

For Advisors and Institutional Investors use only

December 2024

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# AIP Convertible Private Debt Fund LP



Effective January 22, 2020, AIP Global Macro Fund LP name changed to AIP Convertible Private Debt Fund LP.

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# Presentation Agenda

- Convertible Private Debt Market
- Firm Overview: AIP Asset Management
- AIP Convertible Private Debt Fund LP\*
  - Strategy & Loan Structure
  - Origination and Financing Process
  - Risk Management
  - Fund Terms
- Performance and Positioning
- Sample Investments
- Appendix
  - Disclaimer
  - Contact Information

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# Convertible Private Debt Market

# Market Opportunity

The growth in passive investments, ETF's and other factors has resulted in large amounts of capital chasing a very small number of stocks. For example, \$1,000 invested in XIC (TSX ETF) means that about \$386 would be allocated to the top 10 stocks, \$236 to the top 5 and \$0.50 to the bottom 5 stocks.

## 1. Focus on publicly listed companies sub \$100 million market capitalization

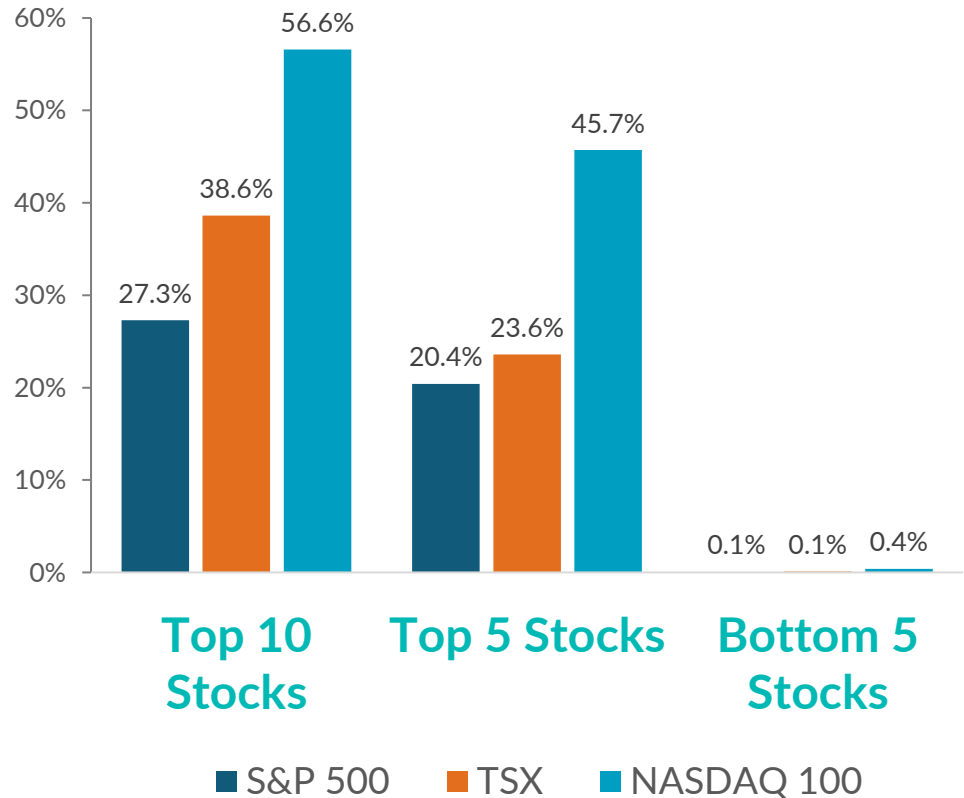
- AIP alpha generated by the following: helping with M&A, capital market expertise, increased liquidity since they are a larger company which may result in higher share prices.

## 2. Large Potential Market – over 12,000 publicly listed companies with market cap less than \$100 million

## 3. Private Debt (Senior Secured Convertible Debt) into public companies

- AIP strategy - downside protection with upside participation

Major Equity Indices – Concentrated in a Few Stocks



This information is presented solely for illustrative purposes.

# Target Transaction Type

| Target Transaction Parameters  |   |
|--------------------------------|---|
| Industry                       | Agnostic  |
| Location                       | North America, Europe and Australia   |
| Loan Type                      | Debt with upside potential/conversion features  |
| Target Facility Size           | \$1 mm to \$20 mm   |
| Target LTV                     | 50%   |
| Currency                       | CAD or USD  |
| Collateral/Downside Protection | Yes   |
| Security                       | Corporate Guarantees, strong balance sheet, ability to short sell stock, liquidate assets |
| Target Term                    | 12 to 36 months with the ability to renew   |
| Target Interest Rate           | 6% to 9%  |
| Target IRR                     | 12% to 15%  |
| Target Return Attribution      | 50% for interest/other income and 50% from upside   |

## Thesis Overview:

- **Depressed valuations** - Market dislocation in small cap stocks and recent market correction has resulted in lower valuations.
- **Upside from M&A or market rebound** - Companies which had strong fundamentals prior to the market correction should rebound and resume trading at higher multiples or potentially get acquired.
- **We expect a sharp rebound in convertible debt financings 2024** - High yield debt has become too expensive for high growth companies and significant declines in equity prices makes it difficult to do an equity raise.
- **Paid to wait (6% distribution) with downside protection** - Outperforms traditional benchmarks like convertible and private debt in both bull and bear markets.

## Capital Protection:

- Target LTV <50% and Loan to EV <25%
- Target companies with strong management teams, and frictional valuation and/or operational issues that can be fixed;
- Target companies with multiple exits including repayment through cash flow, refinancing, short sale of the stock and liquidating assets.

# Senior Secured Convertible Private Debt Focus

|                                     | Bank Loans                    | Convertible Debentures    | Investment Grade Bonds | Senior Secured Convertible Private Debt |
|-------------------------------------|-------------------------------|---------------------------|------------------------|---|
| <b>Security</b>                     | Yes - 1 <sup>st</sup> ranking | Mostly unsecured          | Mostly unsecured       | Yes - 1 <sup>st</sup> ranking           |
| <b>Ranking</b>                      | Senior                        | Structurally subordinated | Senior                 | Senior                                  |
| <b>Collateral</b>                   | Yes                           | Very limited              | Limited                | Yes                                     |
| <b>Term</b>                         | 5 - 9 Years                   | 2 - 3 Years               | 30 years; perpetual    | 1 - 3 years                             |
| <b>Typical Loan Interest</b>        | 5%-7%                         | 5% - 9%                   | 4%-6%                  | 8%-9%                                   |
| <b>Conversion Feature</b>           | None                          | Convertible to new equity | None                   | Convertible to new equity               |
| <b>Typical Bankruptcy Treatment</b> | First rank on assets          | Third Rank or worse       | Second rank or worse   | First rank on assets                    |

Source: Credit Suisse *A Case for Leveraged Loans - Global Leveraged Finance Research*, Ninepoint Partners. For illustrative purposes only.

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# About AIP Asset Management

# Firm Overview:

## AIP Asset Management (“AIP”)

- Founded in 2013, AIP Asset Management is a Toronto-based investment manager. Our team has over 100 years of combined private and public markets experience.
- AIP is one of the top performing private investment funds in Canada/U.S. with a strong performance track record.
- Since inception, our Convertible Private Debt Fund has generated an average total return of 23.12% - of which ~58% from equity upside/pre-IPO companies.

### AIP Convertible Private Debt Fund LP

HISTORICAL PERFORMANCE – CLASS A\* (As of Dec 31, 2024)

|          |      |       |      |       |       |       |       |       |       |       |
|----------|------|-------|------|-------|-------|-------|-------|-------|-------|-------|
| 7.68%    | 6.0% | -9.7% | 8.7% | 13.9% | 18.2% | 28.1% | 21.2% | 46.3% | 74.0% | 62.8% |
| YTD 2024 | 2023 | 2022  | 2021 | 2020  | 2019  | 2018  | 2017  | 2016  | 2015  | 2014  |

\* Inception Date: November 1, 2013. The indicated rates of return are the historical annual compounded total returns including changes in share value and reinvestment of all dividends. Please refer to the Disclaimer for additional information.



WINS



AIQ  
2024  
CANADIAN  
HEDGE FUND  
AWARDS



with.  
Intelligence

Shortlisted



AIQ  
2022  
CANADIAN  
HEDGE FUND  
AWARDS



AltCredit  
US  
PERFORMANCE  
& SERVICES  
AWARDS 2021



SUSTAINABLE DEVELOPMENT GOALS  
ACTION  
AWARDS



Ernst & Young  
Entrepreneur  
Of The Year®

1st Place: Overall  
Best Hedge Fund  
Best Combined 10Yr Ratio  
Best 10Yr Sharpe Ratio

HFM US Performance  
Awards 2024  
Under \$1bn Long-term  
performance (10-years)

Global Macro/Managed Future/  
Multi Strategy  
Best 5Yr Return  
Best 5Yr Sharpe Ratio  
Best 5Yr Sharpe Ratio

Performance Winner  
High-Yield Fund

Award in Recognition  
of Support for  
UN's SDGs

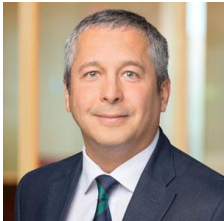
Nominee  
2014



## Principal Biographies



**Jay Bala, CFA** is the CEO and Senior Portfolio Manager of AIP Asset Management. Mr. Bala is a seasoned finance professional with extensive experience in portfolio management and investment analysis, he has built a distinguished career in the financial services sector. Mr. Bala holds a Bachelor of Commerce degree in Finance from the University of Toronto and is a Chartered Financial Analyst (CFA) charter holder. His expertise and leadership have been recognized in the industry, as evidenced by his nomination for the Ernst & Young Entrepreneur of the Year Award in 2014.



**Alex Kanayev, MBA, CPA, ICD.D** is a co-founder & Chairman of AIP Asset Management and a Member of the Advisory Board. He sits on the board of several companies and is Managing Partner at AIP Private Capital. Previously, he worked as Senior VP at a sub-advisor to a Sprott Fund and was Portfolio Manager at BMO Financial Group. Alex received his MBA from Schulich School of Business at York University and is a CPA charter holder and has an ICD.D designation from the Institute of Corporate Directors. In 2014, Alex was a nominee for the Ernst & Young Entrepreneur of the Year Award.



**Karl Lohwater, JD, LLM (Taxation)** is the CCO of AIP Asset Management. Previously, Karl was General Counsel of two of the world's largest actuarial and human resources consulting firms, Towers Perrin (now Willis Towers Watson) and Buck Consultants (now Buck Global). He was also the President, CCO, and Financial and Operations Principal of broker-dealer subsidiaries of Mellon Financial Corporation (now Bank of New York Mellon). Karl received his J.D. from Columbia University Law School and LLM (Taxation) from New York University Law School



**Stuart Adair, CPA, CA** is the CFO at AIP Asset Management. He is a seasoned finance executive who was CFO of Accord Financial Corp. (TSX: ACD), a TSX-listed commercial finance company, for almost 20 years. Mr. Adair is a CPA, CA and holds a BA from Sheffield University, U.K. and an MA from Queens University in Economics.

# Quality Infrastructure

## INVESTMENT COMMITTEE

**Alex Kanayev, CPA, MBA, ICD.D**

**Jay Bala, CFA®**

### Investment Team

### Finance & Operations

Internal  
Review

**Alexander Kanaev**  
CIM®  
Vice President

Legal &  
Compliance

**Karl Lohwater, JD**  
Chief Compliance  
Officer

Finance

**Stuart Adair**  
Chief Financial  
Officer

Operations

**Jack Wang**  
CFA®  
Senior Analyst

**BLG LLP**  
Legal Counsel

**Laurentian Bank Securities**  
Custodian

**RBC Trust**  
Trust Accounts

**SS&C**  
Administrator

**Top 10 Accounting Firm**  
3rd party Valuation



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# AIP Convertible Private Debt Fund LP\*

# AIP Convertible Private Debt Fund LP

Provide access to senior secured convertible asset based loans to public North American small cap companies with a focus on generating superior risk-adjusted returns and capital protection

## Overview:

- Top down industry analysis used to identify favorable sectors based on present macro themes
- Senior secured convertible loans with the ability to convert to publicly traded common shares at a discount
- Generate synergies and value by assisting borrowers on growth and acquisition plans

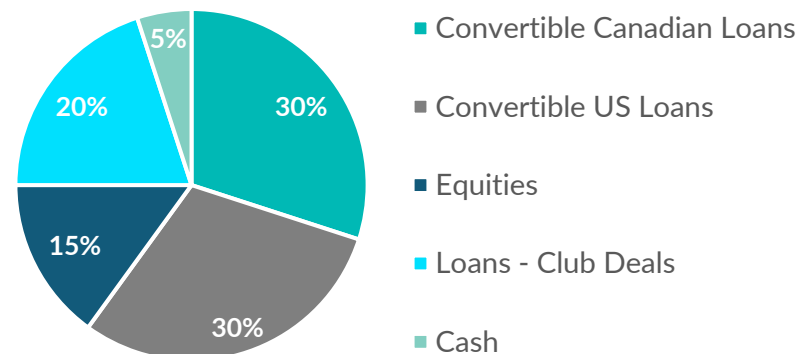
## Capital Protection:

- Fully supported by sufficient collateral and senior liens on critical assets of the borrower with a preference for self liquidating collateral
- Disciplined underwriting and monitoring process to ensure capital protection
- Additional loan security including corporate/personal guarantees, confession of judgement and blocked accounts.

## Equity Upside & Downside Protection:

- Convertible loans allow for investors to
  - Participate on upside to growing industries in rising markets
  - Protect their principal and receive interest on loans in falling markets
- Bonus equity, warrants and revenue participation

## Sample Portfolio Snapshot



## Typical Loan Characteristics\*

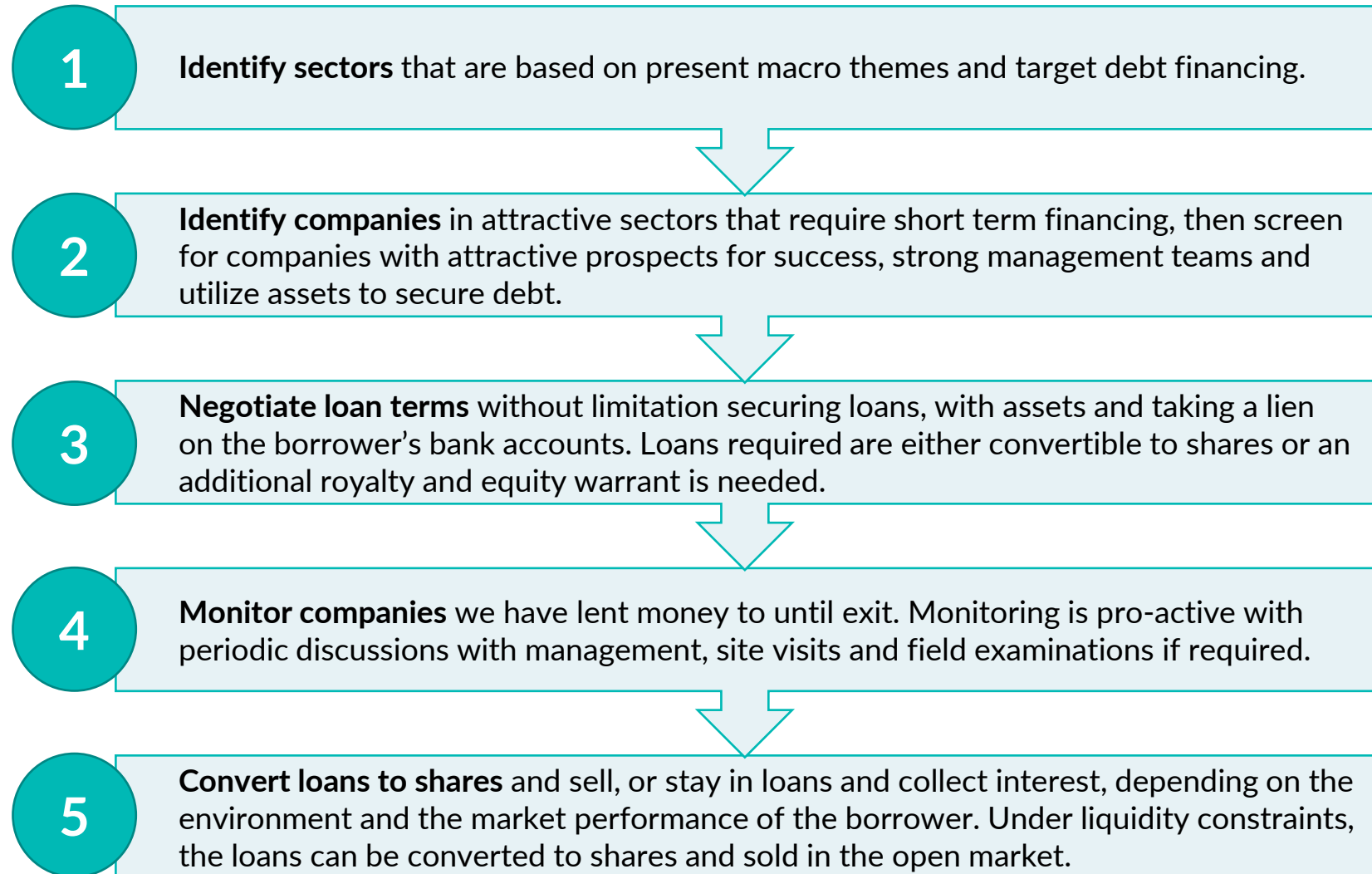
|                      |  |
|----------------------|--|
| Average LTV**        | ~50%   |
| Average Term         | 12 - 36 months with ability to renew                       |
| Structure            | Equity convertible with bonus shares/warrants or royalties |
| Amortizing Term Loan | Bullet, fixed payment or excess cash flow sweep            |
| Typical Loan Size    | \$1mm - \$10mm   |

\*For illustrative purposes only.

\*\*Loan to enterprise value

†After the first twelve months

# Our Process



# Loan Origination and Financing Process

| Description                                      | Credit Committee           |                         |                         |   |   | Credit Committee    |                    |
|--|----------------------------|-------------------------|-------------------------|---|---|---------------------|--------------------|
|  | Number of Weeks            |                         |                         |   |   | Ongoing             | Week Range         |
|  | 1                          | 2                       | 3                       | 4 | 5 |                     |                    |
| <b>1 Term sheets</b>                             |                            |                         |                         |   |   |                     |                    |
| Origination and Preliminary Due Diligence        | [Dark Blue Bar: Weeks 1-5] |                         |                         |   |   |                     | from 1 to 5 weeks  |
| Negotiation of Terms                             |                            |                         |                         |   |   |                     |                    |
| <b>2 Due Diligence and Closing</b>               |                            |                         |                         |   |   |                     |                    |
| Collateral and Business Due Diligence            |                            |                         | [Yellow Bar: Weeks 3-4] |   |   |                     | from 3 to 4 weeks  |
| Preparation of Credit Rating and Investment Memo | [Yellow Bar: Weeks 1-2]    |                         |                         |   |   |                     | 1 week             |
| Legal Docs and Closing                           |                            | [Yellow Bar: Weeks 1-2] |                         |   |   |                     | from 1 to 2 weeks  |
| <b>3 Monitoring</b>                              |                            |                         |                         |   |   |                     |                    |
| Collateral Tracking                              |                            |                         |                         |   |   | [Cyan Bar: Ongoing] | Ongoing            |
| Financial Reporting                              |                            |                         |                         |   |   |                     | Ongoing            |
| Covenant Testing                                 |                            |                         |                         |   |   |                     | Ongoing            |
| Audits and Appraisals                            |                            |                         |                         |   |   |                     | Ongoing            |
| Risk Rating and Borrowing Base Update            |                            |                         |                         |   |   |                     | Ongoing            |
| <b>Total Closing Process Length*</b>             |                            |                         |                         |   |   |                     | from 5 to 13 weeks |

Portfolio Manager Approval

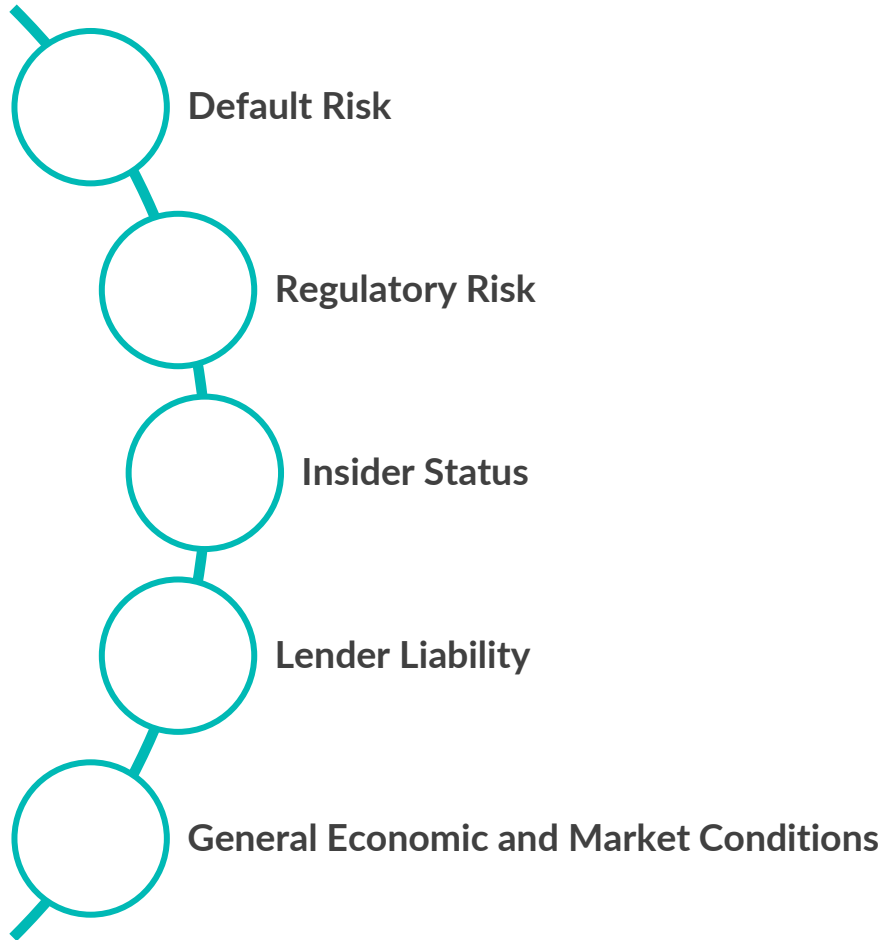
\*Some stages may be performed concurrently which expedites the process when needed

Strictly private and confidential. For accredited investors only.

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# Associated Risks

Please refer to Offering Memorandum for additional risks associated with the Fund



# Risk Management

|                                   |  |
|-----------------------------------|--|
| <b>Disciplined Underwriting</b>   | <ul style="list-style-type: none"><li>• Management and key stakeholder meetings</li><li>• Multiple site visits and field audits</li><li>• Asset appraisals by industry experts</li><li>• Market and competitive analysis</li><li>• Stress testing and liquidation analysis</li><li>• Background checks</li></ul> |
| <b>High Structural Protection</b> | <ul style="list-style-type: none"><li>• Senior priority lien on critical assets with full control of invested debt</li><li>• Overcollateralization throughout loan term</li><li>• Dominion over borrower cash and key bank accounts</li></ul>  |
| <b>Rigorous Monitoring</b>        | <ul style="list-style-type: none"><li>• Monthly borrowing base and collateral monitoring</li><li>• Monthly reporting package and risk rating refresh</li><li>• Periodic site visits and field exams</li><li>• Periodic refresh of asset appraisals by industry experts</li></ul>                                 |



# AIP Convertible Private Debt Fund LP

Please refer to Offering Memorandum for full terms and conditions of the Offering.

|                               |  |
|-------------------------------|--|
| Management Fees               | Class A: 2.00%<br>Class F: 1.00%   |
| Performance Fees <sup>1</sup> | 20% of return over the High Water Mark   |
| Redemptions <sup>2</sup>      | Monthly (180 days notice). <b>Effective Aug 31, 2022 moved to Quarterly (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.</b> |
| Subscription                  | Open   |
| Distributions                 | Yes (Monthly)  |
| Minimum Investment            | \$25,000   |
| Minimum Hold                  | 12 months (5% penalty for early redemption in year 1)  |
| Legal Counsel                 | Borden Ladner Gervais LLP (BLG)  |
| Auditor                       | MNP  |
| Administrator                 | SS&C   |
| Custodian                     | Laurentian Bank  |

1. A performance fee will be paid quarterly on the last business day of each calendar quarter (each a "Performance Valuation Date"). The performance fee will be equal to 20% of the increase in the net asset value of each Unit (the "Net Asset Value per Unit") from the previous High Water Mark for such Unit. The "High Water Mark" for a Unit issued more than 12 months before the Performance Valuation Date is the highest Net Asset Value per Unit on each of the four previous Performance Valuation Dates. The "High Water Mark" for a Unit issued less than 12 months before the Performance Valuation Date is the highest of the Net Asset Value per Unit on the date of issuance of the Unit and on each subsequent Performance Valuation Date, if any, prior to the Performance Valuation Date on which the Performance Amount is to be paid.

2. If during any three-month period, the Manager has received from one or more Unitholders an acceptable Redemption Notice to redeem in aggregate 10% or more of the outstanding Units, the Manager may, in its discretion, choose to redeem such Units in equal Unit amounts over a period of up to 12 months



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# Performance & Positioning

# AIP Convertible Private Debt Fund LP\*\*

## Fund Performance - net of fees (%)\*

As of Dec 31, 2024

|             | JAN   | FEB   | MAR  | APR   | MAY   | JUN   | JUL   | AUG   | SEP   | OCT   | NOV  | DEC    | YTD   |
|-------------|-------|-------|------|-------|-------|-------|-------|-------|-------|-------|------|--------|-------|
| <b>2024</b> | 0.89  | 0.60  | 0.40 | 1.48  | 0.30  | 0.59  | 0.23  | 0.09  | 0.83  | 0.94  | 0.71 | 0.37   | 7.78  |
| <b>2023</b> | 0.32  | 1.67  | 0.43 | 0.40  | 0.75  | -0.86 | 0.28  | 0.27  | 0.30  | 1.99  | 0.12 | 0.15   | 5.96  |
| <b>2022</b> | 1.99  | 0.29  | 0.45 | 0.02  | 0.37  | 1.07  | 0.41  | 0.45  | 0.41  | 0.25  | 0.2  | -14.82 | -9.66 |
| <b>2021</b> | 0.52  | 3.05  | 1.03 | 0.10  | 1.83  | -0.36 | 0.29  | 0.39  | 0.32  | 0.33  | 0.24 | 0.63   | 8.66  |
| <b>2020</b> | 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 |
| <b>2019</b> | 1.07  | 0.92  | 1.96 | 1.15  | 3.42  | 0.63  | 0.62  | 1.10  | 0.05  | 1.96  | 1.07 | 2.89   | 18.15 |
| <b>2018</b> | 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 |
| <b>2017</b> | 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 |
| <b>2016</b> | 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 |
| <b>2015</b> | 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 |
| <b>2014</b> | 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 |

\*Class A

\*\*Effective January 22, 2020, AIP Global Macro Fund LP name changed to AIP Convertible Private Debt Fund LP

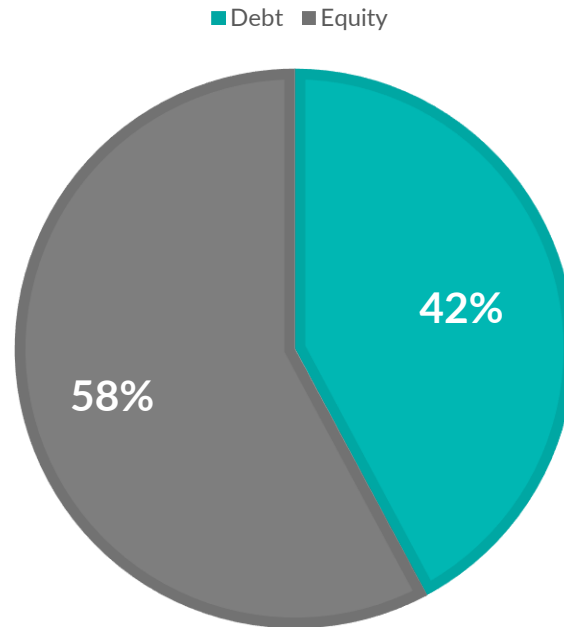
The indicated rates of return are the historical annual compounded total returns including changes in share value and reinvestment of all dividends.

Please refer to the Disclaimer for additional information.

# Fund Return Attribution for Convertible Transactions

## Cumulative Fund Return Attribution

### CUMULATIVE FUND RETURN ATTRIBUTION



Average based on returns from 2014 to 2024  
As of December 31<sup>st</sup>, 2024

# Correlation analysis: AIP Fund vs Major Index

(Low correlations imply diversification benefits)

## AIP correlation to US stocks and bonds, Japanese stocks and bonds, and CDLI Index (in Local Currencies)

| Securities<br>(Denominated in<br>their Local<br>Currencies) | AIP Convertible<br>Private Debt<br>Fund LP | S&P 500<br>Index | Nikkei 225<br>Index | iShares US<br>Treasury Bond ETF | Nomura Bond<br>Performance<br>Index | Cliffwater Direct<br>Lending Index<br>(US Middle Market<br>Corporate Loans) |
|---|--|------------------|---------------------|---------------------------------|-------------------------------------|---|
| <b>AIP Convertible<br/>Private Debt Fund<br/>LP</b>         | 1.00                                       | -0.015           | -0.06               | 0.087                           | 0.191                               | -0.159  |

\*Correlation of monthly returns from December 31, 2013 to Dec 31, 2024. Cliffwater Direct Lending Index data limited to June 30, 2023.  
All securities denominated in their local currencies.

## AIP correlation to Japanese stocks and bonds, Canadian stocks and bonds, and CDLI Index (in CAD)

| Securities<br>(Denominated in<br>CAD)               | AIP Convertible<br>Private Debt<br>Fund LP | Nikkei 225<br>Index | S&P/TSX<br>Composite<br>Index | Nomura Bond<br>Performance Index | iShares Core<br>Canadian Universe<br>Bond Index ETF | Cliffwater Direct<br>Lending Index<br>(US Middle Market<br>Corporate Loans) |
|---|--|---------------------|-------------------------------|----------------------------------|---|---|
| <b>AIP Convertible<br/>Private Debt Fund<br/>LP</b> | 1.00                                       | 0.01                | -0.041                        | 0.134                            | 0.097   | 0.046   |

\*Correlation of monthly returns from December 31, 2013 to Dec 31, 2024. Cliffwater Direct Lending Index data limited to June 30, 2023.  
All securities denominated in Canadian Dollar.

Source: Bloomberg Terminal

This information is presented solely for illustrative purposes.

# Impact of allocating funds to Private Debt on risk and returns

## Since Inception Return Analysis for the Period Ending Dec 31, 2024

| Allocation                      | 5% AIP | 10% AIP | 25% AIP | Traditional Portfolio |
|---------------------------------|--------|---------|---------|-----------------------|
| Total Return                    | 221.18 | 256.33  | 361.79  | 186.03                |
| Standard Deviation (Annualized) | 9.10   | 8.22    | 9.30    | 10.87                 |
| Downside Risk (Annualized)      | 6.65   | 5.80    | 4.85    | 8.07                  |
| VaR (Ex-Post)                   | -0.78  | -0.66   | -0.43   | -0.94                 |
| Sharpe Ratio                    | 1.10   | 1.31    | 1.48    | 0.83                  |
| Maximum Drawdown                | -19.33 | -15.88  | -9.89   | -23.96                |
| Beta                            | 0.81   | 0.67    | 0.42    | 1.00                  |
| Semi-variance (Annualized)      | 9.53   | 8.22    | 6.52    | 11.61                 |
| Sortino Ratio Vs. Risk Free     | 1.05   | 1.34    | 2.11    | 0.78                  |

**Portfolio Inception Date:** December 31, 2013 | **Analysis Period:** Dec 31, 2013 to Dec 31, 2024

**Traditional Portfolio Composition:** S&P 500 Index (30%), S&P/TSX Composite Index (30%), iShares Core Canadian Universe Bond Index ETF (40%)

**Portfolio Weighting:** Drifting Weight - therefore actual weightings of portfolio holdings during analysis period will differ

**Portfolio Currency:** CAD

Traditional portfolio is defined as 60% Equity and 40% Bonds. The S&P 500 and TSX Composite indices were used for equity allocations and the Core Canadian Universe Bond Index ETF was used for the bond allocation. It was assumed that all private debt allocations have been made to AIP's hedge fund. Allocations to AIP's hedge fund were made by decreasing equity and bond allocations pro rata. Calculations use data for the period starting from December 31, 2013, ending Dec 31, 2024.

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# Sample Investments

# Sample Transaction

|                    |   |
|--------------------|---|
| Industry           | Mining  |
| Location           | Australia   |
| Loan Type          | Tranched Senior Secured Convertible Facility          |
| Currency           | CAD   |
| Issue Date         | September 2018  |
| Term               | 24 months, subject to semi-annual reviews, extendible |
| Security           | PP&E, IP, Corporate Guarantee, GSA, Notarial Bond     |
| Seniority          | 1st   |
| Finance Covenants  | EBITDA, Revenue, Market Cap                           |
| Realized Return*   | 44%   |
| Unrealized Return* | None; Loan Repaid December 2020                       |

## Borrower Overview:

- Emerging lithium development company focused on building a large scale mining operation in close proximity to existing deposits.

## Capital Protection:

- Corporate Guarantee, GSA, locked shares, Notarial Bond, blocked accounts confession of judgement

## Transaction Description

- Senior secured convertible facility up to \$10mm
- Coupon 12% with a 20% discount to face value, Closing fees, convertible to equity

## Rationale:

- Proven and committed management team and board of directors
- Significant upside potential due to M&A prospects and potential additional offtake agreements
- Industry has high growth potential with multiple tailwinds
- Projects are located in a mining friendly jurisdiction, and are suitable for advanced processing methods
- Limited downside risk to principal: senior secured lender with multiple exit plans

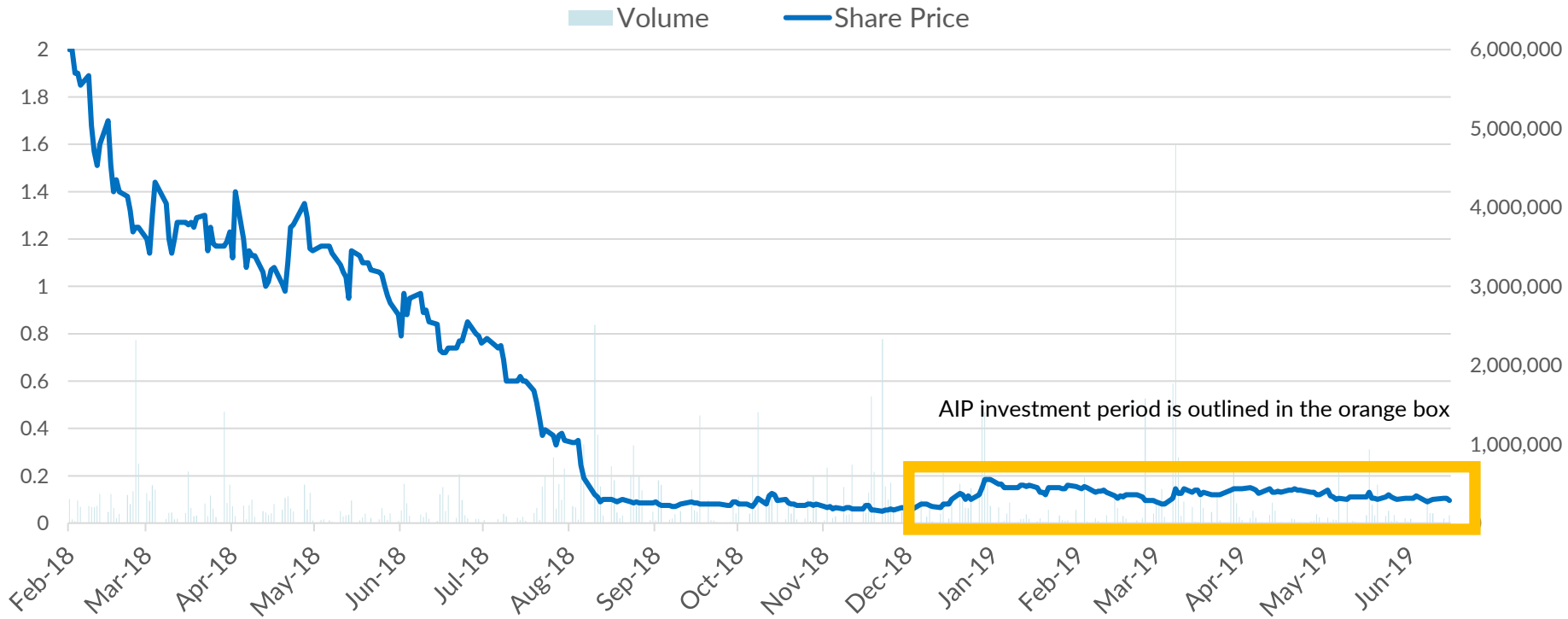
\*As of January 20, 2021

This information is presented solely for illustrative purposes.



# Sample Transaction

## DLI Share Price from RTO to M&A Completion



Source: Bloomberg

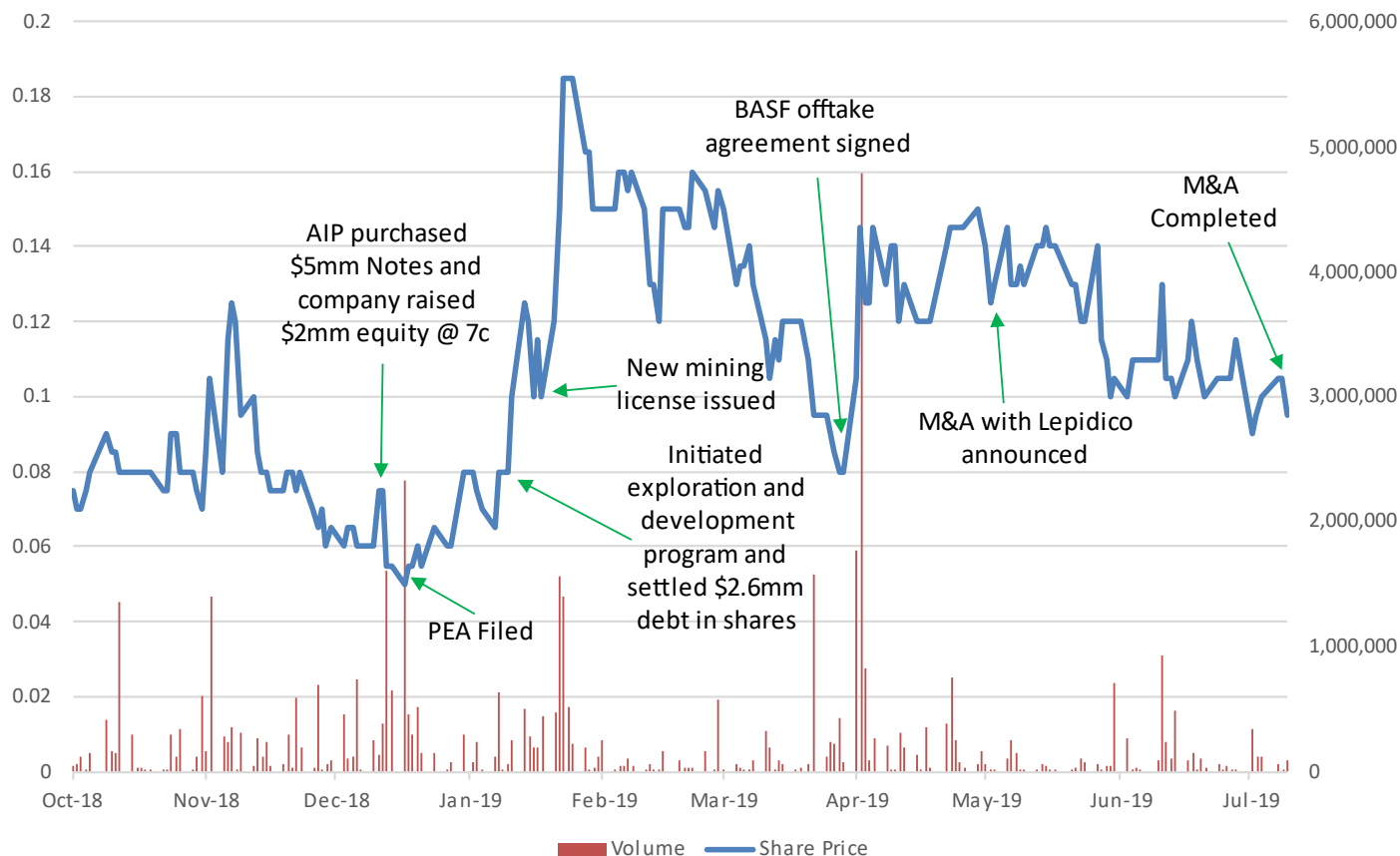
This information is presented solely for illustrative purposes.

# Sample Transaction

## DLI Share Price Performance during the AIP Investment Period







- Despite lithium prices declining by 15% during this period, AIP was able to stabilize the company and arrange M&A.
- 44% realized return and AIP generated significant alpha

DLI Share Price and Volume- TS to M&A Completion



Source: Bloomberg, Company Reports, News Releases, SEDAR  
This information is presented solely for illustrative purposes.

## Exit of Issuer #19: Copper Mountain Mining Corporation

| Copper Mountain Mining Credit Metrics |                | AIP Investment Memo Summary   |   |
|---------------------------------------|----------------|---|---|
| Total Loan/AIP Advance                | C\$294mm/0.7mm |  | Completion of Due Diligence                     |
| Pre-Closing Credit Score              | 7.1            |  | Investment Committee Review and Approval        |
| Total Collateral at Closing           | C\$961mm       |  | Loan Monitoring Agent Review and Recommendation |
| LTV                                   | 28%            |  | High Internal Credit Score at Funding           |
| Secured Debt/ 2023E EBITDA            | 2.9x           |  | Excellent Liquidity for Private Debt            |
| Market Cap                            | C\$388mm       |  | Accretive to Portfolio Returns Immediately      |
| Entry Price                           | \$95           |   |   |
| Exit Price                            | \$101          |   |   |

### Investment Thesis

- Copper Mountain provided the Fund with greater sector diversification and the opportunity to earn an above average total return usually associated with higher risk loans.
- Last October, the Company announced the sale of its wholly-owned Eva Copper Project in Australia to Harmony Gold Mining Company Limited (NYSE: HMY) for up to US\$230 Million (US\$170M cash on closing). On November 28, 2022, CMMC received Bondholder approval for the sale of its Australian assets subject to proceeds from the sale to be used to partially repurchase US\$87 million of the US\$250 million senior secured bonds outstanding (=35% of total).
- **Undervalued small cap copper mining company with a very strong off-take partner with low credit risk in a stable jurisdiction.**

# Loan Update Credit Summary: Copper Mountain Mining Corporation (Issuer #19)

Update April 2023

On April 13, 2023 Hudbay Minerals Inc. (HBM:TSX) announced that it entered into a definitive agreement to acquire Copper Mountain Mining Corporation (CMMC:TSX) in an all share US\$439M transaction. The combination will create the third largest producer in Canada based on 2023 estimated copper production.

**As a reminder, the Fund established a position in the US\$250 million 8% Senior Secured Notes in June 2022 which at the time had a yield to maturity of 9.6% and was purchased at about 95 (discount to par).** Closing of the proposed transaction is expected in Q3 2023 and is subject to regulatory approvals of the Supreme Court of British Columbia, the approval of at least two-thirds of CMMC shareholders, receipt of the required regulatory approvals, simple majority of HBM shareholders and other customary conditions of closing.

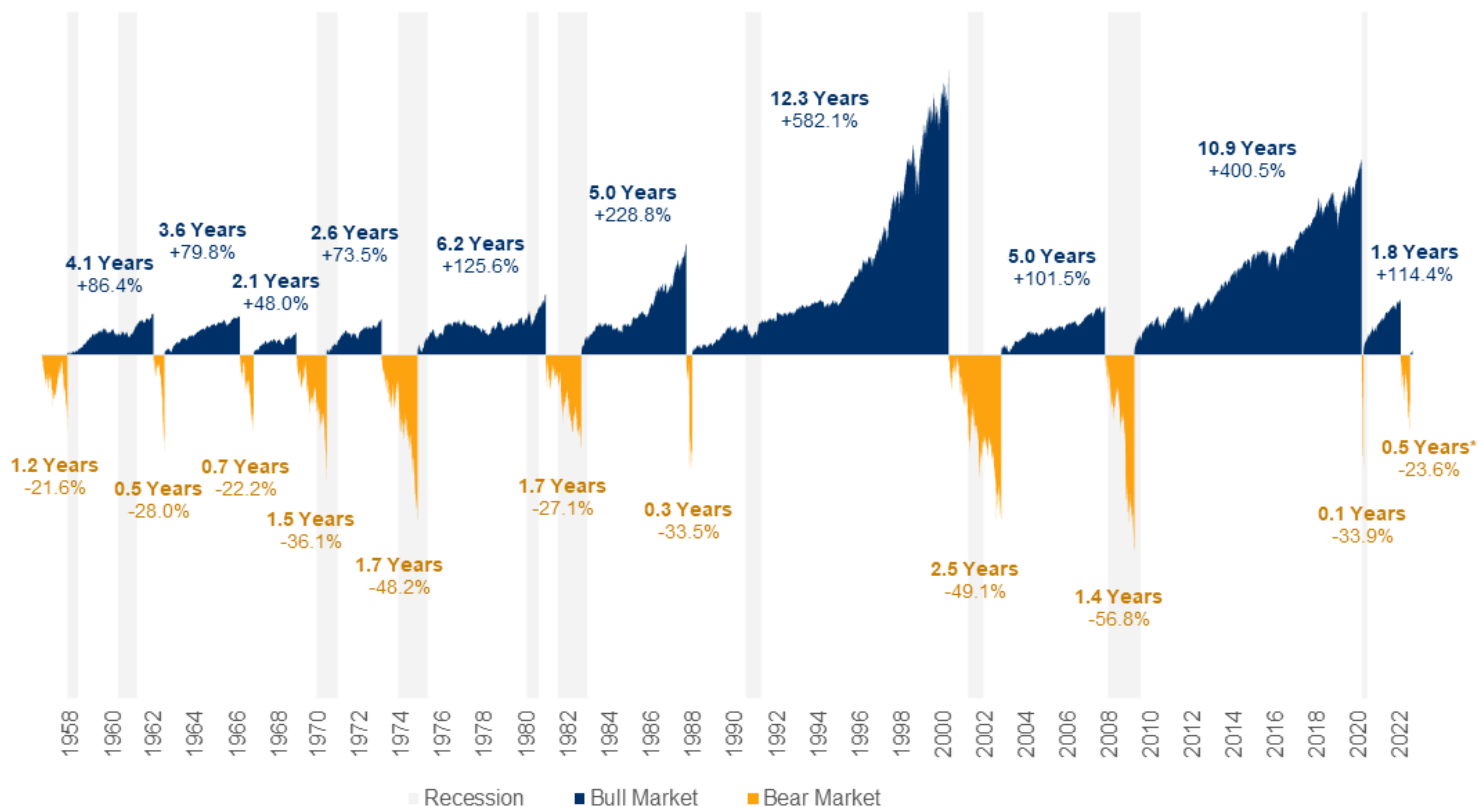
The proposed transaction confirms our investment thesis on CMMC in that this relatively undervalued small cap company would eventually be an attractive takeover candidate given its: 1) operations are located in politically stable jurisdictions, 2) solid near- and medium-term growth prospects driven by global copper demand and further expansion of the flagship Copper Mountain mine, and 3) strong profitability.

**Investment Implications:** Upon the occurrence of a change of control, Bondholders' have the right to require CMMC to make an offer to each holder of Notes to purchase such holder's Notes at a purchase price in cash of at least 101% of the aggregate principal amount of the Notes repurchased. The bond's price has since traded up to those levels and consequently we took the opportunity to sell the vast majority of our position thereby providing the Fund with a definitive exit.

**Holding period Return of 18.9% (about a 10-month holding period). Return attribution: 37% from interest income and 63% upside.**

## AIP Performance in Bear and Bull Markets

- 10 distinct bear markets in the last 70 years. On average, a bear market happens every 7 years. Bear markets generally last less than 2 years and Bull markets last about 5 years.
- AIP Fund historically generated 6.4% in 2022 (bear market) mainly from interest/other income and averaged more than 15% per year in 2014 to 2021 (bull market) given its ability to participate in equity upside.
- We believe we are closer to the end of the bear market and could see a meaningful rebound in Q3/Q4 2023 making this an opportune time to consider allocations to the fund.



Reflects S&P 500 Index.

**Source:** Bloomberg, AIP, Industry sources. Bull market starts from lowest close reached after market has fallen 20% or more. Bear market starts from when the index closes at least 20% down from its previous high.

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## Market and Fund Outlook

In 2024 we expect the market narrative to change from rate hikes and inflation to rate cuts and credit events/risks. As such, the markets will continue to remain volatile.

### Why increase your allocation to Convertible Bonds now vs other asset classes?

- Designed for times of market uncertainty
- Paid to wait (6% distribution) with downside protection. Outperforms traditional benchmarks like convertible and private debt in both bull and bear markets.
- Low correlation to other asset classes
- Deal pipeline is robust – higher quality deals with better risk/return metrics
- Longevity, track record and credit experience are key ingredients for a successful private debt allocation, especially today. AIP Fund provides all three.

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# Appendix

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# Recent Awards and Recognition

## Canada and North America Awards

- Canadian Hedge Fund Awards (2024), AIP Convertible Private Debt Fund LP won Overall Best 2024 Canadian Hedge Fund Award. (Best Combined 10 Year Return AND Sharpe Ratio)
- HFM US Performance Awards (2023), AIP Convertible Private Debt Fund LP Shortlisted in the “Credit Long-Term performance (5 year) category”.
- Canadian Hedge Fund Awards (2022), AIP Convertible Private Debt Fund LP won 3<sup>rd</sup> place award in 5-year return category at CHFA ceremony.
- Alt Credit US Performance Awards (2021), AIP Convertible Private Debt Fund LP wins Best High Yield Fund
- Canadian Hedge Fund Awards (2021), AIP Convertible Private Debt Fund LP took home one 1st place award, two 2nd place awards and one third place award in the Global Macro/Managed Futures/Multi-Strategy category
- Canadian Hedge Fund Awards (2020), AIP Convertible Private Debt Fund LP took home three 1st place awards and two 2nd place awards in the Global Macro/Managed Futures/Multi-Strategy category
- Canadian Hedge Fund Awards (2019), AIP Convertible Private Debt Fund LP (formerly AIP Macro Fund LP), took home all three awards (1, 3- & 5-year Return) in the Private Debt category



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The AIP Convertible Private Debt Fund LP is generally exposed to the following risks. See the offering memorandum of the Fund for a description of these risks: marketability and transferability of units; investment and trading risks in general; hedge risks; Reliance on Advisor; No Assurance of Return; Tax Liability; Performance Amount; Possible Loss of Limited Liability; Funding Deficiencies; Income; Possible Effect of General Partner Distributions; Not a Public Mutual Fund; Potential Conflicts of Interest; Use of Borrowed Funds; Possible Effect of Redemptions; Charges to the Partnership; Lack of Independent Experts Representing Limited Partners; No Involvement of Unaffiliated Selling Agent; Custody Risk; Broker or Dealer Insolvency; Trading Errors; Changes in Investment Strategy; Valuation of the Partnership's Investments; Potential Indemnification Obligations; Litigation; Possible Negative Impact of Regulation of Hedge Funds.

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# Disclaimer

## Forward-Looking Statements

This presentation contains forward-looking statements which reflect the current expectations of management regarding future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as “may”, “would”, “could”, “will”, “anticipate”, “believe”, “plan”, “expect”, “intend”, “estimate”, and similar expressions have been used to identify these forward-looking statements. These statements reflect management’s current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. Many factors could cause actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this document. These factors should be considered carefully and undue reliance should not be placed on these forward-looking statements. Although the forward-looking statements contained in this document are based upon what management currently believes to be reasonable assumptions, there is no assurance that actual results, performance or achievements will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this presentation and AIP Asset Management Inc. does not assume any obligation to update or revise.

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