

AIP

ASSET MANAGEMENT

AIP Convertible Private Debt Fund LP*

(Formally AIP Global Macro Fund LP)

AIP CONVERTIBLE PRIVATE DEBT FUND LP

Q3 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 September 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	0.41	0.45	0.41				5.59
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

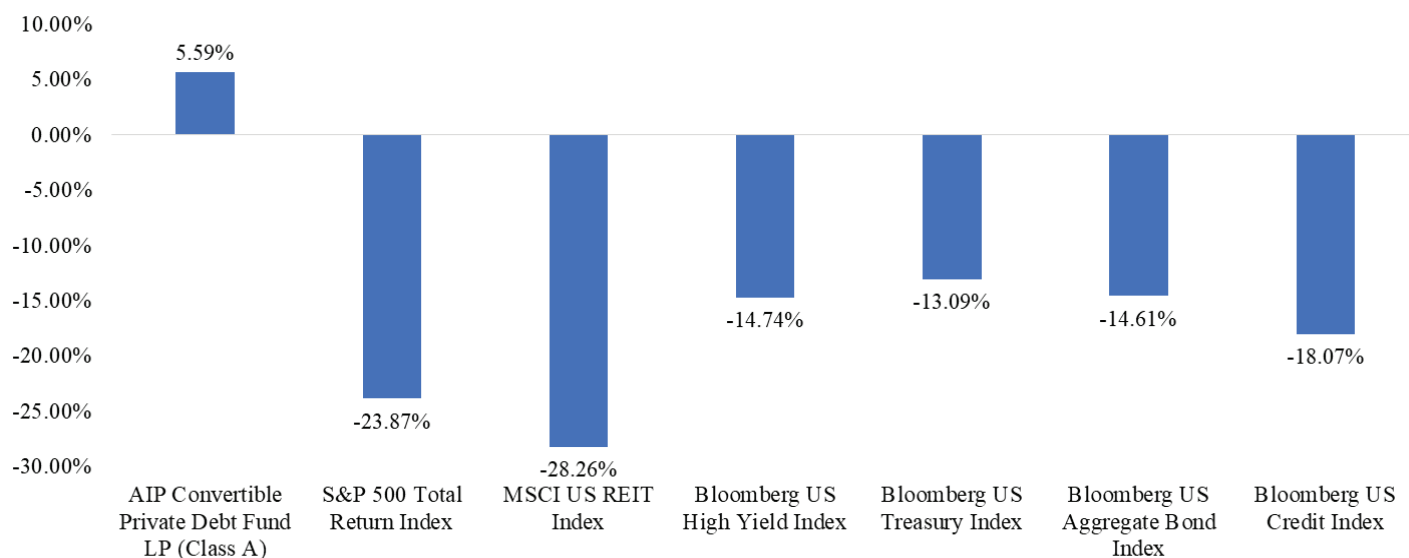
Source: AIP Management

The Fund returned +1.28% to Class A investors for the third quarter of 2022 compared to +1.00% for the same period in 2021. The Net Asset Value of the Fund is \$92.4 million as of September 30th, 2022.

In September, the Fund continued to benefit from further strengthening of the US Dollar, driving higher return. Our US Dollar hedging program offsets 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 Dollar relative strength. This return was offset by provisions recorded across the portfolio. These provisions are unrealized accounting losses on the portfolio due to mark-to-market valuation performed by our independent valuation agent. This is primarily a result of increasing credit spreads on our benchmarks, which caused the Fund to increase the discount rates used to value the loans, leading to an unrealized accounting loss.

Market volatility remains and highlights the importance of diversification in the investment portfolio. The diversification benefits of a 60/40 portfolio are diminished in the current economic environment. 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.

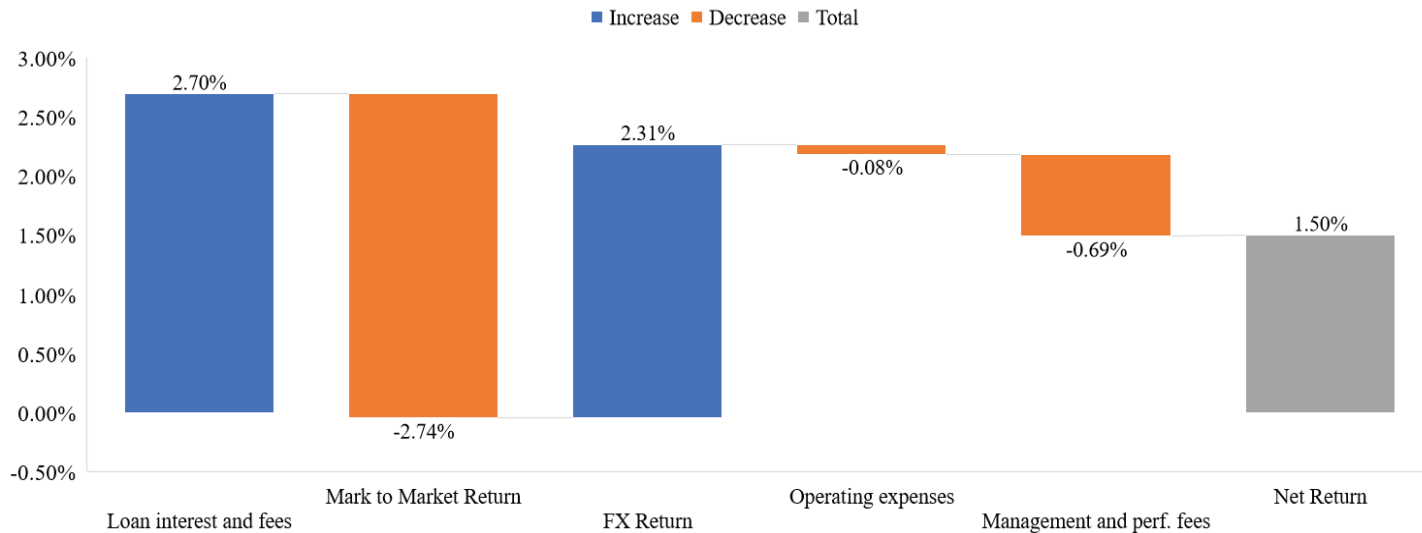
YTD Return as of September 30, 2022



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 Q3, 2022, Class F - Unaudited Management Estimate



Source: AIP Management

Recent Activity

We continue to monitor the market with the anticipation to opportunistically participate in club transactions with large institutional syndicate partners to further diversify the portfolio and manage cash. We will only invest in transactions that demonstrate strong risk-adjusted returns. At the end of the quarter, we have not participated in any new club transactions but are actively reviewing several transactions.

Issuer 7 has made consistent and regular principal paydowns through the term of the loan. As at Q3 2022, the borrower has fully repaid its credit facility. The Fund continues to hold approximately \$1 million worth of equities of the company, which represent ~1% of the Fund. We continue to monitor the position and will opportunistically look to fully exit the transaction.

Issuer 9 continues to successfully raise capital from equity shareholders at valuations over AIP's current convertible strike price, raising over USD \$1 million in Q3 2022. More recently, the company entered into a partnership with two large *Internet-of-Things* companies to develop solutions for the water utility industry, which is expected to be in commercialization in Q1 2023. The company continues to work towards completing their audited financial statements and targets completion by year-end.

Portfolio

As of September 30th, there are nine 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 continues to negotiate on the terms to acquire a large specialty retailer ("TargetCo") in Ontario. The company and the TargetCo have not been able to come to agreement on price, which has delayed closing. The company continues to evaluate other potential acquisitions which would serve as an alternative to the deal under due diligence.

Issuer 14 and 15 remain committed to the principal repayment plan and are making cash interest payments. At this time, we do not anticipate additional financing from AIP.

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

Inflation continues to be a concern. Although, we expect to see rate hikes to continue in Q1 2023, we believe it will be at a slower pace. We are cautiously optimistic that the days of 75bps of rate hikes are behind us and that future rate hikes will be in the 25 bps to 50 bps range.

The impact of higher interest rates will take time to work through the economy, especially with lagging indicators that are often pointed to in the media. We expect equity markets to remain volatile throughout Q4 as improvements in the inflationary environment will be offset by weaker earnings reports. While, we have already started seeing the negative impact in earnings, there is the possibility of additional downside 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. The Fund strategy continues to perform well in down markets, up 1.28% in Q3 2022. This is the 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 uncertainty present the best buying (and lending) opportunities. When we are one of the select lenders in the market, which gives us the ability to negotiate strong downside protection through collateral and covenants while maintaining attractive conversion strikes to ride any upswing.

Deal quality has significantly improved as AIP has actively deployed capital into opportunistic yields while lowering risk. Our deal pipeline is more than \$800 million and continues to grow as given the lack of liquidity in the small cap market. The bulk of our pipeline growth has come from the Consumer Staples, Financial Services, and Consumer Discretionary sectors

Change to Quarterly Redemptions

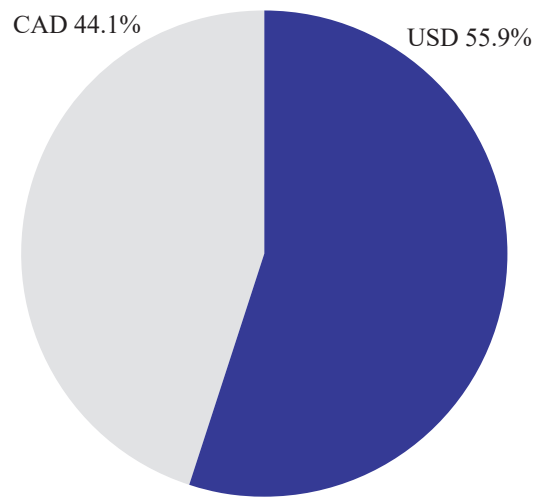
On July 29th, 2022, the Fund’s investors approved a change to the Fund’s redemption terms. Effective September 30th, the Fund will offer quarterly redemptions with 180-days’ notice, with a quarterly cap on redemptions of 5 percent of the Fund’s net assets. Please see the Fund’s Offering Memorandum for a full description of all subscription terms.

Exhibit A – Portfolio Overview as at September 30, 2022

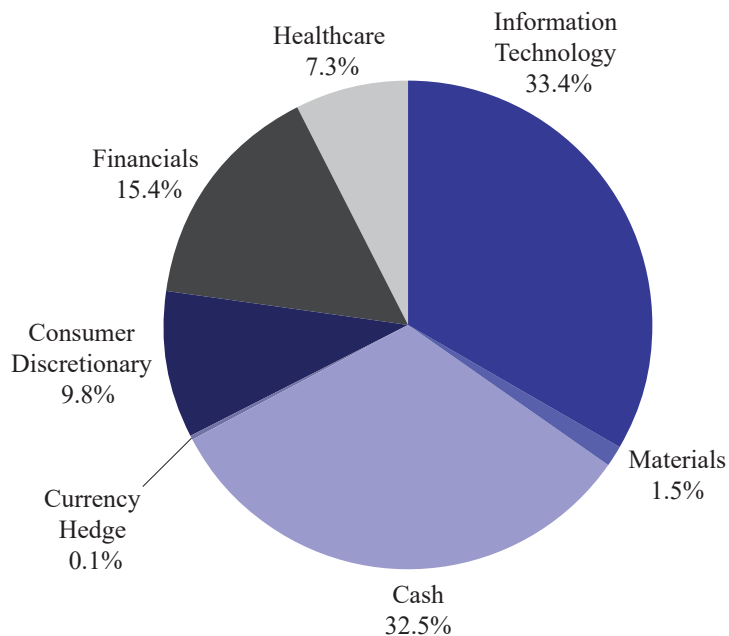
Key Statistics

Portfolio Summary	Sept-30-2022
Loan Amount Outstanding (\$000)	\$52,997
Cash Outstanding (\$000)	\$28,996
Net Working Capital (\$000)	\$1,011
Equity (\$000)	\$9,264
Other (\$000)	\$87
Weighted Average Loan Term (Months)	33.3
Weighted Average TTM (Months)	7.0
Weighted Average LTV	43.0%
Portfolio LTV	37.2%
Average Loan Outstanding (\$000)	\$4,077

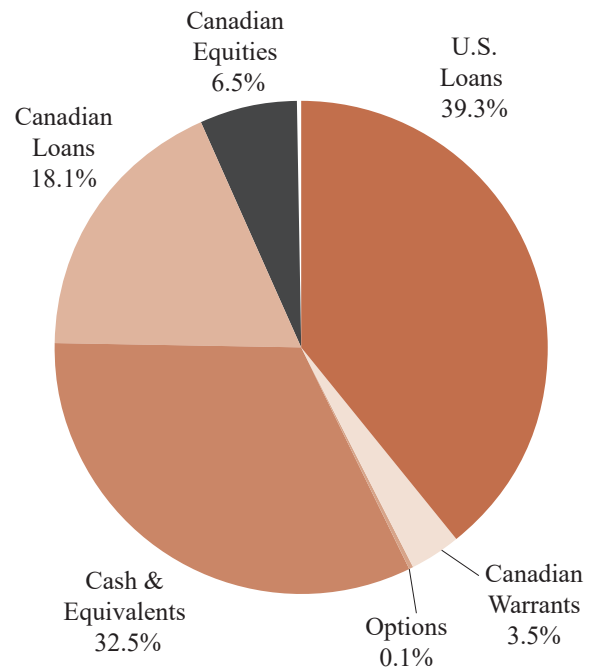
Currency Breakdown (Excluding Cash)



Sector Breakdown



Asset Breakdown



Source: AIP Asset Management

Exhibit B: Loans Outstanding as of September 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	0	Canada	Healthcare	1 st	All Assets - A/R & Inventory, Subsidiary Shares	3,477	0	N/A	890	6,658,000
9	2	USA	Information Technology	1 st	All Assets - A/R, Inventory	88,813	30,804	35%	-	34,729,583
11	2	Canada	Consumer Discretionary	1 st	All Assets - A/R, IP	7,943	7,025	88%	1,357	10,176,000
13	2	Canada	Financials	1 st	Portfolio holdings and related royalties	19,736	7,937	40%	6,320	21,050,553
14	1	Canada	Healthcare	1 st	Unconditional guarantee from Parent, IP, inventory, receivables ⁸	7,954	998	13%	11	4,272,478
15	2	Canada	Healthcare	1 st	All Assets - AR, Cash, Intangibles	5,879	1,475	25%	-	16,479,861
17	1	Canada	Healthcare	1 st	AR, Inventory, PP&E	3,605	2,767	77%	-	913,906,842
18	1	Canada	Mining	1 st	Subsidiary shares and rights under JV	1,448	616	43%	-	822,152,532
19	1	Canada	Mining	1 st	Cash,	2,256	717	32%	-	357,012,583
20	1	Canada	Healthcare	1 st	A/R, Inventory, PP&E	2,315	739	32%	-	401,850,000

Source: AIP Asset Management

Fund and AIP Developments

AIP was nominated in five categories and won best alternative fund in Credit – Relative Value Under \$500MM at the 2022 HFM US Hedge Fund Performance Awards. The 2022 HFM US Hedge Fund Performance Awards are considered to be the most important and influential within the US Hedge Fund industry, with many well-established funds vying for recognition.

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.