AIP CONVERTIBLE PRIVATE DEBT FUND

Q1 2021 Commentary

The AIP Convertible Private Debt Fund LP ("Fund") provides access to senior secured convertible loans to North American small cap companies, with a focus on generating superior risk-adjusted returns and capital protection. The Fund focuses on generating synergies and value for the borrower by assisting with growth planning, while the conversion feature allows for participation in equity appreciation.

The Fund's strategy is to capitalize on a lack of funding for publicly traded small and micro-cap companies in North America. With investors flocking to a passive investing strategy, companies that do not fit into an index tend to be overlooked and trade at a significant discount to the rest of the market.

Our experience in the space and a lack of competition allows us to negotiate favourable terms with borrowers. We typically negotiate significant equity participation, while having perfected senior security over Borrower's assets.

Performance as at March 31st, 2021 – Class A (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2021	0.52	3.05	1.03										**4.66**
2020	0.76	0.55	0.97	0.96	1.49	0.27	0.72	2.32	1.33	1.10	0.53	2.05	**13.85**
2019	1.07	0.92	1.96	1.15	3.30	0.63	0.62	1.10	0.05	1.96	1.07	2.89	**18.15**
2018	5.41	-0.46	0.52	1.49	4.28	7.19	4.57	10.70	-0.34	-2.40	1.56	-6.41	**28.07**
2017	3.26	-0.41	0.53	0.64	1.36	-0.18	-2.88	-0.09	1.99	8.53	9.36	-1.99	**21.20**
2016	31.65	-0.88	0.87	3.59	-2.28	1.52	2.51	2.35	-0.12	1.01	3.35	-1.15	**46.28**
2015	4.72	2.28	5.03	-1.52	0.77	2.30	2.52	3.61	4.19	3.59	0.84	34.09	**77.04**
2014	6.58	6.92	4.90	0.75	2.81	0.48	0.40	6.54	2.70	10.58	2.44	5.15	**62.81**

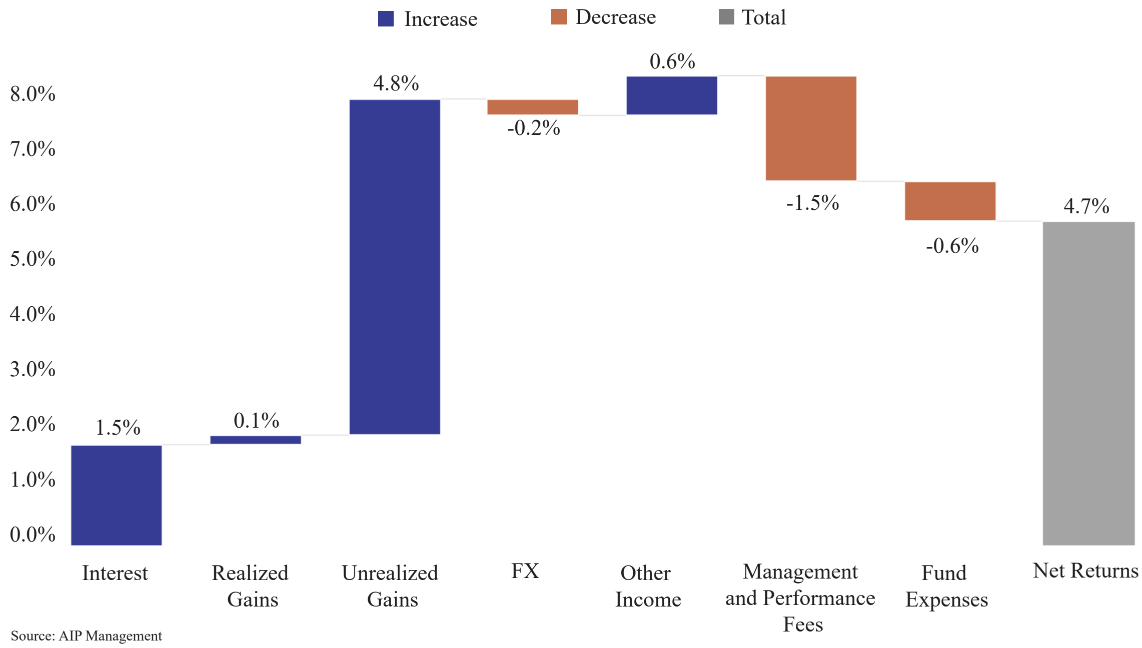
Source: AIP Management

The Fund returned +4.7% to Class A investors for the first quarter compared to +2.3% in the first quarter of 2020. The Net Asset Value of the Fund is $78.9 million as of March 31st, 2021.

Based on our internal income attribution, the majority of our return is attributable to the equity upside we were able to generate through our activist position. Interest and other income provided a stable return as we expected, and FX was nearly a non-factor due to our USD hedging program.

As seen in the graph below, a significant portion of the equity upside is in an unrealized position in the portfolio, which may contribute to future volatility. As always, we enter into any equity position (by conversion of debt or otherwise) because we believe in the underlying company's ability to generate positive returns for the business and our investors.

Q1 2021 Performance Attribution



Source: AIP Management

Given the black swan events in 1H 2020 that disrupted much of the equity market, our focus was on downside protection for much of the year. As the global economy makes strides toward recovery, we expect the portfolio to fall back in line with our previous year's return profile, i.e., equity upside generating a significant portion of our returns.

Recent Activity

Our portfolio continues to show signs of strength and additional capital needs are anticipated. Several current borrowers have indicated interest in expanding their lines with AIP, happy with the way that we have managed the transactions thus far.

Issuer 7 continues to build their pipeline of PPE orders, with an additional opportunity to take on a $144mm one-year contract to supply a US based distributor with gloves. The borrower has requested an extension on the line that was due in December, which The Fund was happy to provide. An extension to the maturity date by 90 days was granted in exchange for a 6% fee on the outstanding balance. In anticipation of the notes maturing on May 1, AIP has started discussing potential exit opportunities via rights offering or partial conversion. We continue to be ready to support the company and potentially generate additional returns if the opportunity arises.

Issuer 11 recently settled $985,750 of maturing debt by issuing The Fund shares and warrants, giving the Fund a 45% ownership stake on an undiluted basis. This position is expected to generate significant upside from future M&A activity, where AIP will continue to advise the company.

In Q1, AIP extended $3mm in two tranches to Issuer 15, a biopharmaceutical leader in cannabinoid-based drugs. This company discovers and develops clinical programs aimed at bringing novel prescription drugs and treatments to patients and their healthcare providers. The facility is being used to assist with financing the next phases of clinical trials in their drug development program, which has shown some promising early results. The 24 month, $3mm line is senior secured and includes a GSA, Corporate Guarantee, blocked accounts, and a pledge of shares.

The bulk of The Fund's $33.1mm of cash on hand is expected to be deployed in Q2. One large opportunity is with Issuer 11, wherein AIP has purchased notes for an additional $5mm, putting total fund exposure to $6.4 million plus equity and warrants. An LOI has been executed for this company to acquire a private financial services company which would increase the issuer's revenue and unlock significant upside for AIP investors. We expect that this borrower will require additional capital in the near future to fund this transaction.

With the recent increase in investor interest and investment in the Fund, we are working to transition pipeline deals into portfolio positions. We continue to see excellent opportunities in the market and will continue to raise capital to meet borrower demand.

Portfolio

As of March 31st, 2021 there are seven individual borrowers in the portfolio which is spread across financials, healthcare, consumer discretionary, and information technology sectors throughout North America. All interest from all borrowers in the portfolio have been received to date and all loans are in good standing. We continue to actively monitor our portfolios as effects of the pandemic are felt globally.

Through 2020, we were focused on mitigating downside risk for our investors. We reduced equity exposure to reduce any downside capture, and increased our portfolio monitoring to ensure our debt investments were protected. The result of these measures became clear in Q1 of 2021, where two separate borrowers presented with issues that were nearly immediately corrected.

Through our enhanced monitoring program, we detected red flags in Issuer 14's cash proceeds reconciliation. After slow replies from the CFO on initial requests, AIP opted to trigger a blocked account to mitigate any risk of non-payment and escalate discussions to the Chairman. All requests of AIP were granted, including extra security, principal paydowns, and fees. Issuer 14 has since made changes to their management team and AIP has allowed for the company to regain access to cash and grow the business.

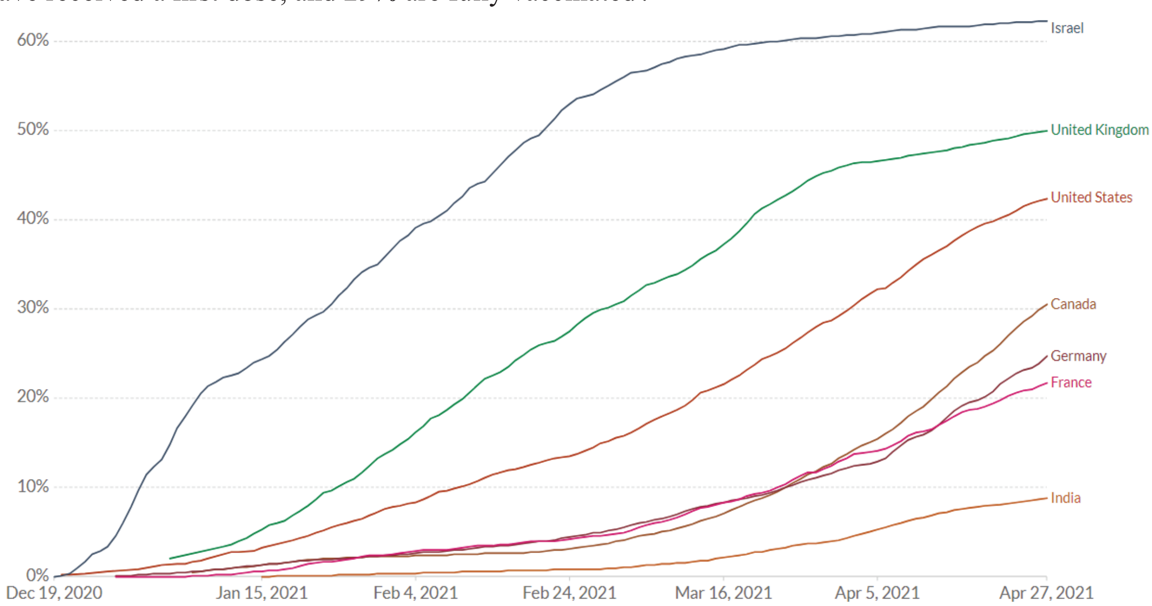
In February, Issuer 13 was in breach of a covenant on an unsecured debenture to a third-party junior lender. After discussion with the borrower, AIP agreed that the best course of action would be to pursue a recapitalization of the company. In order to cure the ensuing cross default, AIP will settle a significant portion of the loan outstanding in units, which will give AIP a 26.7% holding in the issuer on an undiluted basis. The borrower is settling with all junior lenders through a minor asset sale, after which AIP will advise on future M&A transactions.

In 2020 we reduced equity exposure from ~29% to 5% at the end of the year, this was a defensive measure taken to protect investor capital in an uncertain market environment. As seen in Q1, we intend to capture additional alpha by converting some of our in-the-money debt positions and would expect the average equity position in the portfolio to be near 15%. A part of the expected increase in equity exposure will be a conversion to a large equity position in Issuer 13.

Our credit underwriting remains disciplined as we look for companies with great economic prospects, temporarily hindered by this black swan event. We believe this strategy has a long-term focus and should be part of a long-term allocation to an investor's portfolio.

Outlook

We continue to see a frothy equity market, given the amount of liquidity being injected by Central Banks in Canada and the US. Recent developments in vaccine roll out have shown Canada to be a laggard among developed nations. As of April 27, Canada's vaccination rate of 31% with first dose and only 2.8% fully vaccinated, pales in comparision to the US where 43% of people have received a first dose, and 29% are fully vaccinated[i].



[i] Our World in Data project, Oxford University

While Canada is picking up on the vaccination efforts, shipping delays from internationally manufactured vaccines have been an issue. We expect this to slow down the reopening of the economy and create a risk disparity between Canadian and US businesses. Our underwriting process remains the same, however with these recent developments we would expect our models to show a preference for US businesses over Canadian, given similar parameters.

Pandemic aside, the markets remain bifurcated as ETFs and index funds continue to prefer large cap names over small and micro cap stocks. This gap in liquidity and capital was the thesis behind our strategy and has proven to be accurate time and time again. Through the pandemic, there was almost no change in the level of deal flow we saw, as we do not compete with the typical lenders who were hunkering down and protecting balance sheets.

Our deal pipeline is more than $200 million with over $25 million in executed term sheets for transactions in the near term. The bulk of our pipeline growth has come from the Consumer Staples, Financial Services, Cannabis and Technology sectors. Though in Q2/Q3 we expect to see more deal flow coming from the real economy as businesses can operate at increasing capacity. The Fund currently has over $33.9 million in cash ready to deploy, much of which is expected to fund deals in the coming weeks. We expect to continue to raise capital at the current pace to meet borrower demand. Given current market conditions, we have the ability to negotiate favourable terms with new borrowers and choose industries that we feel are most attractive in this environment.

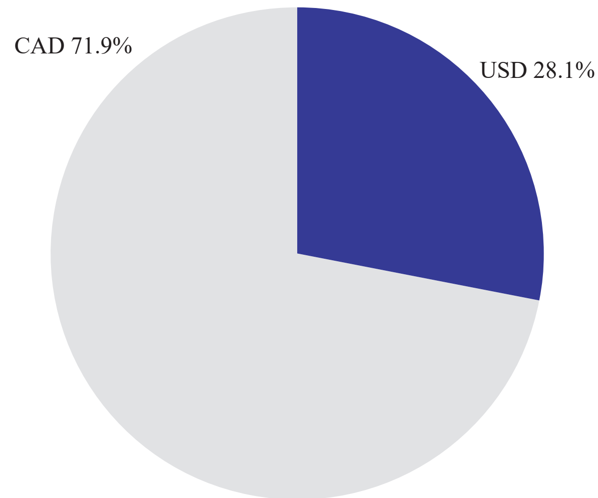
We expect equity markets to generate significant returns in 2021, giving the Fund an opportunity to allocate and convert aggressively to realize upside gains for our investors. The transactions that we invest in require extensive due diligence and underwriting, the coupon and participation in equity upside make this market an attractive point for new investment. This lack of meaningful competition and our unique small-cap skillset on the team gives us negotiating leverage that we use to generate alpha.

Overview Exhibit A – Portfolio Overview as at March 31st, 2021

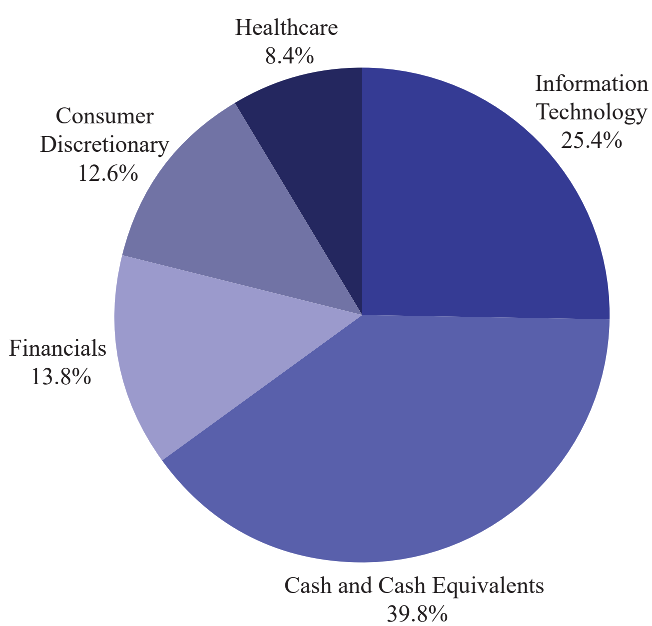
Key Statistics

Portfolio Summary	Mar-31-2021
Loan Amount Outstanding ($000)	$38,630
Cash Outstanding ($000)	$33,959
Net Working Capital ($000)	$(2,533)
Equity ($000)	$8,805
Other ($000)	$0
Portfolio Provision	$0
Weighted Average Loan Term (Months)	26.0
Weighted Average TTM (Months)	11.7
Weighted Average LTV	41.3%
Portfolio LTV	22.7%
Average Loan Outstanding ($000)	$3,219

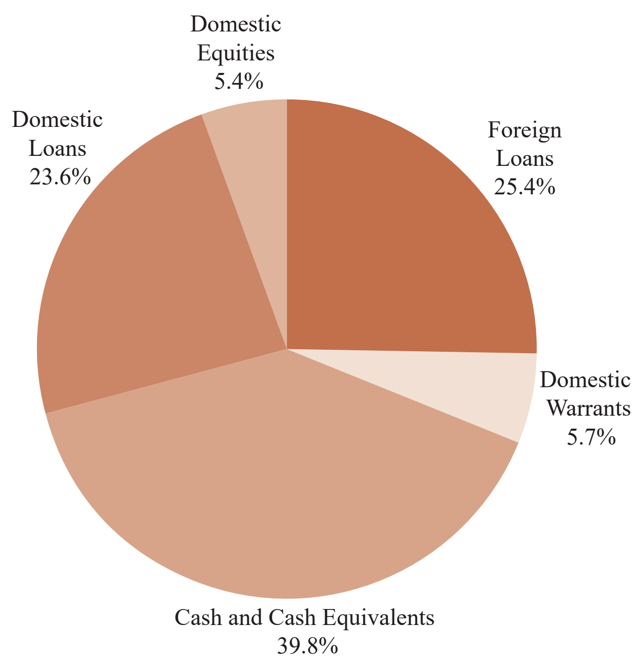
Currency Breakdown



Sector Breakdown



Asset Breakdown



Fund and AIP Developments

The Fund has converted registration to an activist Fund as approved by unitholders in Q1. This change allowed the Fund to acquire and hold a greater than 20% equity interest in portfolio companies, and to be actively involved in the management of portfolio companies. As previously mentioned, The Fund's strategy is not expected to change, the focus being on convertible private debt. Occasionally, the best course of action for the Fund to protect its investments and enhance investor return is to convert debt into an equity holding that would be greater than 20% of the portfolio company, and/or to be actively involved in the management of a portfolio company. This change will allow the Fund to do so and we believe it to be in the best interest of investors. We have published a FAQ and investor circular outlining the impact of the changes and recommend that anyone interested in investing in the Fund review these documents.

The Fund began performing a quarterly 3rd party valuation on all loans in the portfolio as of December 31st, 2020. We have recently reviewed the latest report and are pleased to announce there have been no material changes to loan valuation from our internal process. We feel this is an important step to take as the fund grows, stemming from AIP's goal of full transparency with current and future investors.

AIP recently added a new resource to the originations team as part of our push to expand the pipeline and add accretive positions to the portfolio. This dedicated originator will further enhance our network of potential borrowers and strategic partners for our current borrowers. As the Fund grows, we expect to make further additions to our origination team in the coming months.

Thank you for your investment and continued support through this difficult time, we are looking forward to continued success in the coming months. Stay safe.

Jay Bala
CEO and Senior Portfolio Manager
AIP Asset Management