

AIP

ASSET MANAGEMENT

AIP Convertible Private Debt Fund LP*

(Formerly AIP Global Macro Fund LP)

AIP CONVERTIBLE PRIVATE DEBT FUND LP

Q2 2022 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. The Fund targets generating synergies and value for the borrower by assisting with growth planning and execution, while the conversion feature allows for participation in equity appreciation.

The Fund’s strategy is to capitalize on a gap in funding primarily for publicly traded small- and micro-cap companies in North America. With investors showing great interest in 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 combined with a less competitive marketplace which allows us to negotiate favourable terms with borrowers. As a senior secured lender, we typically negotiate to have meaningful equity participation in the company.

Performance as at June 30th, 2022 – Class A (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2022	1.99	0.29	0.45	0.02	0.37	1.07							4.25
2021	0.52	3.05	1.03	0.10	1.83	-0.35	0.28	0.40	0.32	0.33	0.24	0.63	8.66
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

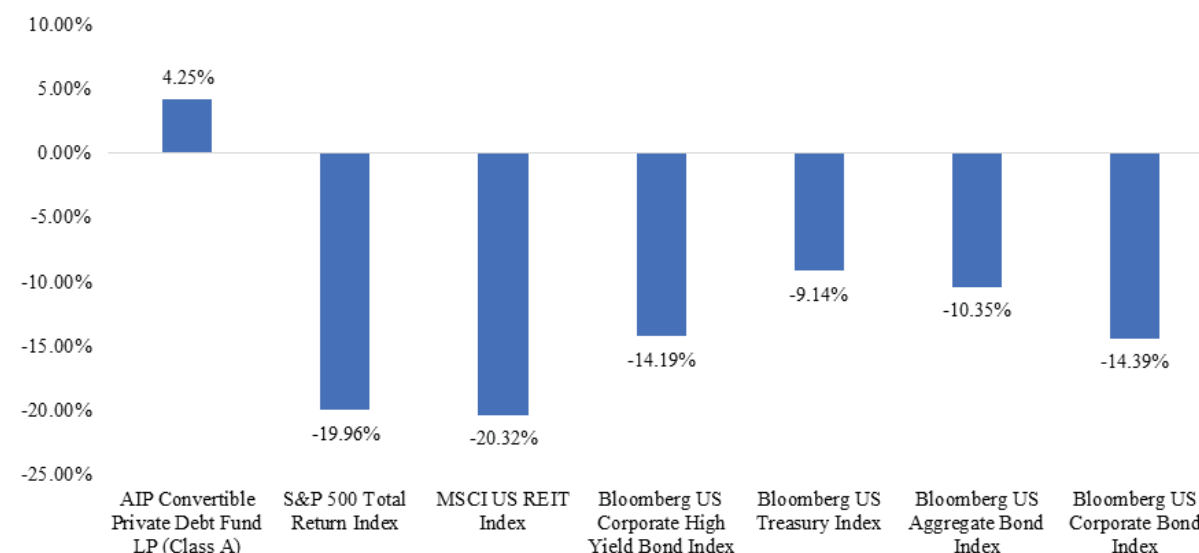
Source: AIP Management

The Fund returned +1.47% to Class A investors for the second quarter of 2022 compared to +1.57% for the same period in 2021. The Net Asset Value of the Fund is \$95.5 million as of June 30th, 2022.

In June, a surge in the USD drove returns for the Fund higher. Our US Dollar hedging program offset some of the volatility in the currency market by purchasing short-medium term puts on the USD/CAD rate. Using this program, we are able to capture some of the upside momentum associated with the US Dollars relative strength and momentum. The primary driver of fund return continues to be income derived from the Senior Secured Convertible Notes in the portfolio.

Recent market volatility has highlighted the importance of diversification in the investment portfolio. A corollary of our thesis on concentration of capital, is that the diversification effects of a 60/40 portfolio are diminished, as seen in recent weeks. It is our opinion that private assets provide true, uncorrelated sources of return to investors while avoiding market capitulation and dislocations. As seen below, the Fund continues to perform as expected in volatile markets.

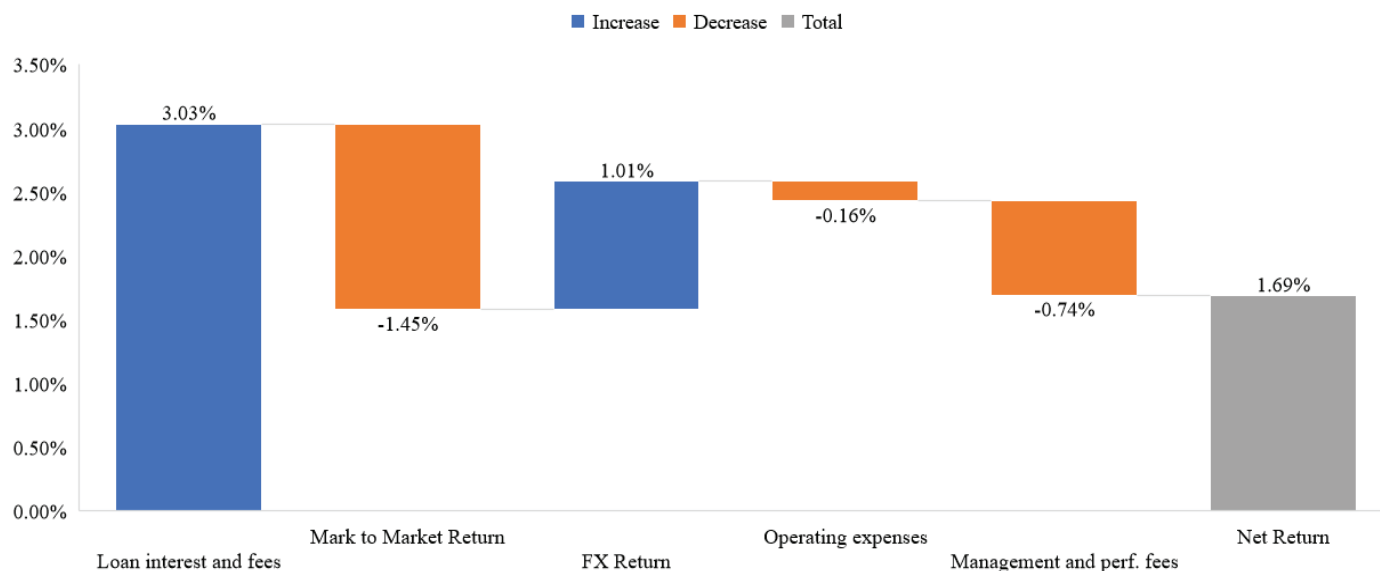
Total Return as of Q2-2022



Source: Bloomberg, AIP

It is important to note that significant unrealized gains remain in the portfolio and future equity volatility can still impact Fund returns positively or negatively. As always, we enter 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.

Performance Attribution Q2-2022, Class F - Unaudited Management Estimate



Source: AIP Management

Recent Activity

Our portfolio continues to show signs of strength and additional capital needs are anticipated. In the next few months, we plan to fund several new transactions and exit from two smaller loan positions. Some of the current borrowers have indicated interest in upsizing their current credit facilities; the increase requests are subject to AIP’s credit committee approval.

In June we entered in to 3 club transactions with large institutional syndicate partners to further diversify the portfolio and manage cash. Each of these transactions is focused on the higher end of the small cap spectrum with borrower market caps between \$300 million and \$4 billion. Our participations are quite small, relative to total deal size and will allow the Fund to opportunistically scale up or exit the positions as we see fit. With each deal paying cash interest between 9% and 10.5% and excellent debt coverage ratios, we expect these transactions to be accretive to the portfolio while allowing us to focus needed resources on our high conviction borrowers.

In Q1, a large competitor announced that it had entered a definitive arrangement to acquire Issuer 17 for USD 2 billion. This merger was approved in July 2022, and will offer the Fund optionality on this position. A change of control clause dictates that the acquirer now has to offer Noteholders 101% of principal plus accrued interest and fees in cash to exit the position. We expect the position to remain attractive post acquisition and will look through the proposed plan for recapitalization in Q3 before deciding to accept the cash out offer.

Through Q2, Issuer 9 raised over USD 1mm from equity shareholders at valuations over AIP's current convertible strike price. The company continues to work through audited financials with the target relisting date of December 31st 2022. We are in discussions with management to structure a repayment of our original note ~USD 14mm which will deleverage the balance sheet and allow for strategic investors to join the company. Our Royalty Note, which consists of repackaged fee revenue and bonus equity may then be converted to common equity allowing AIP to participate in price appreciation post listing. The SEC has approved of the company's plan to accelerate the completion of their financial statements and we expect audits to be completed in the coming weeks.

The Fund purchased an additional \$4mm of Senior Secured notes from Issuer 13, the proceeds of which were used to refinance \$3.3mm in bridge notes. The Fund was able to generate closing fees for investors and secure additional collateral to mitigate downside risk. The company continues to look to sell down portfolio assets and bolster cash in advance of a new acquisition. One portfolio company's shares worth ~8.5mm were deposited into an AIP Control Account and will be sold down opportunistically. The cash will be used either as collateral or to pay down the AIP loan.

Portfolio

As of June 30th, there are ten individual borrowers in the portfolio diversified across the financial, healthcare, consumer discretionary, and information technology sectors in North America. Cash interest due from all borrowers in the portfolio has been received to date and all loans are in currently good standing.

Issuer 11 has signed a binding LOI to acquire a large specialty retailer (TargetCo) in Ontario. The transaction is currently in final due diligence and further price negotiations have delayed closing. We are committed to limiting downside risk and with current market conditions we feel that we can secure more favorable terms for the Fund on this transaction. Under the original proposal, the Fund would advance \$20 million to allow Issuer 11 to acquire the Targetco at ~4x EBITDA. Our more recent analysis suggests that a lower initial advance rate could be reasonable. We continue to expect this transaction to be extremely accretive to the fund, bolstering collateral and interest coverage ratios for the position. After the transaction, we will focus on building the businesses online presence and facilitating a growing ecommerce enterprise. Issuer 11 also has two other potential acquisitions in the pipeline which would serve as an alternative to the deal under due diligence.

Issuers 14 and 7 have committed to principal repayment plans which will result in an exit from both positions. Both borrowers will pay cash interest and principal over the next several months and we do not expect them to require additional financing from AIP in the future.

Issuer 15 has continued to make strides in the medical pain management space, providing alternatives to opioid based therapeutics. In Q2, the borrower repaid \$200k in principal reducing the amount outstanding to \$2 million. The company has also agreed to increase principal repayments to a consistent \$120k per month, which started July 1st. The company expects to continue to make principal repayments to reduce debt on their balance sheet in advance of a potential strategic partnership. AIP continues to support the business and it's management in all endeavors.

As a reminder, in May 2021, we adjusted our hedging mechanics to use currency options in favor of the rolling FX forward we had been using. During this time of heightened volatility and potential gains for the USD vs CAD, we feel that there is an opportunity to capture upside potential should the USD make a significant positive move. This option strategy allows us to maintain our downside protection while participating in the upside.

Outlook

Considering the macro economic headwinds we are facing, the hangover effects of increased stimulus and low interest rates appear to be taking hold. Inflation which has proven to be anything but transitory needs to be addressed by the world's central banks. We expect, much like the rest of the market, that there will be several hawkish moves by the US Fed in the coming months, raising rates to combat rampant inflation.

The impact of higher interest rates can take some time to work their way through the economy, especially with lagging indicators that are often pointed to in the media. Despite a largely positive earnings week and the Federal Reserve announcing a moderate pace to interest rate hikes for the rest of the year, it is our opinion that we have yet to feel the negative impact to earnings in the major indices. As higher costs of borrowing take hold of consumers and corporations alike, investors may seek out a flight to safety and further reduce holdings in various "risk on" assets.

This is opportunity that we love to see, and precisely the reason the Fund has been holding cash over the last year. Depressed equity valuations and economic jitters present the best buying (and lending) opportunities for our fund. When we are the only lender in the ring, we are able to negotiate strong downside protection through collateral and covenants while maintaining attractive conversion strikes to ride any up swing.

Our deal pipeline is more than \$1.09B with over \$80 million in term sheets committed and \$41 million to be deployed at closing for near term transactions. The bulk of our pipeline growth has come from the Consumer Staples, Financial Services, and Consumer Discretionary sectors.

Change to Quarterly Redemptions

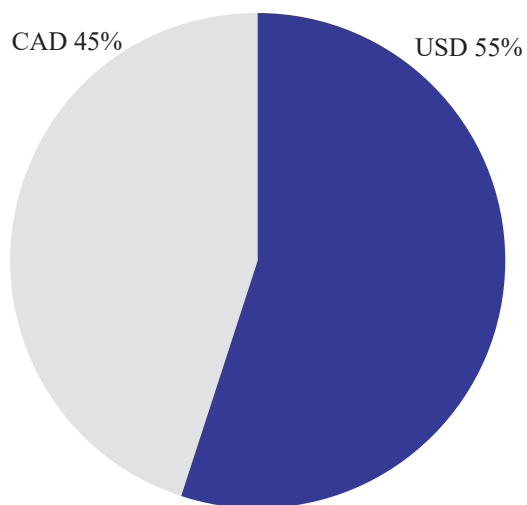
On July 29, 2022, the Fund's investors approved a change to the Fund's redemption terms. Effective August 31st, the Fund will offer quarterly redemptions with 180-days' notice, with a quarterly cap on redemptions of 5 percent of the Fund's net assets. Please see the Fund's Offering Memorandum for a full description of all subscription terms.

Exhibit A – Portfolio Overview as at June 30, 2022

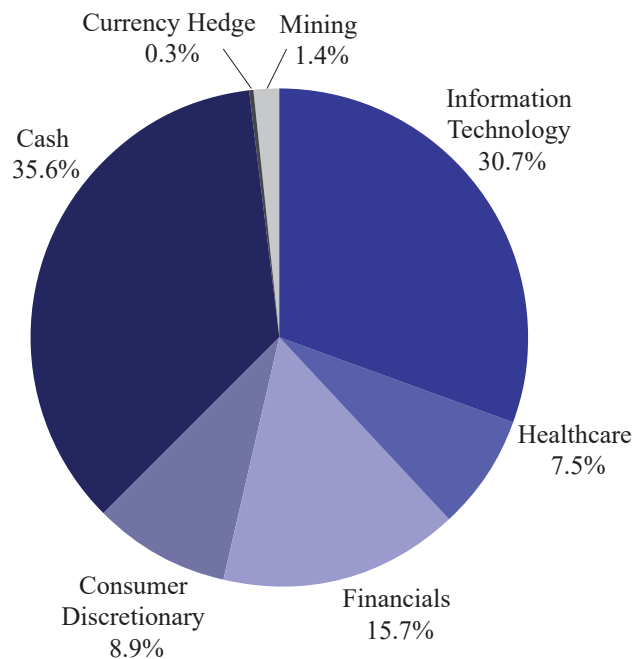
Key Statistics

Portfolio Summary	Jun-30-2022
Loan Amount Outstanding (\$000)	\$51,125
Cash Outstanding (\$000)	\$33,520
Net Working Capital (\$000)	\$488
Equity (\$000)	\$10,240
Other (\$000)	\$111
Weighted Average Loan Term (Months)	31.3
Weighted Average TTM (Months)	10.1
Weighted Average LTV	45.5%
Portfolio LTV	35.1%
Average Loan Outstanding (\$000)	\$3,652

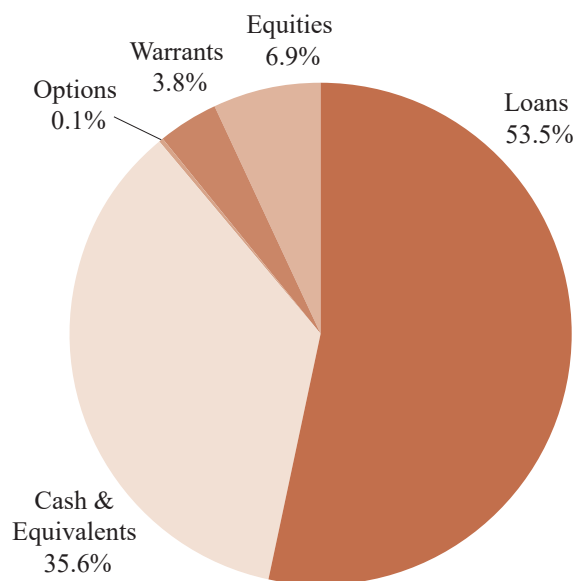
Currency Breakdown (Excluding Cash)



Sector Breakdown



Asset Breakdown



Source: AIP Asset Management

Exhibit B: Loans Outstanding as of June 30, 2022

Issuer #	No. of Notes Issued	Location	Industry	Lien	Main Collateral	Estimated Collateral FMV (SCA '000's)	Loan Amount Outstanding (SCA '000s)	Loan LTV	Equity Position (SCA, '000's)	Enterprise Value
7	2	Canada	Healthcare	1 st	All Assets - A/R & Inventory, Subsidiary Shares	3,477	52	1%	1,010	6,658,000
9	2	USA	Information Technology	1 st	All Assets - A/R, Inventory	81,303	29,340	36%	-	11,206,016
11	1	Canada	Consumer Discretionary	1 st	All Assets - A/R, IP	8,229	6,306	77%	2,234	3,189,000
13	2	Canada	Financials	1 st	Portfolio holdings and related royalties	19,931	7,978	40%	6,984	12,675,553
14	1	Canada	Healthcare	1 st	Unconditional guarantee from Parent, IP, inventory, receivables	12,429	999	8%	13	2,549,000
15	2	Canada	Healthcare	1 st	All Assets - AR, Cash, Intangibles	11,159	1,928	17%	-	23,263,000
17	1	Canada	Healthcare	1 st	AR, Inventory, PP&E	3,605	2,594	72%	-	761,220,275
18	1	Canada	Mining	1 st	Subsidiary shares and rights under JV	1,446	602	42%	-	401,850,000
19	1	Canada	Mining	1 st	Cash, A/R, Inventory, PP&E	2,256	717	32%	-	357,012,583
20	1	Canada	Healthcare	1 st	Cash on hand, A/R, Inventory, Biological Assets, PP&E	1,751	608	35%	-	4,593,700,000

Source: AIP Asset Management

Fund and AIP Developments

As part of our quarterly valuation process, we have reviewed the independent valuator's report for Q2 2022 and have no material changes to the value of the loan portfolio. 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.

Thank you for your investment and continued support, we continue to strive for excellence on behalf of the Fund and our investors.

Jay Bala

CEO and Senior Portfolio Manager

AIP Asset Management

Manager to the AIP Convertible Private Debt Fund LP

The information contained herein is confidential information regarding AIP Asset Management Inc. and its affiliates (“AIP”). By accepting this information, the recipient agrees and undertakes that it will, and it will cause its directors, partners, officers, employees, attorney(s), agents and representatives to, not reproduce or distribute this presentation in whole or in part, and not disclose any of its contents, without the prior written consent of AIP.

The information contained herein is not, and under no circumstances is to be construed as, an invitation to make an investment in funds advised by AIP. The information contained herein is provided for informational purposes only and is not intended to be, nor should it be considered as, a complete description of either the securities or the issuers of the securities described herein. AIP advised funds are only offered pursuant to confidential private placement and offering memoranda and the information contained herein is qualified in its entirety by reference to such memoranda. Subscriptions for AIP funds will only be considered on the terms set out in the private placement and offering memoranda. The private placement and offering Memoranda contain important detailed information about AIP funds.

The information contained herein is presented solely for illustrative purposes and should not be construed as a forecast or projection. The statements contained in this presentation that are not historical facts are forward-looking statements, which are based on current expectations, estimates, and projections about the industry and particular markets. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions which are difficult to predict. Therefore, actual outcomes and returns may differ materially from what is expressed or forecasted in such forward-looking statements.

The information contained herein does not constitute an offer or solicitation by anyone in the United States or in any other jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Prospective investors who are not resident in Canada should contact their financial advisor to determine whether securities of the Fund may be lawfully sold in their jurisdiction.

The Risks associated with investing in a Fund depend on the securities and assets in which the Funds invests, based upon the Fund’s particular objectives. There is no assurance that any Fund will achieve its investment objective, and its net asset value, yield and investment return will fluctuate from time to time with market conditions. There is no guarantee that the full amount of your original investment in a Fund will be returned to you. The Funds are not insured by the Canada Deposit Insurance Corporation or any other government deposit insurer. Please read a Fund’s prospectus or offering memorandum before investing.