

**Part 2A of Form ADV: Firm Brochure**

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MSREF Real Estate Advisor, Inc.

as adviser to Prime Property Fund Asia Limited Partnership

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March 29, 2019

This Brochure provides information about the qualifications and business practices of MSREF Real Estate Advisor, Inc. (the “Adviser”). If you have any questions about the contents of this Brochure, you should contact Morgan Stanley Real Estate Investing Investor Services at (212)761-7160 or email [msreinvestor@morganstanley.com](mailto:msreinvestor@morganstanley.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

The Adviser is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information that you may find useful in deciding to hire or retain an adviser (or invest in a fund or product advised by the adviser).

Additional information about the Adviser also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 2 – Material Changes**

We provide this Brochure to our clients as well as limited partners (“Limited Partners”) of Prime Property Fund Asia Limited Partnership. There have been no material changes since the last update of this Brochure, which was dated March 28, 2018.

We will provide clients and Limited Partners with a new Brochure as necessary based on material changes or new information, at any time, without charge upon request.

Our Brochure may be requested by contacting Morgan Stanley Real Estate Investing Investor Services at (212) 761-7160 or email [msreinvestor@morganstanley.com](mailto:msreinvestor@morganstanley.com).

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#### **Item 4 – Advisory Business**

MSREF Real Estate Advisor, Inc. (the “Adviser”) was formed in 2006 and registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) in 2006.

The Adviser is a wholly-owned direct subsidiary of Morgan Stanley (collectively, with its affiliates, “Morgan Stanley”).

As of December 31, 2018, the Adviser had approximately \$10,193,129,588<sup>1</sup> of real estate assets under management, of which approximately \$8,053,419,578 was managed on a discretionary basis and approximately \$2,139,710,010 was managed on a non-discretionary basis.

The Adviser provides real estate-related investment advisory services to Prime Property Fund Asia Limited Partnership and its related commingled funds that comprise the Prime Asia investment program (the “Fund”). These advisory services consist primarily of advising and making investment decisions with respect to the acquisition, development and disposition of equity interests in real estate and real estate-related investments in Asia.

In providing its services to each of its advisory clients, the Adviser formulates such client’s investment objectives, directs and manages the investment and reinvestment of assets, and provides reports to investors. The Adviser manages the assets of each advisory client in accordance with the terms of the governing documents applicable to such client.

The Adviser’s affiliation with Morgan Stanley, including Morgan Stanley Real Estate Investing, the real estate investing business of Morgan Stanley, together with its subsidiaries and the supporting units dedicated to the real estate investing business (collectively, “MSREI”), provides it with access to valuable relationships, market knowledge, and financial and operating expertise. Morgan Stanley has been engaged in the real estate business since 1969 and the investing businesses employ professionals worldwide who have demonstrated a proven ability to source deals, structure complex transactions and identify multiple exit strategies which enhance the Fund’s ability to meet its return objectives.

The Adviser has delegated a substantial portion of its advisory duties, including but not limited to assistance with respect to strategic planning for the Fund, recommending investment opportunities, recommending strategic exit opportunities with respect to the Fund’s investments, monitoring performance of the Fund and providing such other assistance as the Fund may require in connection with its day-to-day operations, legal entity management and investment activities to an affiliate, Morgan Stanley Asia (Singapore) PTE., (the “Sub-Adviser”), pursuant to an agreement by and among the Adviser, the Sub- Adviser, the Fund and its general partner.

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<sup>1</sup> Real Estate Assets Under Management (RE AUM) represents gross fair market value of the Real Estate assets managed by the Adviser on behalf of its clients, presented at direct ownership interest. RE AUM for certain minority interests represents the clients’ equity investment in the entity.

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The activities of the Adviser described in this Brochure may be performed by the Adviser; (ii) by one of its affiliates that acts as a general partner or managing member of the Fund; or (iii) certain Non-US.-affiliated advisers that may provide advice or research for the Adviser for use with the Fund (in such capacity, “Participating Affiliates”).

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## **Item 5 – Fees and Compensation**

Certain fees described herein are subject to negotiation with investors.

### **Management Fees**

Under the current investment management fee arrangement as set forth in the Fund's Amended and Restated Limited Partnership Agreement, as amended (the "Partnership Agreement") (and without prejudice to the ability of the Adviser to enter, from time to time, into letter agreements or other similar arrangements with one or more Limited Partners that may confer additional benefits on individual Limited Partners that other Limited Partners will not receive), the Fund pays a management fee to the Adviser (or an affiliate thereof) comprised of two separate components: (i) the Base Fee and (ii) the Incentive Fee. The Base Fee in relation to each investor ranges from 25 basis points per annum to 120 basis points per annum of a Limited Partner's share of the Fund net asset value ("NAV") (established as of the last day of each calendar quarter (or at such other times as determined by the Adviser in its sole discretion)), payable quarterly in arrears on the last business day of each calendar quarter. The Incentive Fee is earned on the basis of the NAV and growth of the net operating income of the investments held by the Fund and ranges between 0 and 35 basis points of the Fund's average quarterly NAV over a calendar year. The Incentive Fee is payable at or promptly after the end of each calendar year and is equal to the aggregate amount of the Incentive Fee (including offsets for any negative amounts) accrued for each quarter of the calendar year. No Incentive Fee will be payable by the Limited Partners during the Fund's lock-up period. See also Co-Investments below for additional information on the fees and expenses relating to co-investments.

### **Expenses**

The Fund may also bear certain out-of-pocket expenses incurred by the Adviser and/or its affiliates in connection with the services provided to the Fund. The payment of such expenses by the Fund does not represent a source of profit for the Adviser, but rather is a reimbursement of actual costs initially paid by the Adviser (or its affiliates) and subsequently passed through to the Fund. The most common expenses include (i) fees, costs and expenses (including travel, meals and accommodations) incurred in conducting due diligence investigations into, purchasing, acquiring, developing, negotiating, structuring, monitoring, custody, hedging, financing, insuring and disposing of actual or potential Fund investments, including costs of external financial, legal, accounting, consulting or other advisors, or any lenders and other financing sources; third party out-of-pocket expenses incurred by the Adviser in connection with Fund investments or proposed Fund investments and other costs and expenses in connection with the acquisition, underwriting, market research, financing, operation, ownership, management, development, redevelopment, refinancing, sale, leasing or other disposition of Fund investments; costs and fees in connection with transactions which are not consummated, including reverse break-up fees and lost deposits; (ii) costs and expenses related to the engagement of third-party consultants, advisors and service providers, including costs and expenses incurred in connection with obtaining legal, tax, appraisal or accounting, property management, fund administration, custody

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or depositary advice or services; (iii) expenses incurred in connection with any litigation, indemnification or extraordinary expense or liability relating to the affairs of the Fund; (iv) expenses related to legal and regulatory compliance for the Fund; (v) expenses incurred in connection with and any principal, interest or other amounts owing in respect of any indebtedness or guarantees of the Fund or any proposed or definitive credit facility or other credit arrangement, including the repayment of amounts under such indebtedness, guarantees, credit facilities or other credit arrangements; (vi) expenses associated with portfolio and risk management including currency hedging and interest rate hedging; (vii) expenses associated with the Fund's advisory committee meetings and board meetings and any fees or compensation payable to the independent directors and expenses payable to all directors; and (viii) all other costs and expenses relating to the business of the Fund.

The Adviser is solely responsible for and shall pay for the Adviser's internal administration, overhead or compensation for employees of the Adviser except that the Adviser may be reimbursed for internal legal, accounting and other professional costs and expenses, including allocable compensation and overhead associated with the operation of the Fund, and that would otherwise be provided by outside professionals, so long as such costs and expenses are on economic terms no less favorable than could be obtained from an unaffiliated third party.

In addition, the Adviser may retain Morgan Stanley to provide various investment banking or other advisory services for the Fund and its portfolio companies and cause the Fund and the portfolio companies to pay Morgan Stanley customary fees for these services.

### **Placement Fees**

From time to time, broker-dealers that are affiliates of the Adviser may act as placement agents to assist in the placement of Fund interests. See also "Affiliates Acting as Fundraising Broker-Dealers" in Item 10 below.

### **Referral Fees**

Affiliates of the Adviser may refer or introduce a counterparty to the Fund in respect of certain transactions. Such affiliates may receive compensation (e.g., finder's fee) from the Fund as opposed to the counterparty.

### **Co-Investments**

The terms of a co-investment applicable to one co-investor may be different than the terms applicable to another co-investor, including that certain co-investors may be required to pay an incentive fee and/or management fees while other co-investors (including affiliates of Morgan Stanley) may not be required to pay such amounts. The Adviser may or may not charge management fees, one time funding fees and/or incentive fees in respect of co-investments, subject to the terms of any applicable agreements with investors. The allocation of any co-investment opportunities may directly or indirectly benefit the Adviser as a result of, among other things, the receipt of any such fees, capital commitments to the Fund and capital commitments to other Affiliated Investment Accounts (as hereinafter defined). Co-investors in

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one or more specific investments will not necessarily be required to share in broken-deal expenses that are paid by the Fund, either with respect to a co-investment opportunity that is not consummated or with respect to other potential investments that may be offered to the Fund. The performance of co-investments is not aggregated with that of the Fund, including for purposes of determining the Adviser's management fees and/or incentive fees under the Partnership Agreement. See also Allocation of Co-Investment Opportunities in Item 11 below for additional information on the allocation of co-investment opportunities.

### **Disparate Fee Arrangements with Service Providers**

Certain advisors and other service providers to the Fund (including accountants, administrators, lenders, bankers, brokers, agents, attorneys, consultants, and investment or commercial banking firms), and/or their affiliates, also provide goods or services to or have business, personal, political, financial or other relationships with Morgan Stanley, the Adviser or their affiliates. Such advisors and other service providers may be investors in the Fund, affiliates of the Adviser, sources of investment opportunities or co-investors or counterparties therewith. These other services and relationships may influence the Adviser in deciding whether to select or recommend such a service provider to perform services for the Fund (the cost of which generally will be borne by the Fund and, indirectly, the Limited Partners). In certain circumstances, advisors and other service providers, or their affiliates, charge different rates or have different arrangements for services provided to Morgan Stanley, the Adviser or their affiliates as compared to services provided to the Fund, which may result in more favorable rates or arrangements than those payable by the Fund. Item 10 further describes material relationships with Morgan Stanley and other affiliated entities.

The Confidential Offering Memorandum and Partnership Agreement for the Fund include further details on fees and compensation and related matters.



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**Item 6 – Performance-Based Fees and Side-By-Side Management**

As discussed in Item 5, the Adviser provides advisory services to the Fund and receives fees in consideration for such services. For such services to the Fund, the Adviser is entitled to an Incentive Fee. The Incentive Fee is earned on the basis of the NAV of the Fund and growth of the net operating income of certain of the investments held by the Fund. The Adviser will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. Performance-based fee arrangements may create an incentive for the Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. The Adviser has designed and implemented procedures to ensure that all clients are treated fairly and equitably, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Please see Item 5 for further information regarding performance-based fees charged by the Adviser.

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**Item 7 – Types of Clients**

The Adviser provides portfolio management services to pooled investment vehicles. These pooled investment vehicles are not subject to regulation under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Generally, Fund investors must invest a minimum of \$10 million, unless otherwise approved. In addition, Limited Partner interests in the Fund may be purchased only by certain eligible investors who are (i) “accredited investors” as defined in Regulation D of the Securities Act of 1933, as amended (the “Securities Act”), and (ii) “qualified purchasers” for purposes of Section 3(c)(7) of the Investment Company Act.

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## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

### **Investment Strategies**

The investments made by the Fund are typically in core real estate opportunities located in Asia. The Fund intends to focus on equity investments, primarily in the major institutional real estate asset classes (including office, retail, industrial and residential properties). Debt investments are generally expected to be ancillary to equity investments. From time to time the Adviser may cause the Fund to invest cash held by the Fund in temporary investments (“Temporary Investments”) on a short-term basis pending investment in long-term equity investments, or payments of expenses or other obligations of the Fund.

The Adviser’s main sources of information and investment opportunities are contacts with employees of Morgan Stanley, a public company listed on the New York Stock Exchange (of which the Adviser is a wholly-owned subsidiary), industry executives and established business relationships. Regional investment teams are responsible for performing due diligence on potential investments. Such analysis includes underwriting the potential returns and risks for such investments (including legal, tax, accounting and environmental issues), as well as regularly monitoring the value of such investments. The regional investment teams assess the impact of various macro and microeconomic shifts on potential investments and make recommendations to MSREI on strategies to maximize the value of investments. Special attention is given to the capacity of said real estate to provide current rental income, and the ability of the real estate’s surrounding market to sustain growing property values. Investments recommended by the Adviser in the area of real estate (including real estate-related securities) will generally be for long-term purchase, with the majority of the returns derived from income production and an important part of the return on such investments attained through capital appreciation over the holding periods which may extend in some instances for several years.

### **Methods of Analysis**

#### ***Evaluation of Investment Opportunities; Investment Decisions***

All investment decisions are made by the Adviser in consultation with Fund’s investment committee (“Investment Committee”). The Investment Committee is comprised of senior professionals of Morgan Stanley, including individuals with a wide range of relevant real estate, investment banking, capital markets, private equity, risk management and other business experience.

In connection with making a proposed investment, MSREI prepares analyses to project realizable cash flows and assess the ability of the real estate investment to support its obligations as well as its potential to appreciate in value. Where appropriate in its analysis, MSREI works with management, developers or other partners and consultants to enhance MSREI’s understanding of the real estate investment and its prospects.

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MSREI's professionals, through years of real estate industry experience, provide the Fund with significant support in evaluating investment opportunities. In the aggregate, such professionals have knowledge of most of the major real estate markets globally. In addition, many of MSREI's professionals are familiar with the real estate classes in which the Fund may consider making an investment. Such in-house industry expertise permits the Fund to respond to investment opportunities in an expedited manner.

Where appropriate, the Adviser retains third-party consultants to assess business and market conditions, competition, physical and environmental concerns and other factors that it deems necessary to review with external advisors.

### ***Management of Risk***

After completing an acquisition, the Adviser considers further steps to manage the on-going risk, including managing interest rate and foreign exchange rate exposure, monitoring debt duration and mix of maturities, the sale of properties with limited upside potential, global insurance policies and appropriate economic incentives for property managers, joint venture partners and corporate executives.

### ***Asset Management***

The Adviser oversees all of the Fund's investments utilizing strict operational and accounting controls in conjunction with periodic site inspections, while corporate management teams, joint venture partners and other third-party property managers are responsible for the day-to-day operations of each investment. The entities responsible for the day-to-day operations of specific investments are compensated in a manner intended to ensure that the interests of these entities are aligned with those of the Fund. Generally, this is achieved through equity participation in the investment and compensation linked to the success of the investment.

In connection with MSREI's asset management program, the Adviser supervises and oversees the management of each investment, reviewing the operational discussions, joint venture decisions and third-party property managers with the objective of maximizing the overall performance of each investment. Reporting on the performance of each investment is integral to the Fund's asset management program. Status reports on the Fund's investments are prepared by the separate asset management or portfolio management teams, joint venture partners and third-party property managers for review by the Adviser. In addition, an operating budget for each property and investment is prepared for review and approval by the Adviser.

A group of senior MSREI team executives comprised of investment and asset management professionals reviews the operations of the Fund's investments and approves or disapproves any strategic operating decisions regarding a property or investment. These senior executives recommend disposition and recapitalization strategies based on the ongoing performance of specific investments and changing market conditions.

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## Risk Considerations Associated with Investing - In General

The following is a non-exhaustive description of risks associated with investments generally and/or may apply to one or more types of investment technique.

- **General Economic and Market Risks.** The Fund's investments 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 Fund's investments. Unexpected volatility or lack of liquidity, such as the general market conditions that have prevailed recently, could impair the Fund's profitability or result in its suffering losses. Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or issuers in other countries or regions.
- **Cyber Security-Related Risks.** The Adviser is susceptible to cyber security risks that include, among other things, theft, unauthorized monitoring, release, misuse, loss, destruction or corruption of confidential and highly restricted data; denial of service attacks; unauthorized access to relevant systems, compromises to networks or devices that the Adviser and its service providers, if applicable, use to service the Fund; or operational disruption or failures in the physical infrastructure or operating systems that support the Adviser or its service providers, if applicable.

Cyber-attacks against, or security breakdowns of, the Adviser or its service providers, if applicable, may adversely impact the Adviser and the Fund, potentially resulting in, among other things, financial losses; the Adviser inability to transact business on behalf of the Fund; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs; and/or additional compliance costs. The Adviser may incur additional costs related to cyber security risk management and remediation. In addition, cyber security risks may also impact portfolio companies in which the Adviser invests on behalf of the Fund, which may cause the Fund's investment in such portfolio companies to lose value. There can be no assurance that the Adviser or its service providers, if applicable, will not suffer losses relating to cyber-attacks or other information security breaches in the future. While the Adviser has established business continuity and risk management systems seeking to address system breaches or failures, there are inherent limitations in such plans and systems.

- **Legal and Regulatory Risks.**

Section 619 of the Dodd-Frank Act (commonly referred to as the "Volcker Rule"), along with regulations issued by the Federal Reserve and other U.S. federal financial regulators ("Implementing Regulations") generally prohibit "banking entities" (which term includes bank holding companies and their affiliates) from investing in, sponsoring, or having certain types of relationships with, private equity funds or hedge funds (referred to in the Implementing Regulations as "covered funds"). Banking

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entities (including Morgan Stanley and its affiliates) were required to bring their activities and investments into conformance with the Volcker Rule by July 21, 2015, subject to certain extensions granted by the U.S. Federal Reserve that allow Morgan Stanley and its affiliates until July 21, 2022 at the latest to bring certain of their covered fund activities and investments into compliance with certain aspects of the Volcker Rule.

The Volcker Rule and the Implementing Regulations impose a number of restrictions on Morgan Stanley and its affiliates that could affect the Adviser, a covered fund offered by the Adviser, the general partner of those funds, and the limited partners of such funds. For example, to sponsor and invest in certain covered funds, Morgan Stanley must comply with the Implementing Regulations' "asset management" exemption to the Volcker Rule's prohibition on sponsoring and investing in covered funds. Under this exemption, the investments made by Morgan Stanley (aggregated with certain affiliate and employee investments in a covered fund must not exceed 3% of the covered fund's outstanding ownership interests and Morgan Stanley's aggregate investment in covered funds does not exceed 3% of Morgan Stanley's Tier I capital. In addition, the Volcker Rule and the Implementing Regulations prohibit Morgan Stanley and its affiliates from entering into certain other transactions (including "covered transactions" as defined in Section 23A of the U.S. Federal Reserve Act, as amended) with or for the benefit of, covered funds that it sponsors or advises. For example, Morgan Stanley may not provide loans, hedging transactions with extensions of credit or other credit support to covered funds it advises. While we endeavor to minimize the impact on our covered funds and the assets held by them, Morgan Stanley's interests in determining what actions to take in complying with the Volcker Rule and the Implementing Regulations may conflict with our interests and the interests of the private funds, the general partner and the limited partners of the private funds, all of which may be adversely affected by such actions. The foregoing is not an exhaustive discussion of the potential risks the Volcker Rule poses for the Adviser and Morgan Stanley.

Departure of the United Kingdom (UK) from the European Union (EU). On June 23, 2016, the UK voted by referendum to leave the EU, an event widely referred to as "Brexit". On 29 March 2017, the UK formally gave notice of its intention to leave the EU under Article 50 of the Treaty on the European Union. Since then, the UK and EU have been engaged in negotiations on the terms of the UK's departure from the EU (the "Withdrawal Agreement") and a framework for a future relationship (the "Framework"). The UK's departure from the EU was scheduled to take place on 29 March 2019 but, with the UK yet to ratify the Withdrawal Agreement and Framework, this date has been extended to either 12 April 2019 (if the UK does not ratify those documents) or 22 May 2019 (if the UK does ratify those documents). The outcome of the Brexit process is unclear and possible outcomes include a "no deal" exit; an exit with a deal and transition period, a "soft Brexit" where the UK remains in the EU single market and/or customs union; and a revocation of the Article 50 notice such that the UK remains in the EU.

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Pooled investment vehicles advised by the Adviser may make investments in the UK (before and after its expected departure from the EU), other EU member states and in non-EU countries that are directly or indirectly affected by the expected exit of the UK from the EU. Adverse legal, regulatory or economic conditions affecting the economies of the countries in which a fund managed by the Adviser conducts its business (including making investments) and any corresponding deterioration in global macro-economic conditions could have a material adverse effect on such client's prospects and/or returns. Potential consequences to which a fund managed by the Adviser may be exposed, directly or indirectly, as a result of the UK referendum vote include, but are not limited to, reduced access to EU markets, market dislocations, economic and financial instability in the UK and other EU member states, increased volatility and reduced liquidity in financial markets, reduced availability of capital, an adverse effect on investor and market sentiment, Sterling and Euro destabilization, reduced deal flow in the fund's target markets, increased counterparty risk and regulatory, legal and compliance uncertainties. Any of the foregoing or similar risks could have a material adverse effect on the operations, financial condition, returns, or prospects of the fund managed by the Adviser, the Adviser and/or sub-advisers, if any, in general. The effects on the UK, European and global economies of the exit of the UK (and/or other EU member states during the term of the investment vehicle) from the EU, or the exit of other EU member states from the European monetary area and/or the redenomination of financial instruments from the Euro to a different currency, are impossible to predict and to protect fully against.

#### **Risk of Loss – Certain Risks Related to Investment Strategy**

Investing in securities involves risk of loss that clients should be prepared to bear. The Adviser cannot provide assurance that it will be able to generate any level of returns for investors. Our investment strategy entails a high degree of risk and is suitable only for sophisticated investors who fully understand and are capable of bearing the risks of an investment in the Fund.

The following list of risk factors does not purport to be a complete list or explanation of the risks involved in an investment in the Fund. The risks summarized below are described in greater detail in the Confidential Offering Memorandum for the Fund. In addition, there are other risks (in addition to risks related to our investment strategy) associated with investing in the Fund, which are described in the Confidential Offering Memorandum. You may also request an updated explanation of risk factors by contacting Morgan Stanley Real Estate Investing Investor Services as described above.

- potential loss of invested capital;
- significant degree of financial and/or business risk;
- risks associated with real estate investments;

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- competitive real estate investing environment;
  - risks arising from the volatility of the real estate markets and private equity, private debt, public equity, public debt, global fixed income and other financial markets;
  - failure of counterparties or brokers;
  - changes to the Fund's investment strategies;
  - risks of acquiring real estate loans and participations;
  - third party partner investment risks for joint ventures and partnerships;
  - lack of diversification due to number, location and type of investments;
  - interest rate fluctuations;
  - lack of protection by financial covenants in debt investments;
  - lack of liquidity and long term nature of investments;
  - limitations on transfers and withdrawals;
  - little or no current return on investments prior to their disposition;
  - risks associated with the realization and disposition of investments;
  - indemnification;
  - tax considerations;
  - use of leverage at the Fund and investment level;
  - risks of borrowing, including inability to obtain indebtedness on favorable terms;
  - commercial and business risks associated with investments in real estate related businesses;
  - failure to refinance bridge financing;
  - risks arising from providing managerial assistance;
  - reliance on the management of operating companies;
  - investments in non-performing, underperforming or other troubled assets;
  - risks associated with non-U.S. and minority investments;
  - potential inability to protect the value of minority equity investments;
  - global financial volatility and its impact in the Asia Pacific region;
  - highly competitive and prevailing regulatory or political climates;
  - adverse political developments and regulation in foreign countries;



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- growth market risks;
  - catastrophic and other force majeure events;
  - interest rate, hedging and currency risks;
  - decision to use hedging techniques;
  - expedited transactions;
  - valuation risks; limitations of net asset value information
  - limitations on investing due to possession of inside information;
  - burdensome regulation by one or more governmental entities in specific industries and potential for increased regulation; and
  - cybersecurity risks.

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## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Adviser or the integrity of the Adviser's management.

In February 2009, Morgan Stanley announced that it had uncovered actions initiated by an employee based in China in an overseas real estate subsidiary that appear to have violated the United States Foreign Corrupt Practices Act. Morgan Stanley terminated the employee, reported the activity to appropriate authorities and cooperated with investigations undertaken by the DOJ and the SEC. On April 25, 2012, the DOJ announced that the former employee had pled guilty to certain criminal charges, and the SEC announced that it had brought certain civil charges against the former employees, which were settled. On the same day, the DOJ and SEC announced that they would not take any action against Morgan Stanley in connection with this matter.

Unrelated to the immediately preceding paragraph, in February 2009, the Italian financial and securities regulatory authority, known as Consob, made findings involving Mr. Olivier de Poulpique and others as described below. The events at issue took place in 2007, when Mr. de Poulpique was a member of the Board of Directors and the Managing Director of the Investment & Asset Management Division of Pirelli & C. Real Estate S.p.A. ("Pirelli RE"), and involved tender offers made by a joint venture vehicle (the "JV") owned by Pirelli RE and Morgan Stanley Real Estate Special Situations Fund III, L.P. for the units of two Italian listed investment funds managed by Pirelli & C. Real Estate SGR S.p.A. ("Pirelli RE SGR"), an affiliate of Pirelli RE. The JV was advised by Morgan Stanley and Bonelli Erede Pappalardo in connection with the tender offers. The tender offers triggered competing bids from third parties, resulting in increases in the purchase prices for the investment funds' units from €590 to €690 per unit in the case of one investment fund and from €540 to €913 per unit in the case of the other investment fund. To the best of our knowledge, there were no complaints filed by any investor in either of the two listed investment funds with respect to the tender offers and their outcomes.

The Consob findings were issued in February 2009, pursuant to which Consob found Pirelli RE, Pirelli RE SGR, and directors and certain officers and employees of Pirelli RE and Pirelli RE SGR (in all, eight individuals including Mr. de Poulpique) to have violated Italian securities laws. Consob found that the tender offer documents relating to both tender offers did not adequately disclose information concerning the reasons for the tender offers and the future plans of the JV with respect to the investment fund units purchased by the JV for cash pursuant to the tender offers. Consob also found that the tender offer documents for one of the tender offers failed to disclose that the purchase price offered in the tender offer was not supported by a certain financial analysis prepared for the JV. In addition, a third finding related to undue influence involving a conflict of interest by Pirelli RE and certain Pirelli RE representatives over certain actions taken by Pirelli RE SGR in connection with the tender offer. The Consob findings were appealed to an intermediate appeals court which overturned one finding but upheld

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the three described above, including administrative monetary sanctions aggregating €460,000 against Mr. de Poulpiquet. Mr. de Poulpiquet contested the findings and both he and Consob appealed various issues to the Italian Supreme Court, which on 20th November 2015 upheld the decisions of the intermediate appeals court.

At the time Mr. de Poulpiquet joined Morgan Stanley & Co. International plc (“Morgan Stanley International”) in 2010, Morgan Stanley International reviewed the Consob findings. Based on their assessment of Mr. de Poulpiquet and the Consob findings, Morgan Stanley International and the Adviser concluded and continue to believe that Mr. de Poulpiquet is fit for his role with the Adviser.

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## **Item 10 – Other Financial Industry Activities and Affiliations**

### **Introduction**

As a diversified global financial services firm, Morgan Stanley engages in a broad spectrum of activities including financial advisory services, investment management activities, lending, commercial banking, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication and other activities. Investors should be aware that potential and actual conflicts of interest between Morgan Stanley or any Affiliated Investment Account, on the one hand, and the Fund, on the other hand, may exist and others may arise in connection with the operation of the Fund. Morgan Stanley's employees may also have interests separate from those of Morgan Stanley and the Fund. The discussion below enumerates certain actual, apparent and potential conflicts of interest. The Adviser can give no assurance that conflicts of interest will be resolved in favor of the Fund's investors, and, in fact, they may not be.

The following discussion enumerates certain potential conflicts of interest, which should be carefully evaluated before making an investment in the Fund.

### **Broker-Dealer Registration**

Morgan Stanley & Co. LLC is a registered broker-dealer. Certain of the Adviser's management persons are registered representatives of Morgan Stanley & Co. LLC, where it is necessary or appropriate to perform their responsibilities.

### **Commodity Pool Operator, Commodity Trading Adviser, Futures Commission Merchant Registration**

The Adviser, the Fund, the Fund's portfolio companies and their respective affiliates may use the commodity pool operator, commodity trading advisor and futures commission merchant registrations or exemptions of one or more of the following related persons: MS Credit Partners II GP L.P., MS Credit Partners III GP L.P., MS Capital Partners V L.P., MS Expansion Capital GP LP, MS Tactical Value Fund GP LP, NH Senior Loan Fund GP Ltd., Prime Property Fund Asia GP Pte Limited, Morgan Stanley Infrastructure GP LP, Morgan Stanley Infrastructure, Inc., Morgan Stanley India Infrastructure GP LP, Morgan Stanley Infrastructure III GP L.P., MS Capital Partners V GP L.P., MS Capital Partners VI GP L.P., MS Energy Partners GP LP, Morgan Stanley Private Equity Asia, L.L.C., Morgan Stanley, Private Equity Asia III, L.L.C., Morgan Stanley Private Equity Asia V GP ONT, L.P., MS Thai Private Equity GP LLC, Morgan Stanley Private Equity Asia IV, L.L.C., MSREF V, L.L.C., MSREF V U.S.-GP, L.L.C., MSREF V, International-GP, L.L.C., MSREF Real Estate Advisor, Inc., MSREF VI International-GP, L.L.C., MSREF VII Hedging GP, Ltd., MSREF VII Global-GP, L.P., MSREF VIII Global-GP, L.P., North Haven Real Estate Fund VIII Global-F, L.P., MSREI IX Global-GP, L.P., Morgan Stanley Infrastructure II GP LP, Morgan Stanley Real Estate Special Situations III-GP LLC, SSF III Hedging GP, Ltd., MS Capital Partners Adviser, Inc., Morgan Stanley Private Equity Asia

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Inc., Morgan Stanley AIP GP LP, Morgan Stanley Alternative Investment Partners LP, and Morgan Stanley Investment Management Inc.

**Other Material Relationships with Affiliated Entities**

- Broker-Dealer, Municipal Securities Dealer, Government Securities Dealer or Broker

To the extent permitted by applicable law, the Adviser, the Fund or its portfolio companies may use the securities, futures execution, underwriting or other services offered by Morgan Stanley & Co. LLC or other affiliates. Please see Item 12 for more information about the Adviser's practices concerning using a Morgan Stanley affiliate as a broker.

- Participating Affiliates

Investment advice is provided to the Fund and its general partner not only through the Adviser but also through certain of the employees of one or more of the following Participating Affiliates:

- Morgan Stanley & Co. International plc
- Morgan Stanley Bank International Limited
- Morgan Stanley SGR S.P.A.
- Morgan Stanley (France) SAS
- Morgan Stanley S.V., S.A.U.
- Morgan Stanley Bank AG
- Morgan Stanley Australia Limited
- Morgan Stanley India Financial Services Private Limited
- Morgan Stanley Asia Limited
- Morgan Stanley Asia (Singapore) PTE
- Morgan Stanley Capital K.K.
- Morgan Stanley Business Consulting (Shanghai) Limited
- OOO Morgan Stanley Bank

The Participating Affiliates also may provide non-advisory services to the Adviser and the Fund. The Adviser may delegate all or a portion of its advisory or other functions to any of its Participating Affiliates.

The Adviser has delegated a substantial portion of its advisory duties, including but not limited to assistance with respect to strategic planning for the Fund, recommending investment opportunities, recommending strategic exit opportunities with respect to the Fund's investments, monitoring performance of the Fund and providing such other assistance as the Fund may require

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in connection with its day-to-day operations, legal entity management and investment activities to the Sub-Adviser pursuant to an agreement by and among the Adviser, Sub Adviser, the Fund and its general partner.

The Participating Affiliates will remain subject to the supervision of the Adviser in respect of their provision of services to the Adviser and the Fund.

- Other Advisory Affiliates

The Adviser is part of a group of investment advisers within the Morgan Stanley Investment Management business, including Morgan Stanley Investment Management Inc., Morgan Stanley Investment Management Limited, Morgan Stanley Investment Management (Japan) Co., Ltd., Morgan Stanley AIP GP LP, Morgan Stanley Asset Management Private Limited, Morgan Stanley Real Estate Advisor, Inc., MS Capital Partners Adviser Inc., Morgan Stanley Infrastructure Inc., Morgan Stanley Private Equity Asia, Inc., MSREF V, L.L.C., MSRESS III Manager, L.L.C., and Mesa West Capital, LLC.

The Adviser, in its discretion, may delegate all or a portion of its advisory or other functions to any affiliate that is registered with the SEC as an investment adviser and may receive a variety of services from such affiliates, including gathering information about potential investment opportunities, financial advice and assistance in connection with the making, monitoring and disposing of investments and securities underwriting and brokerage services in connection with the sale of investments. The Adviser shares certain officers and directors with related investment advisers that also manage affiliated private equity funds.

To the extent that the Adviser delegates its advisory or other functions to such investment advisers, a copy of the brochure of each such affiliate is available on the SEC's website and will be provided to investors in the Fund upon request.

- Affiliates Acting as Fundraising Broker-Dealers

Broker-dealers that are affiliates of Morgan Stanley may act as placement agents (the "Placement Agents") to assist in the placement of interests to certain Limited Partners (such Limited Partners, the "Solicited Partners"). The potential for the Placement Agents to receive compensation in connection with a Solicited Partner's investment in the Fund presents a potential conflict of interest in recommending that such Solicited Partner purchase interests.

The prospect of receiving, or the receipt of, additional compensation by the Placement Agents may provide such Placement Agents and their salespersons with an incentive to favor sales of interests and interests in funds whose affiliates make similar compensation available over sales of interests in funds (or other fund investments) with respect to which the Placement Agent does not receive additional compensation, or receives lower levels of additional compensation. Prospective investors should take such payment arrangements into account when considering and evaluating any recommendations related to the interests. Morgan Stanley employees involved in the marketing and placement of the interests are not acting as tax, financial, legal or accounting

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advisors to potential investors in connection with the offering of the interests. Potential investors must independently evaluate the offering and make their own investment decisions.

The Adviser and the Fund may use registered representatives and/or employees of its affiliates to conduct solicitation activities in relation to new or incoming Limited Partners to the Fund or act as placement agents

- Affiliates Acting as Investment Bankers

In the ordinary course of its business, Morgan Stanley performs full-service investment banking and financial services and therefore engages in activities where Morgan Stanley's interests or the interests of its clients may conflict with the interests of the investors, notwithstanding Morgan Stanley's direct or indirect participation in the investments of the Fund.

From time to time, Morgan Stanley's investment banking professionals may introduce to the Fund a client that requires equity to complete an acquisition transaction. If the Fund pursues the resulting investment, Morgan Stanley could have a conflict in its representation of the client over the price and terms of the Fund's investment.

Morgan Stanley has long-term relationships with a significant number of institutions and corporations and their advisors as well as certain Limited Partners. In determining whether to pursue a particular transaction on behalf of the Fund, these relationships will be considered by Morgan Stanley and there may be certain potential transactions that will or will not be pursued on behalf of the Fund in view of such relationships.

In addition, Morgan Stanley could provide investment banking services to competitors of companies in which the Fund invests, in which case it will take appropriate steps to safeguard the confidential information of each investment banking client. Morgan Stanley is under no obligation to share and, in fact, may be prohibited by applicable law, from sharing information with the Fund or the Adviser. Such activities may present Morgan Stanley with a conflict of interest vis-à-vis the Fund's portfolio companies and may also result in a conflict with respect to the allocation of investment banking resources to portfolio companies. Alternatively, any material non-public information about a potential investment or portfolio company in which Morgan Stanley comes into possession may preclude the Fund from pursuing an investment or exit opportunity with respect to such portfolio company or investment.

Morgan Stanley may also be engaged to act as financial advisor to financially troubled companies in which the Fund holds an investment. Morgan Stanley's compensation for such activities is generally based upon the successful completion of a restructuring which may include raising funds for the purchase, exchange or restructuring of existing securities or loans or for an equity infusion. In such case, certain conflicts of interest would be inherent in the situation including those involved in valuing the company.

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- Other Limited Partnership Investment Vehicles or Funds
    - General; Carried Interests

The Adviser and/or certain related persons have and may continue to organize other partnerships and serve as the manager, general partner, or the managing member or general partner of the general partner, to these partnerships. In organizing these partnerships, the Adviser or a related person may be deemed to have been or to be soliciting investors.

The Adviser's carried interest or performance fee (earned by the Adviser or an affiliate) may create an incentive for the Adviser to make more speculative investments for such client than it would otherwise make in the absence of such performance-based distributions. Furthermore, investments made with third parties in joint ventures or other entities may involve carried interests and/or other fees payable to such third party partners of co-investors, which could also create an incentive for such parties to take risks with respect to such investments. In addition, the method of calculating the carried interest may result in conflicts of interest between the Adviser, on the one hand, and the investors, on the other hand, with respect to the management and disposition of investments. For example, the Adviser will value any securities being distributed in-kind to investors in order to calculate the carried interest. If the valuations conducted by the Adviser are incorrect, the amount of payment of carried interest could be incorrect.

- Morgan Stanley Investments and Affiliated Investment Accounts

Morgan Stanley may advise clients and has sponsored, managed or advised other alternative investment funds and investment programs, accounts and businesses (collectively, together with any new or successor funds, programs, accounts or businesses, the "Affiliated Investment Accounts") that have or will have active investment programs that are substantially similar to those of the Fund. Morgan Stanley may also from time to time create new or successor Affiliated Investment Accounts that may compete with the Fund and may present similar conflicts of interest. Certain members of the Fund's investment team and the Investment Committee may make investment decisions on behalf of both Morgan Stanley and such Affiliated Investment Accounts, including Affiliated Investment Accounts with investment objectives that overlap with those of the Fund. In addition, certain Affiliated Investment Accounts may make investments similar to those that may be made by the Fund even if they are not solely focused on such investments.

Morgan Stanley related persons (including Morgan Stanley's trading and principal investing businesses) will have no obligation to offer to the Fund investment opportunities that are excluded from any otherwise existing contractual obligation. In such situations, a Morgan Stanley related person may pursue and make the investment for its own account. When deciding how to allocate such opportunities, Morgan Stanley will exercise its discretion and may consider its own financial interests or the interests of other clients or affiliates of Morgan Stanley ahead of those of the Fund.



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In some cases, Morgan Stanley or an Affiliated Investment Account may invite the Fund to co-invest with it or the Adviser may invite Morgan Stanley or an Affiliated Investment Account to co-invest with the Fund, in either the same or different tiers of a portfolio company's capital structure or in an affiliate of such portfolio company. To the extent the Fund holds investments in the same portfolio company or in an affiliate thereof that are different (including with respect to their relative seniority) than those held by Morgan Stanley or an Affiliated Investment Account, the Adviser and Morgan Stanley may be presented with decisions when the interests of the two co-investors are in conflict.

- Other Morgan Stanley Investment Management Activities

Morgan Stanley and its affiliates invest, on behalf of themselves, in securities and other instruments that would be appropriate for, are held by, or may fall within the investment guidelines of a client. In connection with these activities, Morgan Stanley may also take actions for its own accounts that may differ from, conflict with, or be adverse to, advice given to or action taken for clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for, one or more clients and/or the Fund.

Morgan Stanley, through its affiliates, invests in many of its private investment funds for its own account where Morgan Stanley affiliates act as an investment adviser and/or general partner. In addition, it may receive performance based compensation or benefit from a "carried interest" which is tied to the investment performance of such private investment funds. Morgan Stanley may engage in a variety of transactions, including entering into derivatives contracts, to limit its exposure to the risk of such investments. For example, Morgan Stanley may choose to hedge exposures (currency, interest rate, equities or commodities) arising from its investments in, or exposure to, through performance based fees or carried interest, such private investment funds. These hedging activities may be inconsistent with the investment or hedging activities undertaken by Morgan Stanley affiliates acting as general partner and/or adviser to such private investment funds.

As a result of and taking into account such hedging, the performance of investors in such private investment funds who do not engage in hedging on their own may differ materially from those investors (including Morgan Stanley) who do engage in such activities. In addition, such activities may diminish the alignment of interest between Morgan Stanley and a particular private investment fund's investors.

- Management Persons

Officers and employees supporting the Adviser may also serve as directors of certain portfolio companies and, in that capacity, will be required to make decisions that they consider to be in the best interest of the portfolio company, which in certain circumstances may not be in the best interests of the Fund. Companies with which one or more members of the investment team or other employees of Morgan Stanley are involved may also engage in transactions that would be

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suitable for the Fund, but in which the Fund might be unable to invest. Accordingly, in these situations, there may be conflicts of interests between such person's duties as an officer or employee of the Adviser and such person's duties as a director of the portfolio company.

Certain of the Adviser's management persons may also hold positions with the affiliates listed above. In these positions, those management persons of the Adviser may have some responsibility with respect to the business of these affiliates and the compensation of these management persons may be based, in part, upon the profitability of other affiliates. Additionally, these management persons may come into possession of confidential non-public information and may be recused from certain investment-related discussions, including Investment Committee meetings, so that such members do not receive information that would limit their ability to perform functions of their employment with Morgan Stanley unrelated to the clients. Consequently, in carrying out their roles with the Adviser or the Fund and these other entities, the management persons of the Adviser may be subject to the same or similar conflicts of interest that exist between the Adviser and these affiliates.

### **Conflict Identification and Mitigation**

Morgan Stanley and the Adviser have established procedures intended to identify and mitigate conflicts of interest related to business activities on a worldwide basis. A conflict management officer for each business unit and/or region acts as a focal point to identify and address potential conflicts of interest in their business area. When appropriate, there is an escalation process to senior management within the business unit, and ultimately if necessary to Firm management or the Firm's conflict and franchise committees, for potentially significant conflicts that cannot be resolved in the ordinary course or that otherwise require senior management review. In addition, the Adviser addresses conflicts through disclosure to its investors and should any transactions that present a potential conflict of interest actually arise, the Adviser may in certain situations choose to seek the approval of the investors, limited partners, an independent client representative and/or advisory committee for the respective fund with respect to conflicts of interest or approvals required under the Advisers Act, including Section 206(3) and/or the relevant partnership agreement. The Adviser may also choose to seek the approval of Limited Partners of the Fund with respect to certain conflict situations or matters under the Advisers Act.

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## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

The Adviser has adopted a Code of Ethics (the "Code") pursuant to Rule 204A-1 under the Advisers Act, applicable to persons who are supervised by the Adviser or support the Adviser in providing investment advice to the Fund or its general partner or, and who have access to non-public information regarding the purchase or sale of securities, or who make securities recommendations to the Fund or its general partner, or who have access to such recommendations that are non-public ("Access Persons"). Each Access Person is required to acknowledge the Code at the inception of his/her employment and annually thereafter. The Code is designed to make certain that all acts, practices and courses of business engaged in by Access Persons are conducted in accordance with the highest possible standards and to prevent abuse, or even the appearance of abuse, by Access Persons with respect to their personal trading and other business activities.

The Code addresses the personal trading and investment activities of Access Persons, as more fully described below. In addition, the Code addresses standards of business conduct and fiduciary duties expected of Access Persons, including confidentiality obligations and restrictions on outside business activities and other conflicts of interest.

Violations of the Code are subject to sanction, including reprimand, demotion, suspension or termination of employment.

Copies of the Code are available upon request from the Adviser.

### **Personal Trading and Investments**

The Code refers to a number of policies governing the securities trading and investing activities of employees for their own accounts. Such policies require all Access Persons to pre-clear trades for covered securities, as defined under the policies, in a personal account. A pre-clearance request will be denied if such securities are under consideration for investment, or have been acquired by, a client of the Adviser, or if the Adviser is in receipt of material non-public information of the company or if another conflict exists. Such policies also impose holding periods and reporting requirements for covered securities. In addition, investments in private placements or an employee's participation in an outside business activity must be pre-approved by the employee's designated manager and the Chief Compliance Officer.

### **Participation or Interest in Client Transactions**

Prior to subscribing for interests in the Fund, investors receive information relating to potential conflicts of interest between the activities of the Fund and the business activities of the Adviser, and its affiliates, or clients that may have a financial interest in the securities in which the Fund invests.

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On rare occasions, the Fund may sell a security or asset which another fund, or an affiliate of the Adviser, wants to own. On these occasions, after extensive Firm and legal and compliance review and documentation, a sale of the security or asset from one fund to another may be permitted.

The Adviser may purchase and sell public and private investments and co-invest the assets of the clients alongside other funds and accounts managed by the Adviser or its affiliates in compliance with the requirements and conditions of rules, regulations, orders, or interpretations of the SEC, or no-action letters of the SEC Staff, and in accordance with Fund and client account governing documents.

### **Allocation of Investment Opportunities**

The Adviser has a governance process in place to give all clients fair access to new real estate investment opportunities in the territories made available to such clients. The following factors will be considered, as appropriate, in connection with allocation decisions:

- Investment guidelines, goals or restrictions of the client
- Capacity of the client
- Existing allocation to similar strategies and the diversification objectives of the client
- Tax, legal or regulatory considerations
- With respect to co-investment allocations, whether the co-investor can add value to the operations of the business or provide future opportunities to the business of the client (see also “Allocation of Co-Investment Opportunities” below)
- Rights of first offer in favor of one or more clients
- Other relevant business considerations

The Adviser is empowered to take into account other considerations it deems appropriate to ensure a fair and equitable allocation of opportunities.

### **Allocation of Co-Investment Opportunities**

The Adviser may allocate co-investment opportunities among interested parties in its sole discretion including for example, on the basis of the size of investor commitments to the Fund and other Affiliated Investment Accounts as well as a broad range of other considerations, including, commercial considerations for the applicable portfolio investment, an investor’s stated desire to participate in co-investments, the Adviser’s determination of the appropriateness of offering a co-investment opportunity, an investor’s ability to execute such offer and the approval of transaction counterparties. There can be no assurance with respect to the amount of any co-investment opportunity that will be made available to an investor in connection with the Fund, and there is no guarantee, prediction or projection of the availability to an investor of co-investment opportunities.

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Investing in the Fund does not entitle any Limited Partner to allocations of co-investment opportunities. Co-investment opportunities may, and typically will, be offered to some and not other investors or to third parties (including affiliates of Morgan Stanley) who are not investors in the Fund. In addition, subject to the foregoing priority rights (if applicable), an investor may be offered fewer co-investment opportunities than investors with the same or smaller capital commitments in the Fund and other Affiliated Investment Accounts, and some investors may receive no such offers while other investors with capital commitments of the same or lower amount may receive substantial offers for such opportunities. Limited Partners are not required to participate in co-investments offered by the Adviser. The actual number of co-investment opportunities made available to Limited Partners may be significantly higher or lower than those made available in connection with other Affiliated Investment Accounts.

Please refer to Item 10 for a description of other financial industry activities and affiliations of Morgan Stanley, and a discussion of the material conflicts relating thereto.

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## **Item 12 – Brokerage Practices**

Due to the nature of the investments the Fund makes, broker-dealers are not generally used for transactions. However, when executing transactions on behalf of the Fund through a broker, dealer or underwriter, the Adviser's objective will be to obtain "best execution" (that is, the most favorable price and execution). The Adviser's effort to obtain best execution on any individual transaction depends substantially on its judgment, knowledge and experience in evaluating the counterparties', advisers' and service providers' ("Counterparties") reliability and capability based on previous and pending transactions effected by the broker-dealer for client accounts. Some of the factors considered by the Adviser in selecting a Counterparty include, among other things, execution quality and capabilities, including with regard to market making, commissions charged by and gross compensation paid to such Counterparty, and special knowledge of the Adviser's clients' markets.

The Adviser will only consider engaging in a principal or cross transaction with Morgan Stanley or its affiliates on behalf of the Fund or client to the extent permitted by applicable law.

A broker-dealer (including a Morgan Stanley affiliate) may act as agent for one or more clients in selling publicly traded securities simultaneously. In such a situation, transactions may, but are not required to, be bundled and clients will receive proceeds from sales based on average prices received, which may be lower than the price which could have been received had each client sold its securities separately from such broker-dealer's other clients.

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**Item 13 – Review of Accounts**

In general, the Investment Committee reviews and approves all significant proposed investment decisions made on behalf of the Fund (where required under the applicable Investment Committee policy). The members of the Investment Committee are identified in the Supplements to the Adviser's Brochure in Form ADV Part 2B.

The investments made by the Fund are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities or real estate investments. However, the Adviser's portfolio management staff closely monitors companies and assets in which the Fund invests and generally maintains an ongoing oversight position in such companies and assets (including, where relevant, representation on the board of directors of such companies). Such reviews occur on a quarterly and (in some cases) monthly basis.

The Adviser provides written quarterly unaudited reports and annual audited reports to the Limited Partners which include, among other things, financial statements and descriptions of the investments of the Fund.

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**Item 14 – Client Referrals and Other Compensation**

The Adviser may, from time to time, compensate placement agents (which may include certain of its affiliates) in return for referrals of Limited Partners. Any additional compensation paid specifically for such referrals will meet the requirements of Rule 206(4)-3 under the Advisers Act, if applicable.



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**Item 15 – Custody**

The Adviser is deemed to have custody of the Fund's cash and securities by virtue of its relationship as investment adviser of the Fund. Each Limited Partner of the Fund receives the Fund's audited financial statements within 90 days of the end of the Fund's fiscal year.

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**Item 16 – Investment Discretion**

Subject to the delegation and review by the board of the Fund's general partner, the Adviser, as the investment adviser to the Fund, will have discretion to determine, without consent of the Limited Partners, the particular investments to be bought and sold, the broker or dealer (including a Morgan Stanley affiliate) to be used (if any) and the commission rates to be paid by the Fund in cases where a broker or dealer is used. The Adviser will provide investment advice to the Fund, subject to certain investment limitations regarding concentration and diversification, geography and type of permitted investments as set forth in the Partnership Agreement. Modifications to the Fund's investment guidelines recommended by the Adviser are subject to approval of the board of the Fund's general partner. With respect to certain of the investment guidelines, the Adviser will not recommend modifications thereto without consulting the Fund's advisory committee.

When executing transactions on behalf of the Fund through a broker, dealer or underwriter, the Adviser's objective will be to obtain the most favorable commission and the best price available on each transaction in light of the quality of execution provided. Consequently, brokers, dealers and underwriters are selected primarily on the basis of their execution, capability and trading expertise.

Investment discretion is assumed pursuant to the Partnership Agreement, which confers express authority to the Adviser and its affiliates to make all decisions concerning the investigation, evaluation, selection, negotiation, structuring, commitment to, monitoring of and disposition of investments.

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## **Item 17 – Voting Client Securities**

Given the nature of the Fund’s investments, the Adviser seldom has the opportunity to vote proxies; however where the Adviser has accepted authority to vote proxies on behalf of a client, the Adviser will vote proxies in accordance with its policies and procedures in place for voting of proxies (the “Proxy Voting Policy”), which are designed to ensure compliance with Rule 206(4)-6 of the Advisers Act. Copies of the Proxy Voting Policy are available upon request from the Adviser. Under the Proxy Voting Policy, the Adviser will vote proxies on behalf of the clients based on a determination of the best interest of the clients, consistent with the objective of maximizing long-term investment returns for the clients.

In many situations, a client is a party to a stockholder or similar agreement. These agreements are entered into in the best interests of the clients, and may require the Adviser to vote the other investors’ nominees to a board of directors or similar body, or require a vote in favor of a particular transaction. If this is the case, the Adviser will comply with the applicable clients’ contractual obligations.

Where no contract requires a client to vote for a specific outcome, the Proxy Voting Policy is designed to be responsive to the wide range of issues that may be subject to proxy vote, but is not exhaustive due to the variety of proxy voting issues that the Adviser may be required to consider.

The clients generally make a limited number of direct investments in portfolio companies that are or will become public. As a result, the Adviser will generally cast proxy votes on behalf of the clients with respect to a limited number of public portfolio companies.

The Adviser reserves the right to depart from the Proxy Voting Policy in order to avoid voting decisions that it believes may be contrary to the clients’ best interests. In addition, the Adviser may also abstain from voting if, based on factors such as expense or difficulty of exercise, it determines that the client’s interests are better served by an abstention.

The Adviser may be subject to conflicts of interest in the voting of proxies. A potential conflict of interest may occur where an adviser or any of its affiliates or their respective employees has a direct or indirect economic stake in the outcome of a proxy vote that is different from a client’s stake. When such a potential conflict arises between the Adviser and any of its affiliates or their respective employees on the one hand and one or more of the clients on the other, the matter is evaluated to determine whether an actual conflict exists. Where an actual conflict exists, the Adviser will take necessary and appropriate steps to address the conflict.

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**Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosure about the Adviser's financial condition. The Adviser is not aware of any financial condition that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.