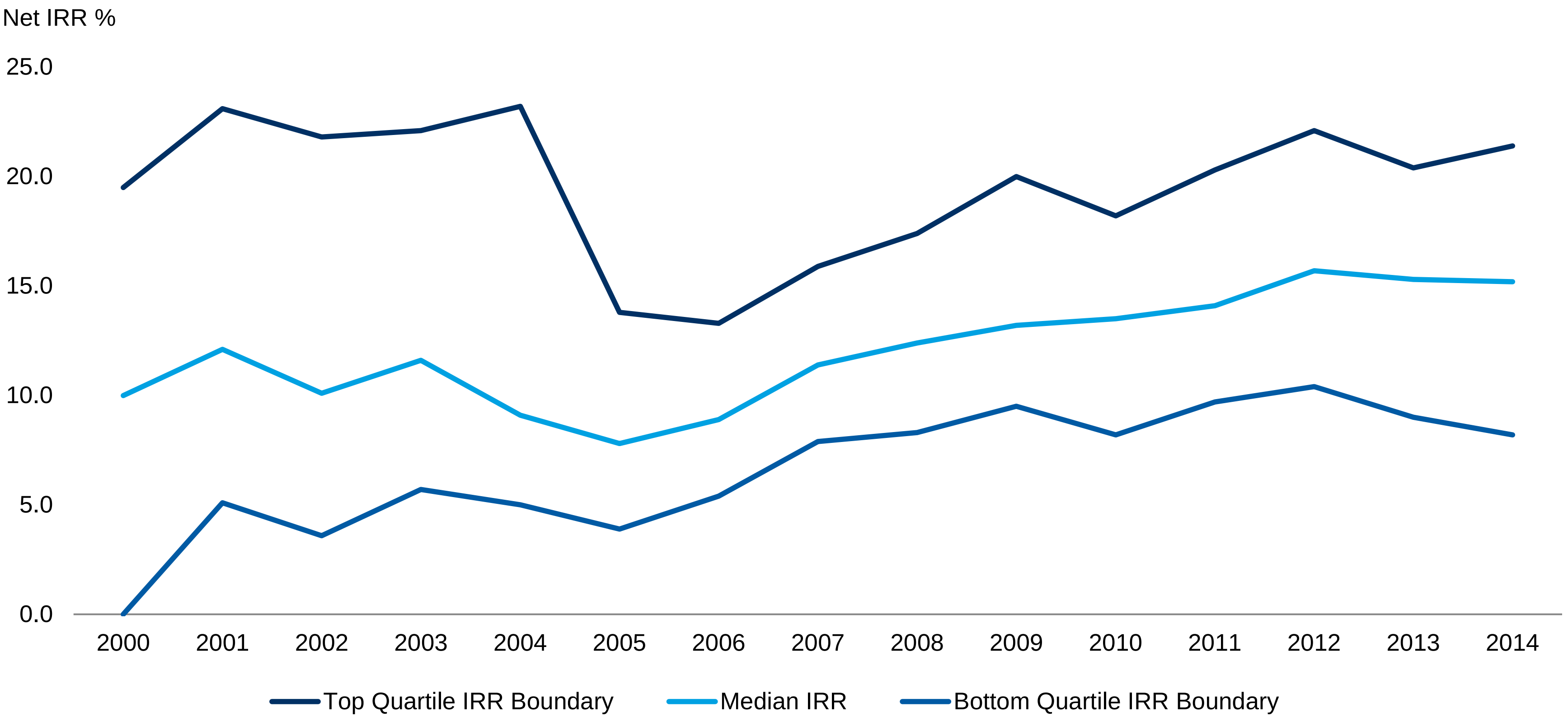
However, Wide Dispersion Of Returns Persists, Hence Careful Selection Is Critical

Private Equity Median Net IRRs and Quartile Boundaries by Vintage Year

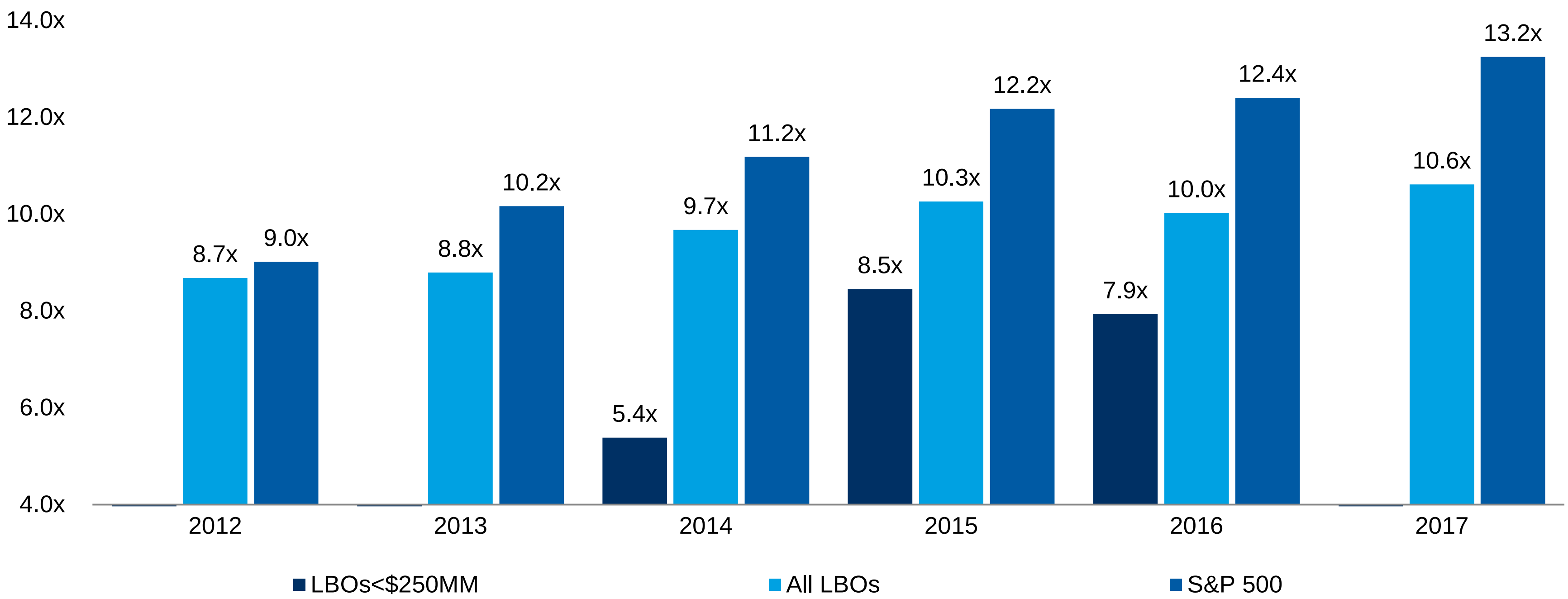


Source: Preqin. Data as of December 31, 2017. Returns are net of fees, expenses and carried interest.
Past performance is not indicative of future results. The above charts are for illustrative purposes only and do not represent the performance of any specific investment. This information reflects the views of the portfolio manager as of the date hereof and not of any future date and are subject to change without notice in response to changing circumstances and market conditions. This information should not be construed as investment advice and should not be deemed a recommendation to buy or sell any strategy.

Private Equity Has Shown A Consistent Ability To Acquire Assets At Reasonable Value To Publics…

U.S. Buyouts Valuation Levels vs. Public Markets Valuation Levels

EV / LTM EBITDA Multiple



Source: S&P LCD Comps LBO Review 2Q18, Bloomberg. The S&P 500 is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ.
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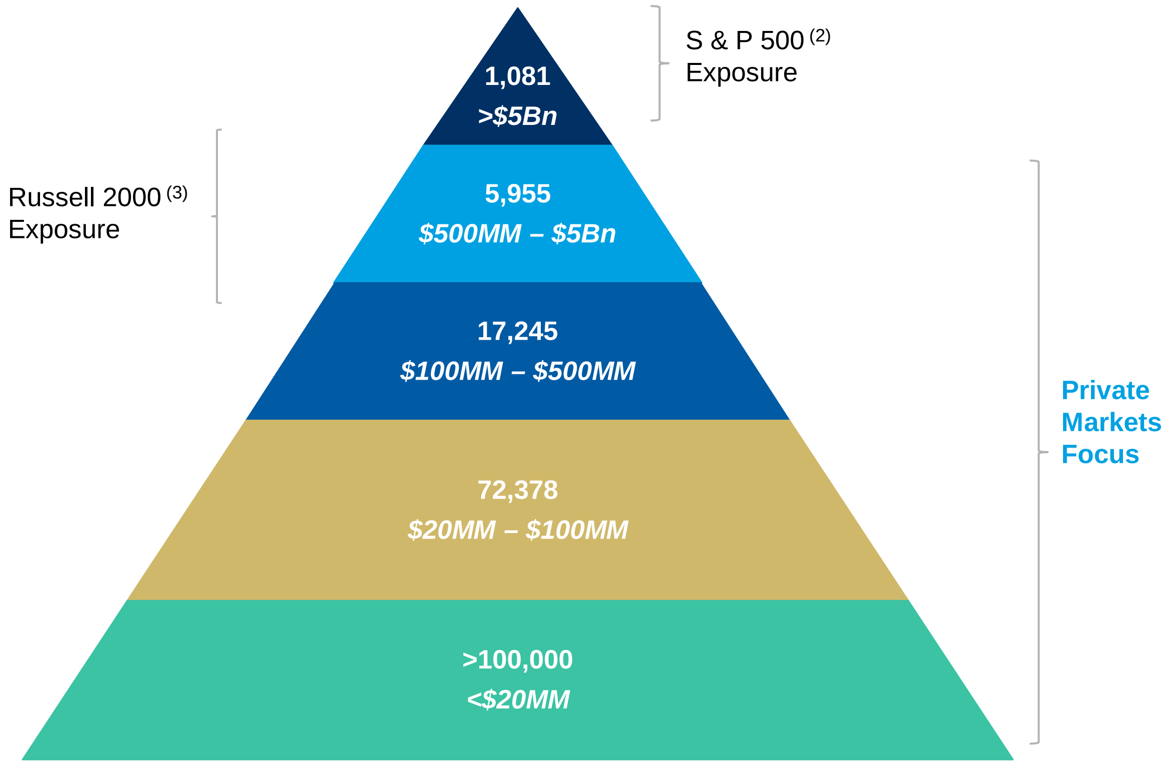
…While Also Benefitting From A Wider Opportunity Set Than Public Markets

Number of U.S. Companies by Revenue (1)

As of July 2018



1. Source: CapitalIQ, as reported on July 31, 2018.
2. The Standard & Poor's 500 (S&P 500) is a stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ.
3. The Russell 2000 Index is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index.

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Selective Opportunities, But Many Segments Where Caution Is Warranted

1. Buyouts: “Late cycle”; Small-cap growth investors and specialist managers selectively attractive; cautious on generalists and levered “business as usual” theses; Focus on sectoral and business level robustness in downturns
2. Secondaries: Market continues to expand and segment, and has matured significantly; bifurcation in pricing as larger deals highly competitive and highly levered relative to smaller and restructuring transactions
3. Emerging Markets: Target managers with experience across cycles, entry / exit discipline and unique skills and connections; Potentially more attractive current valuation environment although macro, FX, and geopolitical risks are in some cases heightened
4. Private Credit, Special Situations, and Real Assets: Seeking undercapitalised segments of niche markets where PE capital can exploit opportunities and achieve illiquidity premia
5. Distressed: Accommodative credit markets, cautious posture, continued focus on periphery; Monitor for potential upcoming pockets of dislocation
6. Venture Capital: Venture market overall has become “frothy”; Early stage still selectively attractive; Considerable ongoing innovation, increasingly globally

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SECTION 3

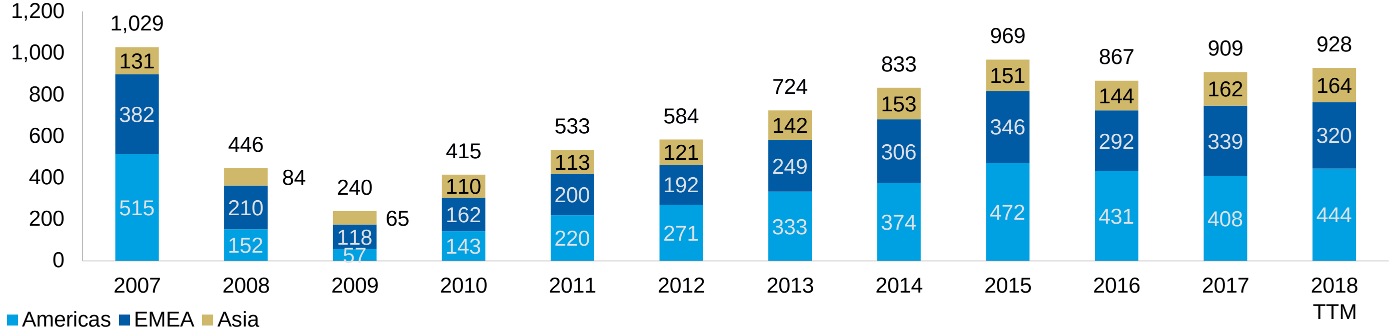
Overview of the Current Real Estate Markets Landscape

Global Real Estate Investment Markets Remain Strong

Robust Global Liquidity

Annual Transaction Volume, Excluding Land

Volume, USD Bn

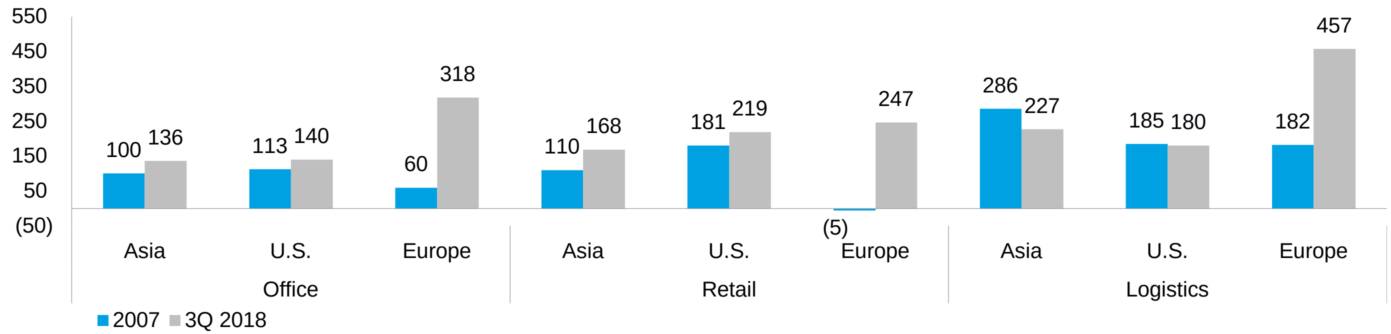


Source Real Capital Analytics, Preqin, MSREI Strategy, data as of November 2018

Cap Rate Spreads

Over 10-year Government Bond

Bps



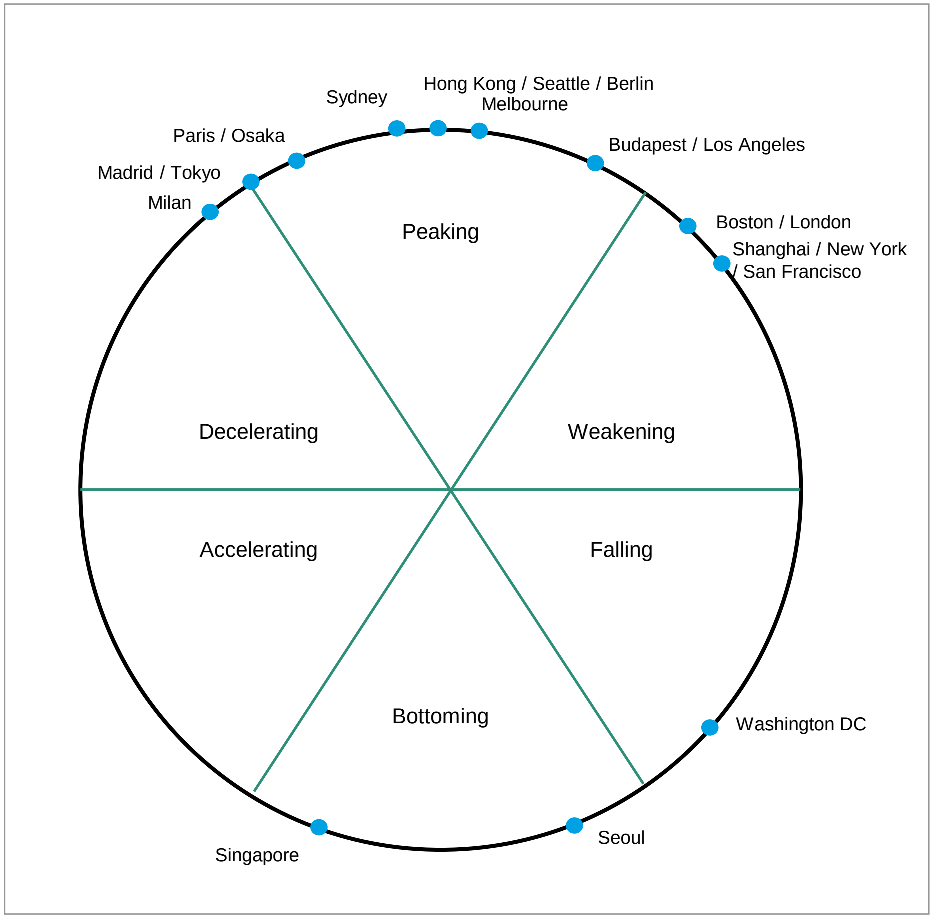
Source Bloomberg, PMA, NCREIF, MSREI Strategy, data as of November 2018

For illustrative purposes only. The opinions expressed herein are those of the MSREI team as of the date of the presentation and are subject to change at any time due to changes in market or economic conditions Readers should be aware that forward-looking statements, and statements regarding MSREI's assessment of the market are by their nature inherently uncertain insofar as actual realized returns or other projected results can change quickly based on, among other things, unexpected market movements, changes in interest rates, legislative or regulatory developments, acts of God, and other developments. All forecasts are subject to change at any time and may not come to pass due to changes in market or economic conditions.

Real Estate Market Cycle Normalizing

Market Cycle [1]

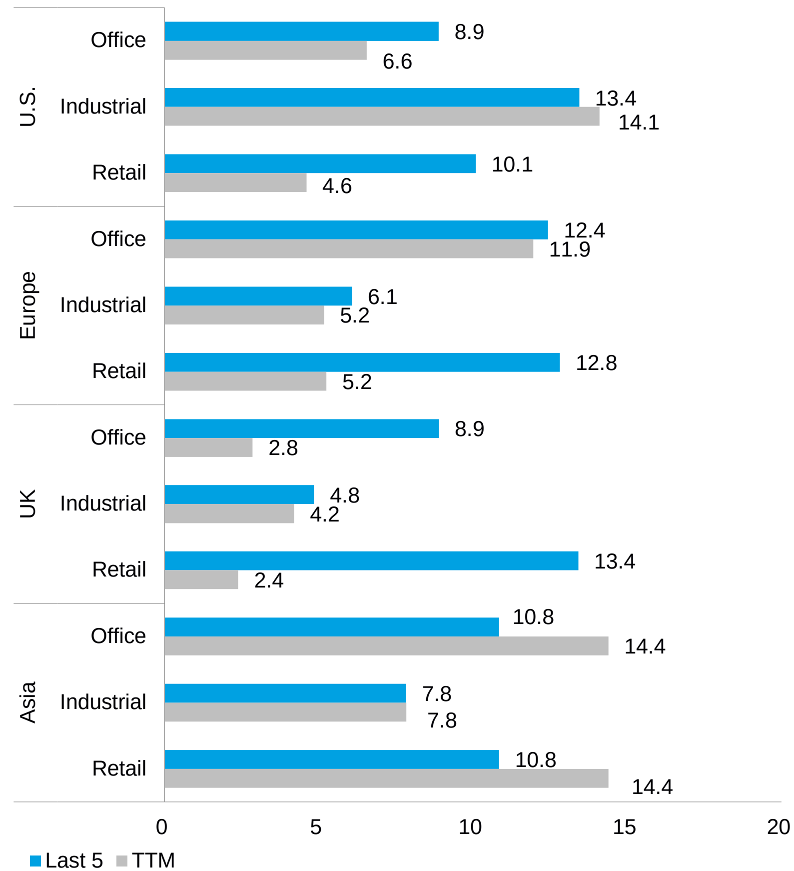
2Q 2018



Property Returns

Annualized, through 2Q 2018

%



Source PMA, NCREIF, MSREI Strategy, data as of November 2018

1. The market cycle positioning framework is the outcome of the use of an internal tool being developed by MSREI based on a consistent set of real estate metrics available on a country-by country basis. It is aimed to help identify drivers of market performance, market positioning relative to prior cyclical peaks and troughs, turning points and implications for investing strategies. It is updated on a quarterly basis in line with the release of macroeconomic and commercial real estate data. The tool uses a mix of real estate fundamentals and capital markets metrics that are generally available in applicable countries (including rent, occupancy, cap rates and spreads and liquidity and values metrics). The majority of the metrics are based on "actuals", versus relying on forecast data. Note that other outcomes could result if different inputs or assumptions are made. The market cycle positioning constitutes a "forward looking statement." Due to various risks and uncertainties, actual events or results may differ materially from those reflected or contemplated in such forward-looking statement.

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Global Real Estate Environment

Regional Market Themes

- U.S.
  - Accelerating economic growth in 2018, likely correction over the next 2-3 years
  - Higher inflation and interest rates
  - Liquidity remains robust, supported by rising equity markets, but returns decelerating as cap rates stabilize
  - Fundamentals solid, led by the industrial sector; greatest uncertainty in retail
- Europe
  - GDP growth above trend in Continental Europe and slowing in the U.K.
  - Interest rates likely to remain low through mid-2019
  - Fundamentals remain relatively steady helped by low levels of new supply
- Asia
  - Japan: Moderate growth supported by fiscal policy; rent recovery to continue; strong financing market
  - Australia: GDP growth steady, property fundamentals remain robust in Sydney / Melbourne and improving in Brisbane
  - China: Economy continues to moderate. Debt levels remain a concern

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APPENDIX

Additional Market Information

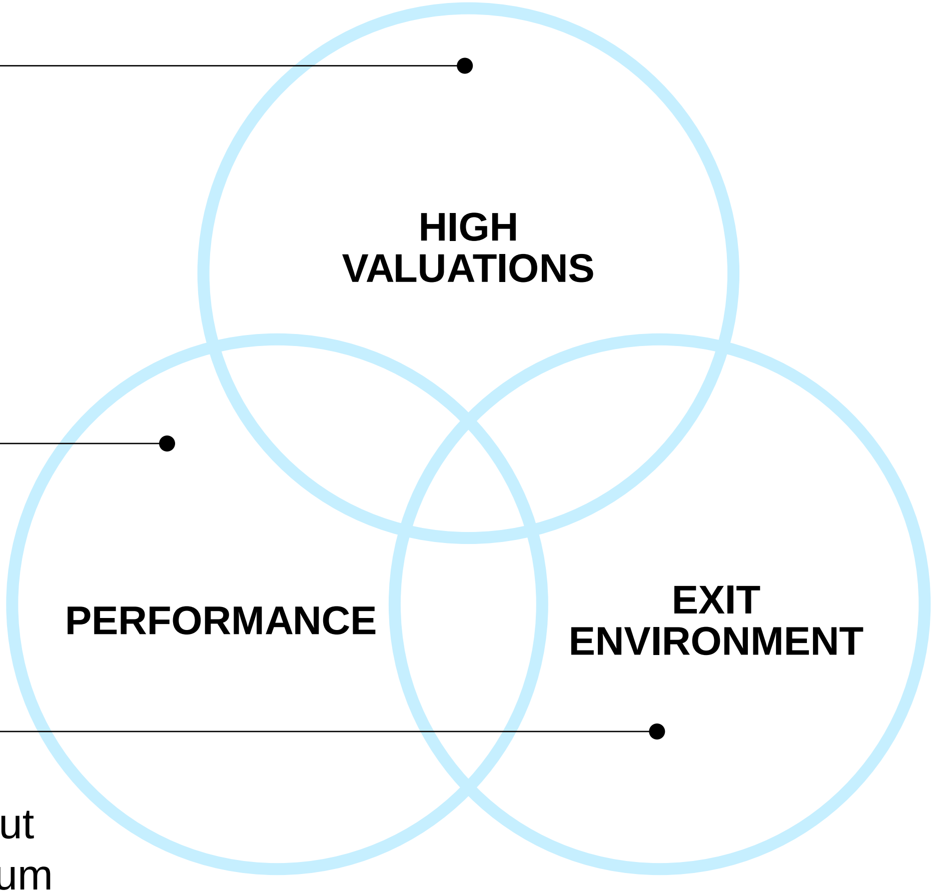
2018 Private Markets Challenges

Competition for Deals and Market Outlook Testing Investors

$3 trillion has been raised over past five years, and dry powder is at record high of $1.7 trillion [1], increasing competition for deals and contributing to high valuations

Strong historic performance relative to public markets has created investor demand but increased competition is putting pressure on performance

Challenging geopolitical and uncertain macroeconomic rends raise concerns about exit opportunities and valuation over medium term



1. Source: 2018 Preqin Global Private Equity & Venture Capital Report

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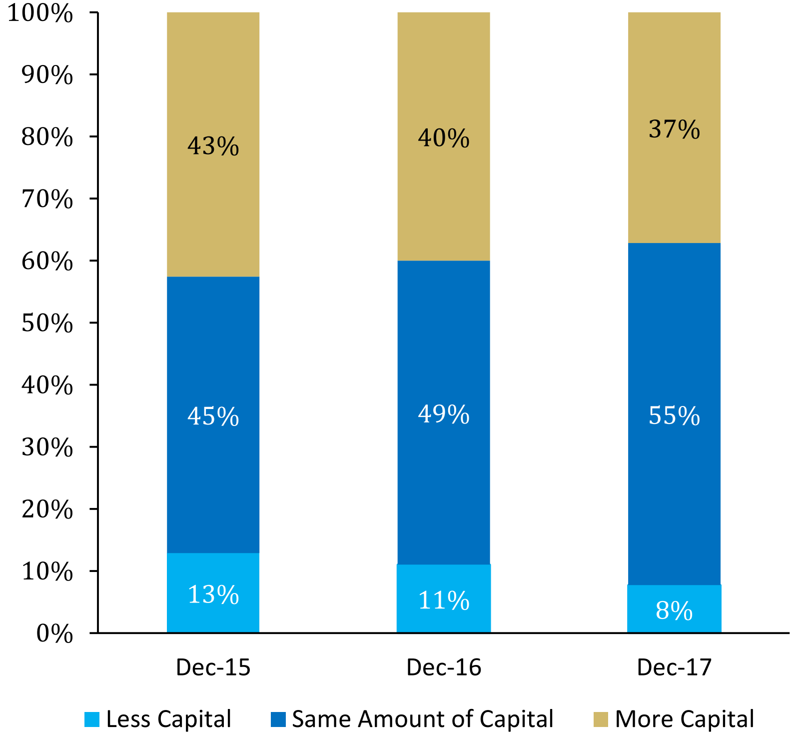
Investors Remain Interested In Private Equity

Over 90% Expect To Maintain Or Increase Their Allocation To Private Equity

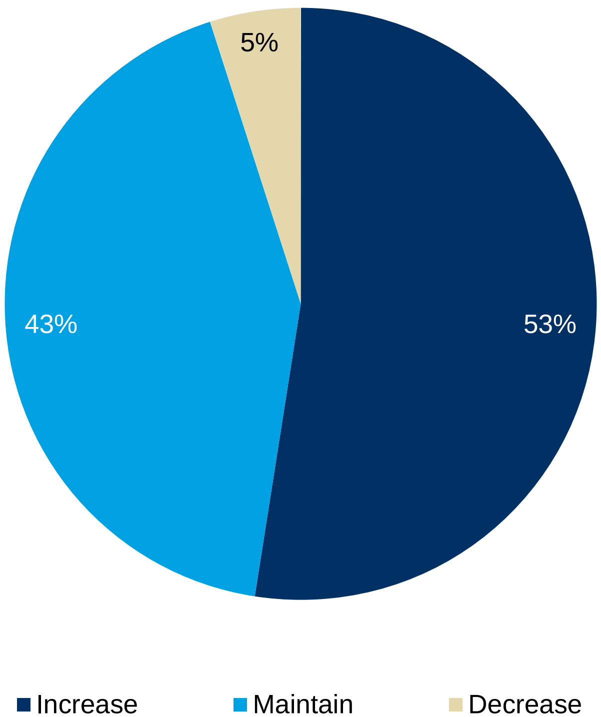
Investors' Expected Capital Commitment In Next 12 Months, Compared With Past 12 Months (1)

% of LPs Surveyed



Investors' Intentions For Long-Term PE Allocations (1)

% of LPs Surveyed



Past performance is not indicative of future results. For illustrative purposes only. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any trading strategy.

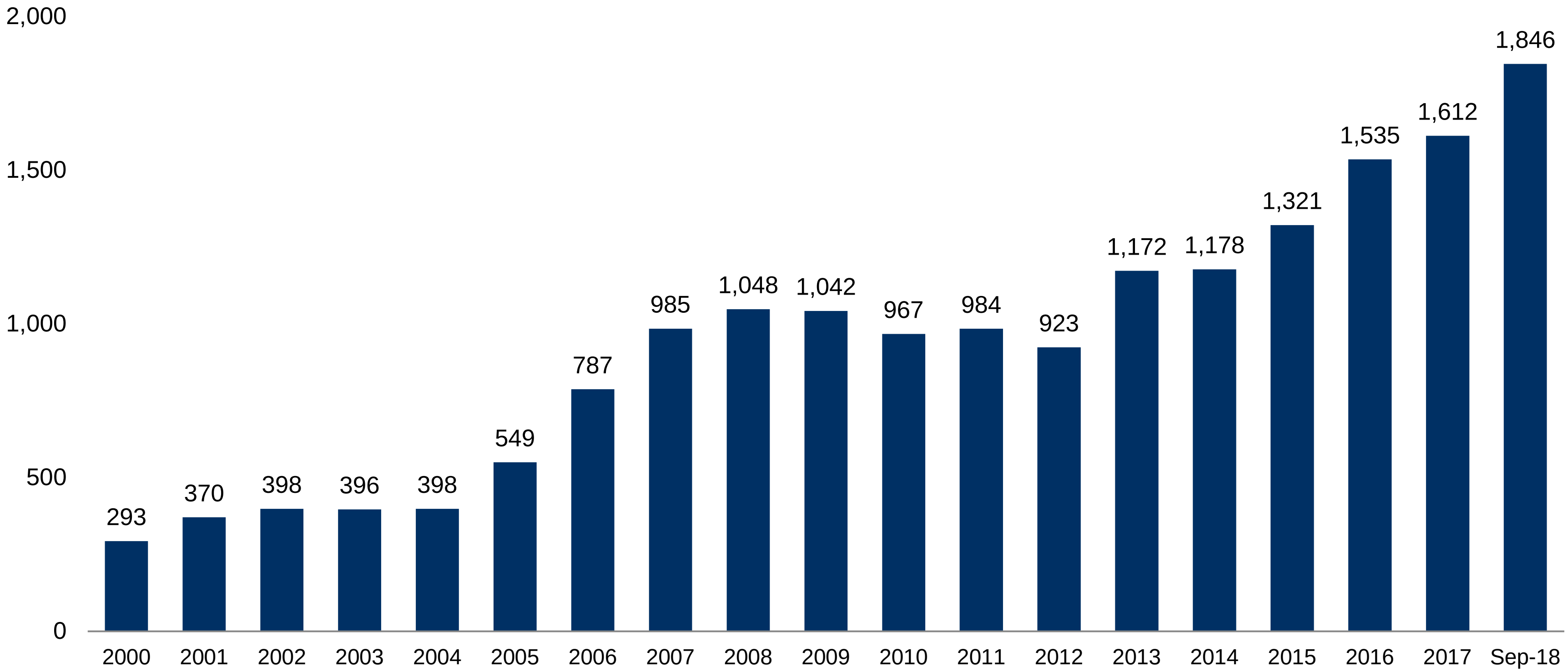
1. Source: Preqin Investor Outlook: Alternative Assets, H1 2018

Dry Powder Remains at Record High

New Capital Flows Coupled with High Level of Unrealized Value

Global Private Equity Dry Powder

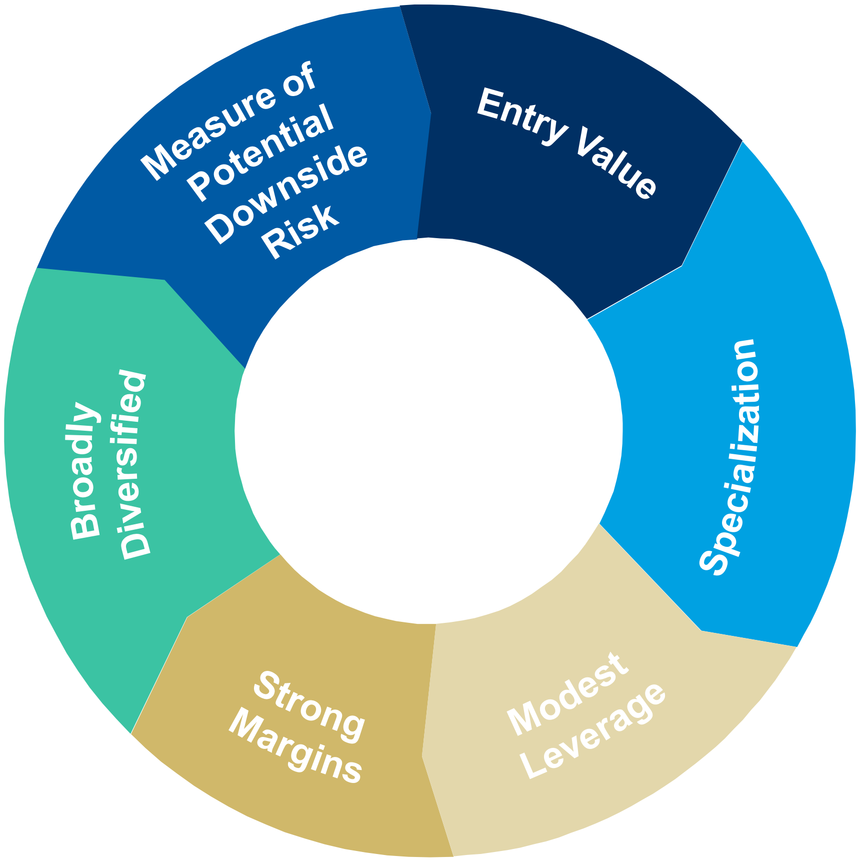
2000 – July 2018



Source: Preqin. Dry Powder – All Private Equity Funds by Type. Data downloaded September 2018. Includes buyout, distressed, growth, mezzanine, real estate and venture capital and other. For illustrative purposes only. **Past performance is not indicative of future results.**

Building Resilient Portfolios in Today's Market

Finding Value, Maintaining Discipline and Generating Growth in a Frothy Environment



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Summary of Risk Factors

This is qualified in its entirety by reference to the AIP Portfolios' Confidential Private Placement Memoranda, Partnership Agreements and Subscription Agreements.

This is a summary of various risks associated with investing in applicable AIP Portfolios. This summary is not, and is not intended to be, a complete enumeration or explanation of the risks involved.The recipient should consult with its own advisors before deciding whether to invest in a Fund. In addition, to the extent that the investment program of the AIP Portfolios changes and develops over time, additional risk factors not described here may apply.Only a recipient who understands the nature of the investment, does not require liquidity in the investment for the whole of the investment's extended term, and has sufficient resources to sustain the loss of its entire investment should consider making the kinds of investments described in this Presentation.

By investing in a fund of private equity funds, an investor gains exposure to the portfolio of the fund of private equity funds and is subject to the risks attendant to such investment portfolio.

The following are among the risks applicable to an investment in an AIP Portfolio:

Developments in Financial Services Industry and Impact on Morgan Stanley. Since 2007, U.S. and global financial markets have illustrated extraordinary and unprecedented uncertainty, resulting in instability for financial services companies. A number of very high profile and significant transactions and events have occurred with respect to participants in the financial services industry, including the failure or forced sale of certain banks and other financial services businesses and broad scale market intervention by governments in the U.S. and abroad. Moreover, the global credit markets continue to experience substantial disruption and liquidity shortages and financial instability continues to exist both within and outside the U.S.

In light of such market turmoil and the overall weakening of the financial services industry, Morgan Stanley's financial condition may be adversely affected and it may be subject to legal, regulatory, reputational and other unforeseen risks that could have an adverse affect on Morgan Stanley's business and operations. To the extent that any such events occur, Morgan Stanley, its affiliates and employees may be unable to fulfill their funding obligations to the AIP Portfolio, one or more of the Fund's key investment professionals may cease to be associated with the Fund and the Fund may suffer other adverse consequences, each of which could adversely affect the business of the Fund, restrict the Fund's investment activities and impede the Fund's ability to effectively achieve its investment objectives. In addition, the cost and availability of funding available to the Fund may be adversely affected by illiquidity and wide credit spreads in the credit markets. Continued turbulence in the U.S. and international markets and economy may adversely affect the Fund.

Illiquidity of Interests; Limitations on Transfer; No Market for Limited Partner Interests. A limited partner will not be permitted to transfer its interest without the consent of the general partner of the AIP Portfolio. Furthermore, the transferability of an interest will be subject to certain restrictions contained in the agreement of limited partnership of the AIP Portfolio, and will be affected by restrictions imposed under applicable securities laws. The General Partner will not consent to any transfer or other disposition that could cause the Fund to be treated as a "publicly traded partnership" under the Internal Revenue Code. There is currently no market for the interests, and it is not contemplated that one will develop. The interests should only be acquired by investors able to commit their funds for an indefinite period of time, as the term of AIP Portfolio could continue for up to 15 years. In addition, there are very few situations in which a limited partner may withdraw from AIP Portfolios.

Availability of Investment Opportunities. The business of identifying and structuring investments of the types contemplated by the AIP Portfolio is competitive and involves a high degree of uncertainty. Furthermore, the availability of investment opportunities generally is subject to market conditions and competition from other investors as well as the prevailing regulatory or political climate. Accordingly, there can be no assurance that the AIP Portfolios and their underlying funds will be able to identify and complete attractive investments in the future or that they will be able to invest fully their subscriptions or commitments, as the case may be. Because the underlying funds may only make a limited number of investments, and because the underlying funds' investments generally will involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to the AIP Portfolios invested in such underlying funds. Moreover, identification of attractive investment opportunities by the underlying funds in which the AIP Portfolio will be invested is difficult and involves a high degree of uncertainty. Finally, there are other funds sponsored, managed or advised by Morgan Stanley and its affiliates that are or may be seeking investment opportunities similar to those AIP Portfolios or an underlying fund is or may be seeking, and Morgan Stanley and such other funds have no obligation to offer any opportunities it or they may identify to the AIP Portfolio or such underlying fund.

Reliance on the General Partner and Investment Manager. The success of the AIP Portfolios will be highly dependent on the financial and managerial expertise of the general partner of AIP Portfolio and Morgan Stanley AIP GP LP (the "Investment Manager") and their expertise in the relevant markets and the quality of their personnel. While the General Partner believes that the present personnel of the Investment Manager, the Team and the Investment Committee are outstanding, there are risks that death, illness, disability, change in career or new employment of such personnel could adversely affect results of the AIP Portfolio. The Limited Partners will not make decisions with respect to the acquisition, management, disposition or other realization of any investment, or other decisions regarding the AIP Portfolio's businesses and portfolios. **During any period in which assets of the AIP Portfolios are subject to the fiduciary provisions of ERISA, the General Partner may be required to take certain actions that are not in the interest of non-ERISA investors or to refrain from actions that are in the interest of non-ERISA investors**.

Summary of Risk Factors (con't)

Valuations. Because there is no public market for private equity investments, they are difficult to value. Recent disruption and volatility in U.S. and global markets have created additional challenges in accurately valuing such investments. In addition, recent regulatory pronouncements have changed the way that valuations must be made. As a portfolio of interests in private equity funds, the AIP Portfolio relies on the valuations made by managers of the underlying funds. Changes in an underlying fund manager's valuation methodology in response to new regulations may make it difficult for AIP Portfolios to analyze such manager's performance over time. In addition, because the regulatory pronouncements are recent, there may be inconsistency across managers in the way such regulations are implemented. Apart from such market and regulatory events, the valuation process inherently involves a degree of subjectivity, particularly in illiquid markets, where the exercise of judgment is critical to determining fair value. For these and other reasons, AIP Portfolios may make investment decisions based on imprecise, incomplete or inaccurate valuation information, which may adversely affect the AIP Portfolio and its investors. In addition, AIP may perform valuations for the Portfolios in the course of identifying potential portfolio investments. Investors should be aware that there may exist a conflict of interest to the extent that a Morgan Stanley entity is performing such valuations for the AIP Portfolio.

Absence of Regulatory Oversight. While AIP Portfolios may be considered similar in some ways to an investment company, it is not required nor does it intend to register as such under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act") and, accordingly, limited partners of AIP Portfolios will not be accorded the protections of the Investment Company Act.

Adverse Consequences of Default. A limited partner of an AIP Portfolio in default with respect to its obligation to fund required capital contributions to AIP Portfolios may expect to experience material adverse effects on its investment. As more fully described in the Fund's partnership agreement, when a limited partner defaults, the General Partner, in its sole discretion, may cause the defaulting limited partner to forfeit its entire interest in the AIP Portfolio, including distributions to which the defaulting limited partner may otherwise have been entitled and/or forfeit some or all of its interest. A defaulting limited partner may also lose any rights to participate in future investments of the AIP Portfolio made or committed to be made after the event of default or be forced to sell its interest.

Investment-Related Risks. The success of the underlying funds' 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 portfolio investments. Unexpected volatility or liquidity could impair the AIP Portfolio's profitability or result in losses.

Potential Significant Impact of the Performance of a Limited Number of Investments. The AIP Portfolios expect to participate in multiple portfolio investments. However, it is possible that the AIP Portfolios will make investments in a limited number of underlying funds and such underlying funds will, in turn, make investments in a limited number of companies. Some funds may have strategies which may limit diversification. Furthermore, the managers of underlying funds may have similar investment objectives and such managers may compete for and make overlapping investments in, and certain of the underlying funds may participate in, the same investments, including, without limitation, through leveraged buyouts structured as "club" deals, resulting in the limited partners having increased exposure with respect to such investments. A consequence of a limited number of investments or of similar investments is that the aggregate returns realized by the limited partners may be substantially adversely affected by the unfavorable performance of a small number of these investments and a single investment could have a disproportionate effect on the performance of the Fund.

Investments in Troubled Companies. AIP Portfolios may invest directly, or indirectly through underlying funds, in securities and obligations of entities that are experiencing significant financial or business distress or entities involved in work-outs, liquidations, reorganizations, bankruptcies and similar transactions. While these investments may offer the potential for high returns, they also bring with them correspondingly greater risks and may not show any return for a considerable period of time. Securities and obligations of entities that are experiencing significant financial or business distress typically remain unpaid unless and until the entity reorganizes and/or emerges from insolvency proceedings and, as a result, such securities and obligations may have to be held for an extended period of time, during which the issuer might not make any interest or other payments. Defaulted obligations might not be repaid at all. The level of analytical sophistication, both financial and legal, necessary for successful investment in entities experiencing significant business and financial distress is very high. There is no assurance that the general partner, the Team, the AIP Portfolio or the underlying funds will correctly evaluate the nature and magnitude of the various factors that could affect the prospect for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to an entity in which an underlying fund invests, such underlying fund may lose its entire investment or may be required to accept cash or securities and obligations with a value less than such underlying fund's original investment.

Risks Associated with Non-U.S. Investments. Certain non-U.S. investments involve risks and special considerations not typically associated with U.S. investments. Such risks may include but are not limited to (i) changing political environments, regulatory restrictions and changes in government institutions and policies; (ii) changes in policy with regard to taxation, fiscal and monetary policies, repatriation of profits and other economic regulations; (iii) changes in laws and regulations; (iv) currency exchange rate fluctuation; (v) differences in auditing and financial reporting standards; (vi) differences in tax regimes and changes in tax treaties; (vii) local intermediary risks and (viii) risks relating to exit strategies and investments in emerging markets.

Summary of Risk Factors (con't)

Multiple Levels of Expense. Each of the AIP Portfolios and the underlying funds incur their own management and/or administrative costs and expenses, as well as carried interest payments on realized and, in the case of underlying funds, possibly unrealized appreciation and other income. These expenses will result in greater expense to the limited partners than if the limited partners were able to invest directly in the underlying funds.

Tax Risks. Limited partners may recognize a significant amount of ordinary income as a consequence of an investment in the Fund. In addition, limited partners may recognize a significant amount of taxable income in connection with an investment in the Fund prior to the receipt of any corresponding distribution. The Fund and the limited partners could become subject to additional or unforeseen taxation, as well as filing requirements, in U.S. states or non-U.S. jurisdictions in which the AIP Portfolio or underlying funds operate and invest. Changes to U.S. federal, state and local tax laws, changes to non-U.S. tax laws and changes to taxation treaties between the United States and the countries in which the Fund invests (or changes in the interpretation of any such laws or treaties) may adversely affect its ability to efficiently realize income or capital gains.

U.S. Mandatory Basis Adjustments May Make it More Difficult and Expensive for the Fund to Acquire Secondary Investments. Mandatory basis adjustment rules in the United States could require in some cases that a partnership's tax basis in its assets be adjusted with respect to a new partner who acquires an interest in such partnership. Certain partnerships may be entitled to make an election to be an "electing investment partnership," which would, in some cases, disallow certain losses allocated to the new partner, but some partnerships may not qualify for, or choose to make, this election. The mandatory basis adjustment, if required, could substantially increase the cost of, and the complexity of accounting for, transfers of interests in partnerships. Accordingly, it may be significantly more costly for the Fund to make Portfolio Investments in which mandatory basis adjustments are required. In addition, in order to avoid this cost and complexity, portfolio managers may restrict or prohibit transfers of interests in their funds, which may result in materially fewer investment opportunities to make Portfolio Investments.

Regulation as a Bank Holding Company. On September 21, 2008, Morgan Stanley obtained approval to become a bank holding company (a "**BHC**") under the U.S. Bank Holding Company Act of 1956, as amended (the "**BHCA**") upon the conversion of its wholly-owned indirect subsidiary, Morgan Stanley Bank, from a Utah industrial bank to a national bank. Concurrent with this conversion, Morgan Stanley became a "financial holding company" (a "**FHC**") under the BHCA, which is a status available to BHCs that meet certain criteria. FHCs may engage in a broader range of activities than BHCs that are not FHCs. However, the activities of FHCs and their affiliates remain subject to certain restrictions imposed by the BHCA and related regulations. Because Morgan Stanley is deemed to "control" the Fund within the meaning of the BHCA, these restrictions are expected to apply to the Fund as well. Accordingly, the BHCA and other applicable banking laws, rules, regulations and guidelines, and their interpretation and administration by the appropriate regulatory agencies, may restrict the transactions and relationships between the Investment Manager, the General Partner, Morgan Stanley and their affiliates, on the one hand, and the Fund, on the other hand, and may restrict the investments and transactions by, and the operations of, the Fund. For example, the BHCA regulations applicable to Morgan Stanley and the Fund may, among other things, restrict the Fund's ability to make certain investments, impose a maximum holding period on some or all of the Fund's investments, restrict the Investment Manager's ability to participate in the management and operations of the companies in which the Fund invests, and restrict the ability of Morgan Stanley to invest in the Fund. In addition, certain BHCA regulations may require aggregation of the positions owned, held or controlled by related entities. Thus, in certain circumstances positions held by Morgan Stanley and its affiliates (including the Investment Manager) for client and proprietary accounts may need to be aggregated with positions held by the Fund. In this case, where BHCA regulations impose a cap on the amount of a position that may be held, Morgan Stanley may utilize available capacity to make investments for its proprietary accounts or for the accounts of other clients, which may require the Fund to limit and/or liquidate certain investments.

These restrictions may materially adversely affect the Fund by, among other things, affecting the Investment Manager's ability to pursue certain strategies within the Fund's investment program or trade in certain securities. Moreover, Morgan Stanley may cease in the future to qualify as an FHC, which may subject the Fund to additional restrictions or may cause the General Partner to dissolve the Fund. Moreover, there can be no assurance that the bank regulatory requirements applicable to Morgan Stanley and the Fund will not change, or that any such change will not have a material adverse effect on the Fund.

At any time (including prior to the initial closing, Morgan Stanley may, in its sole discretion, restructure the Fund, the General Partner or the Investment Manager in order to reduce or eliminate the impact or applicability of these bank regulatory restrictions on the Fund or other funds and accounts managed by the Investment Manager and its affiliates. Morgan Stanley may seek to accomplish this result by causing another entity to replace AIP as the Fund's General Partner, transferring ownership of the General Partner or Investment Manager, reducing the amount of Morgan Stanley's investment in the Fund (if any), or any combination of the foregoing, or by such other means as it determines in its sole discretion. Any such transferee may be unaffiliated with Morgan Stanley. In connection with any such change, the General Partner may in its sole discretion assign its right to receive carried interest or cause another entity to be admitted to the Fund for the purpose of receiving carried interest.

Summary of Risk Factors (con't)

Conflicts of Interest. As a diversified global financial services firm, Morgan Stanley engages in a broad spectrum of activities including financial advisory services, asset management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and other activities. In the ordinary course of business, Morgan Stanley engages in activities in which Morgan Stanley's interests or the interests of its clients may conflict with the interests AIP Portfolios or the limited partners. The potential for Morgan Stanley, as placement agent, to receive compensation in connection with a limited partner's investment in AIP Portfolios presents such placement agent with a potential conflict of interest in recommending that such limited partner purchase interests in AIP Portfolios. Such placement agent may in its sole discretion waive the placement fees payable by a limited partner. Prospective investors should take such payment arrangements into account where evaluating any recommendations relating to Interests.

The Volcker Rule. On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act, including Section 619 (the "Volcker Rule") which took effect on July 21, 2012. The Dodd-Frank Act mandated that five regulatory agencies of the U.S. Government jointly adopt regulations implementing the Volcker Rule, and, in December 2013, these agencies issued final implementing regulations. Among other things, the Volcker Rule severely limits the extent to which a "banking entity," such as Morgan Stanley and its affiliates, may sponsor or invest in a hedge fund or private equity fund. The Volcker Rule also limits the aggregate equity interests, partnership interests and other ownership interests of Morgan Stanley in hedge funds and private equity funds to a maximum of 3% of Morgan Stanley's Tier 1 capital. In addition, Morgan Stanley will be able to own no more than 3% of the total ownership interests of any private equity fund or hedge fund that Morgan Stanley organizes and offers. Due to additional action by the Board of Governors of the Federal Reserve System (the "Federal Reserve"), the Volcker Rule also requires that covered banking entities bring themselves into compliance by July 21, 2015 (subject to up to two one-year extensions if the Federal Reserve determines any such extension to be both consistent with the purposes of the Volcker Rule and not detrimental to the public interest).

Banking entities such as Morgan Stanley also will not be permitted, directly or indirectly, to guarantee, assume or otherwise insure the obligations or performance of such funds, or any funds in which such funds invest. The Volcker Rule will also prohibit Morgan Stanley from engaging in certain "covered transactions" with the Portfolio, such as extensions of credit. The Volcker Rule may also require Morgan Stanley and its affiliates (including the Manager) to restructure or terminate their affiliations with, to sell all or a portion of their investments in, and/or to refrain from other transactions (including credit transactions) with or for the benefit of, the Portfolio, and may cause the Portfolio to reduce the capital commitments to the Portfolio or to cease making or dispose of investments earlier than it would have in the absence of such laws and regulations. During the statutory transition period for Morgan Stanley to comply with the requirements of the Volcker Rule, a Portfolio may need to change their names so as to avoid sharing a name with Morgan Stanley, as required by the Volcker Rule, and the General Partner may need to reduce its investment in the Portfolio so as to comply with the 3% limits described above, and take other actions. While the General Partner and the Manager will endeavor to minimize the impact of any such actions on the Portfolio and the assets held by the Portfolio, Morgan Stanley's interests in determining and implementing such actions may, depending on the regulations that are ultimately promulgated, conflict with the interests of the Portfolio, and the Portfolio and the Limited Partners may be adversely affected by such actions.

A complete discussion of Risk Factors and Conflicts of Interests is available in the Private Placement Memorandum of the relevant AIP Portfolio.