

## Part 2A of Form ADV: Firm Brochure

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Morgan Stanley Private Equity Asia, Inc.

As Adviser to

North Haven Private Equity Asia III, L.P.

North Haven Private Equity Asia IV, L.P.

North Haven Private Equity Asia V, L.P.

1585 Broadway, 23<sup>rd</sup> Floor  
New York, NY 10036  
(212) 761-7160

<http://www.morganstanley.com/im/en-us/institutional-investor/strategies/private-credit-and-equity/asia-pacific-private-equity.html>

March 29, 2024

This Brochure provides information about the qualifications and business practices of Morgan Stanley Private Equity Asia, Inc. If you have any questions about the contents of this Brochure, please contact Morgan Stanley Investment Management Investor Services at 212-761-7160 or email [MSPCE@seic.com](mailto:MSPCE@seic.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.

Morgan Stanley Private Equity Asia, Inc. 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 Morgan Stanley Private Equity Asia, Inc. 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 of the following pooled investment vehicles that we advise: (i) Morgan Stanley Private Equity Asia, L.P.; (ii) North Haven Private Equity Asia III, L.P.; (iii) North Haven Private Equity Asia IV, L.P.; and (iv) North Haven Private Equity Asia V, L.P. and their related funds (collectively, the “Limited Partners”).

There is one material update since the last annual update of this Brochure, which was dated March 30, 2023. The funds that comprised Morgan Stanley Private Equity Asia, L.P. ceased operations as of December 2023. Additionally, Item 5 has expanded upon the description of fees and compensation, Item 8 has expanded upon the description of potential investment risk factors and Items 10 and 11 have expanded upon the description of financial industry affiliations and potential conflicts of interest.

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 Investment Management Investor Services at 212-761-7160 or email [MSPCE@seic.com](mailto:MSPCE@seic.com).

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#### Item 4 – Advisory Business

Morgan Stanley Private Equity Asia, Inc. (the “Adviser”) was formed in 2005 and registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), in 2005.

The Adviser is a wholly-owned indirect subsidiary of Morgan Stanley.

As of December 31, 2023, the Adviser had approximately \$3,033,616,635 of regulatory assets under management, all of which are managed on a discretionary basis.

The Adviser’s primary business is the management of pooled investment vehicles that pursue the investment strategy described below.

The Adviser provides advisory services to the following:

- North Haven Private Equity Asia III, L.P., a Cayman Islands exempted limited partnership (together with other related parallel, co-investment and feeder vehicles, “North Haven Private Equity Asia III” or the “PE Asia III Funds”). Morgan Stanley Private Equity Asia III, L.L.C. (the “PE Asia III General Partner”), an affiliate of the Adviser, is the general partner of North Haven Private Equity Asia III. The PE Asia III Funds’ investment period has terminated.

The PE Asia III Funds primarily make long-term private equity and equity-related investments in entities (or their parents) with significant operations in Asia, including such entities with operations in the People’s Republic of China, South Korea, Hong Kong SAR, Taiwan, Japan, Singapore, India, Australia, Thailand, Malaysia, the Philippines and New Zealand. The Adviser’s advisory services consist of managing and disposing of investments made by the PE Asia III Funds.

- North Haven Private Equity Asia IV, L.P., a Cayman Islands exempted limited partnership (together with other related parallel, co-investment and feeder vehicles, “North Haven Private Equity Asia IV” or the “PE Asia IV Funds”). Morgan Stanley Private Equity Asia IV, L.L.C. (the “PE Asia IV General Partner”), an affiliate of the Adviser, is the general partner of North Haven Private Equity Asia IV. The PE Asia IV Funds’ investment period has terminated.

The PE Asia IV Funds primarily make long-term private equity and equity-related investments in entities (or their parents) with significant operations in Asia, including such entities with operations in the People’s Republic of China, South Korea, Hong Kong, Taiwan, Japan, Singapore, India, Australia, Thailand, Indonesia, Malaysia, the Philippines Vietnam and New Zealand. Additionally, the PE Asia IV Funds may make investments in entities organized or primarily operating outside Asia with the potential to have significant operations in Asia. The Adviser’s advisory services consist of making follow-on investments as well as managing and disposing of investments made by the PE Asia IV Funds.

- North Haven Private Equity Asia V, L.P., an Ontario, Canada limited partnership (together

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with other related parallel, co-investment and feeder vehicles, “North Haven Private Equity Asia V” or the “PE Asia V Funds”, and together with the PE Asia III Funds and the PE Asia IV Funds, the “Funds”). Morgan Stanley Private Equity Asia GP ONT, L.P. (the “PE Asia V General Partner”, and together with the PE Asia III General Partner and the PE Asia IV General Partner, the “General Partners” and each, a “General Partner”), an affiliate of the Adviser, is the general partner of North Haven Private Equity Asia V.

The PE Asia V Funds primarily make long-term private equity and equity-related investments in entities (or their parents) with significant operations in Asia, including such entities with operations in the People’s Republic of China, South Korea, Hong Kong, Taiwan, Japan, Singapore, India, Australia, Thailand, Indonesia, Malaysia, the Philippines Vietnam and New Zealand. Additionally, the PE Asia V Funds may make investments in entities organized or primarily operating outside Asia with the potential to have significant operations in Asia. The Adviser’s advisory services consist of identifying investment opportunities and making investments, as well as managing and disposing of investments made by the PE Asia V Funds.

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## Item 5 – Fees and Compensation

Certain fees and other compensation described herein are subject to negotiation with investors. The Adviser is not required to inform, or offer any similar arrangements to, any other client or investor, except as agreed with each such person or as required by applicable law.

- **The PE Asia III Funds**

### **Management Fees**

The PE Asia III Funds pay an annual management fee generally equal to 2% of invested capital as the investment period has terminated. PE Asia III limited partners with committed capital amounts equal to or in excess of \$50 million receive a 0.5% reduction of the management fee rate. The management fee is funded by the limited partners of the PE Asia III Funds and is payable quarterly in advance. Upon termination of the management agreement between the Adviser and the applicable PE Asia III Fund, the Adviser is generally required to repay to such PE Asia III Fund or to a replacement manager, as directed by the PE Asia III General Partner of the applicable PE Asia III Fund, the unearned portion (computed on the basis of the number of days elapsed), if any, of the management fees previously paid to the Adviser (see also Co-Investments below for additional information on the fees and expenses relating to co-investments). The PE Asia III Funds has ceased paying management fees.

In addition, PE Asia III has a specific fund designed to admit only Morgan Stanley current and former employees (and certain other permissible related investors) (“Employee Fund”). With respect to such Employee Fund, absent certain circumstances relating to the termination of employment of a Limited Partner with Morgan Stanley, limited partners in the Employee Fund currently pay an annual management fee ranging from 0% to 2% of invested capital as the investment period has terminated; the management fee is paid quarterly in advance.

The Adviser and its professionals may charge portfolio companies transaction fees, sponsor fees, monitoring fees, advisory fees, directors’ fees, commitment fees, closing fees, amendment fees, breakup fees and other similar fees. An amount equal to each PE Asia III limited partner’s share of 50% of all such fees other than directors’ fees and 100% of directors’ fees paid by portfolio companies that are received by the Adviser, the PE Asia III General Partner or any of the investment professionals dedicated to the PE Asia III Funds (as described in the confidential offering memorandum of the PE Asia III Fund), net of any unreimbursed related expenses incurred by the Adviser or its affiliates or representatives in connection with unconsummated transactions, will generally be applied to reduce the management fee otherwise payable by such limited partner. All such fees will first be allocated among the applicable PE Asia III Fund and any other investors.

Fees may be deducted from the PE Asia III Funds’ assets as, and to the extent, set forth in the limited partnership agreements of the PE Asia III Funds (the “PE Asia III Partnership Agreements”).

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## **Carried Interest**

The PE Asia III General Partner is generally entitled to receive carried interest with respect to each PE Asia III limited partner equal to 20% (0-10% in the case of certain PE Asia III limited partners who are employees of Morgan Stanley or its affiliates) of such PE Asia III limited partner's profits from each PE Asia III Fund investment, subject to satisfaction of an 8% internal rate of return, compounded annually, for such investment, previously realized investments and related management fees and expenses (see also Co-Investments below for additional information on the fees and expenses relating to co-investments).

## **Expenses**

The PE Asia III Funds may also bear certain out-of-pocket expenses incurred by the Adviser and/or its affiliates in connection with the services provided to the PE Asia III Funds. The payment of such expenses by the PE Asia III Funds 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 PE Asia III Funds. The most common expenses include (i) expenses incurred in connection with identifying, evaluating, structuring and negotiating any potential investment by the PE Asia III Funds and the acquisition, management, holding, sale, proposed sale or valuation of any investments by the PE Asia III Funds (including meals, entertainment and travel expenses incurred by Morgan Stanley and its employees in connection with identifying, negotiating, executing or managing consummated PE Asia III Fund investments or unconsummated PE Asia III Fund investments); and (ii) ordinary administrative expenses, including fees of auditors, attorneys, appraisers and other professionals auditing, accounting, banking and consulting expenses (including expenses paid to the Adviser or to any of its affiliates for services rendered on an arms-length basis in connection with the PE Asia III Funds' affairs). Item 12 further describes the factors that the Adviser considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

## **Placement Agent Fees**

Broker-dealers who are the Adviser's affiliates have acted as placement agents to assist in the placement of a PE Asia III Fund's interests. Any placement fee paid by an investor was in addition to that investor's capital commitment. The amount of any placement fee is described in the placement agent's point of sale letter (or similar disclosure documents). However, the placement agents or distributors may have, in their sole discretion, waived the placement fees paid by an investor, including an investor that is an employee or affiliate of the PE Asia III General Partner and/or the Adviser.

The confidential offering memoranda for the PE Asia III Funds include further details on fees and compensation and related matters.

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- **The PE Asia IV Funds**

### **Management Fees**

The PE Asia IV Funds pay an annual management fee generally equal to 2% (1% in the case of certain PE Asia IV limited partners who are employees of Morgan Stanley or its affiliates) of capital committed during the investment period and on invested capital thereafter. The management fee is funded by the limited partners of the PE Asia IV Funds and is payable quarterly in advance (see also Co-Investments below for additional information on the fees and expenses relating to co-investments).

The Adviser and its professionals may charge portfolio companies transaction fees, sponsor fees, monitoring fees, advisory fees, directors' fees, commitment fees, closing fees, amendment fees, breakup fees and other similar fees. An amount equal to each PE Asia IV limited partner's share of 100% of all such fees paid by portfolio companies that are received by the Adviser, the PE Asia IV General Partner or any of the investment professionals dedicated to the PE Asia IV Funds (as described in the confidential offering memorandum of the PE Asia IV Fund) in connection with the consummation, holding or disposition of investments or the termination of an unconsummated investment, except that breakup fees are received net of any unreimbursed related expenses incurred by the Adviser or its affiliates or representatives in connection with unconsummated transactions, will generally be applied to reduce the management fee otherwise payable by such limited partner. Any such fee offset does not reduce management fees below \$0 and any unused fee offset can be rolled over against subsequent management fee obligations. All such fees will first be allocated among the applicable PE Asia IV Fund and any other investors.

Fees may be deducted from the PE Asia IV Funds' assets as, and to the extent, set forth in the limited partnership agreements of the PE Asia IV Funds (the "PE Asia IV Partnership Agreements").

### **Carried Interest**

The PE Asia IV General Partner is generally entitled to receive carried interest with respect to each PE Asia IV limited partner equal to 20% (10% in the case of certain limited partners who are employees of Morgan Stanley or its affiliates) of such limited partner's profits from each PE Asia IV Fund investment, subject to satisfaction of an 8% internal rate of return, compounded annually, for such investment, previously realized investments and related management fees and expenses (see also Co-Investments below for additional information on the fees and expenses relating to co-investments).

### **Expenses**

The PE Asia IV Funds may also bear certain out-of-pocket expenses incurred by the Adviser and/or its affiliates in connection with the services provided to such Funds. The payment of such expenses by the PE Asia IV Funds 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



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through to the PE Asia IV Funds. The most common expenses include (i) expenses incurred in connection with identifying, evaluating, structuring and negotiating any potential investment by the PE Asia IV Funds and the acquisition, management, holding, sale, proposed sale or valuation of any investments by the PE Asia IV Funds (including meals, entertainment and travel expenses incurred by Morgan Stanley and its employees in connection with identifying, negotiating, executing or managing consummated PE Asia IV Fund investments or unconsummated PE Asia IV Fund investments); and (ii) ordinary administrative expenses, including fees of auditors, attorneys, appraisers and other professionals auditing, accounting, banking and consulting expenses (including expenses paid to the Adviser or to any of its affiliates for services rendered on an arms-length basis in connection with the PE Asia IV Funds' affairs). Item 12 further describes the factors that the Adviser considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

### **Placement Agent Fees**

Broker-dealers who are the Adviser's affiliates have acted as placement agents to assist in the placement of a PE Asia IV Fund's interests. Any placement fee paid by an investor was in addition to that investor's capital commitment. The amount of any placement fee is described in the placement agent's point of sale letter (or similar disclosure documents). However, any of the placement agents or distributors may have, in their sole discretion, waived the placement fees paid by an investor, including an investor that is an employee or affiliate of the general partner and/or the Adviser.

The confidential offering memoranda for the PE Asia IV Funds include further details on fees and compensation and related matters.

- **The PE Asia V Funds**

### **Management Fees**

The PE Asia V Funds pay an annual management fee generally equal to 2% (1% in the case of certain PE Asia V limited partners who are employees of Morgan Stanley or its affiliates) of capital committed during the investment period and on invested capital thereafter. The management fee is funded by the limited partners of the PE Asia V Funds and is payable quarterly in advance (see also Co-Investments below for additional information on the fees and expenses relating to co-investments).

The Adviser and its professionals may charge portfolio companies transaction fees, sponsor fees, monitoring fees, advisory fees, directors' fees, commitment fees, closing fees, amendment fees, breakup fees and other similar fees. An amount equal to each PE Asia V limited partner's share of 100% of all such fees paid by portfolio companies that are received by the Adviser, the PE Asia V General Partner or any of the investment professionals dedicated to the PE Asia V Funds (as described in the confidential offering memorandum of the PE Asia V Fund) in connection with the consummation, holding or disposition of investments or the termination of an unconsummated investment, except that breakup fees are received net of any unreimbursed related expenses incurred

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by the Adviser or its affiliates or representatives in connection with unconsummated transactions, will generally be applied to reduce the management fee otherwise payable by such limited partner. Any such fee offset does not reduce management fees below \$0 and any unused fee offset can be rolled over against subsequent management fee obligations. All such fees will first be allocated among the applicable PE Asia V Fund and any other investors.

Fees may be deducted from the PE Asia V Funds' assets as and to the extent set forth in the limited partnership agreements of the PE Asia V Funds (the "PE Asia V Partnership Agreements").

### **Carried Interest**

The PE Asia V General Partner is generally entitled to receive carried interest with respect to each PE Asia V limited partner equal to 20% (10% in the case of certain limited partners who are employees of Morgan Stanley or its affiliates) of such limited partner's profits from each PE Asia V Fund investment, subject to satisfaction of an 8% internal rate of return, compounded annually, for such investment, previously realized investments and related management fees and expenses (see also Co-Investments below for additional information on the fees and expenses relating to co-investments).

### **Expenses**

The PE Asia V Funds may also bear certain out-of-pocket expenses incurred by the Adviser and/or its affiliates in connection with the services provided to such Funds. The payment of such expenses by the PE Asia V Funds 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 PE Asia V Funds. The most common expenses include (i) expenses incurred in connection with identifying, evaluating, structuring and negotiating any potential investment by the PE Asia V Funds and the acquisition, management, holding, sale, proposed sale or valuation of any investments by the PE Asia V Funds (including meals, entertainment and travel expenses incurred by Morgan Stanley and its employees in connection with identifying, negotiating, executing or managing consummated PE Asia V Fund investments or unconsummated PE Asia V Fund investments); and (ii) ordinary administrative expenses, including fees of auditors, attorneys, appraisers and other professionals auditing, accounting, banking and consulting expenses (including expenses paid to the Adviser or to any of its affiliates for services rendered on an arms-length basis in connection with the PE Asia V Funds' affairs). Item 12 further describes the factors that the Adviser considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

### **Placement Agent Fees**

Broker-dealers who are both affiliated and unaffiliated with the Adviser have acted as placement agents to assist in the placement of a PE Asia V Fund's interests. Any placement fee paid by an investor is typically in addition to that investor's capital commitment. The amount of any placement fee is described in the placement agent's point of sale letter (or similar disclosure documents).

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The confidential offering memoranda for the PE Asia V Funds include further details on fees and compensation and related matters.

- **All Funds**

**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 carried interest and/or management fees while other co-investors (including affiliates of Morgan Stanley) may not be required to pay such amounts. The Adviser or a General Partner, as the case may be, may or may not charge management fees, one time funding fees, administration fees and/or carried interest in respect of co-investments, subject to the terms of any applicable agreements with investors. In addition, Morgan Stanley is, in certain circumstances, incentivized to offer certain potential co-investors (including, by way of example, as a part of an overall strategic relationship with Morgan Stanley) priority to co-investment opportunities or to co-invest on more favorable terms than other potential co-investors, including due to the amount of performance-based compensation or management fees paid by the co-investor receiving the priority allocation or more favorable terms (as well as any additional discounts or rebates avoided by allocating co-investments to such co-investor) or other aspects of such co-investor's relationship with Morgan Stanley. The allocation of any co-investment opportunities may directly or indirectly benefit the Adviser or a General Partner, as the case may be, as a result of, among other things, the receipt of any such fees or carried interest, capital commitments to a Fund and capital commitments to other Affiliated Investment Accounts. Unless otherwise required by applicable law, co-investors in one or more specific investments will not necessarily be required to bear their share of broken-deal expenses that are paid by any of the Funds, either with respect to a co-investment opportunity that is not consummated or with respect to other potential investments that may be offered to any of the Funds, which has the effect of increasing the portion of such expenses that are allocated to the Funds. The performance of co-investments is not aggregated with that of any Fund, including for purposes of determining a General Partner's carried interest or the Adviser's management fees under the relevant 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 Funds (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 General Partners, the Adviser or their respective affiliates. Some of those advisors or service providers may be investors in the Funds, affiliates of the General Partners, as the case may be, sources of investment opportunities or co-investors or counterparties therewith. These other services and relationships may influence the General Partners and the Adviser, as the case may be, in deciding whether to select or recommend

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such a service provider to perform services for the Funds, (the cost of which generally will be borne by the Funds 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 General Partners, the Adviser or their respective affiliates as compared to services provided to the Funds, which may result in more favorable rates or arrangements than those otherwise payable by or applicable to any of the Funds. Item 10 further describes material relationships with Morgan Stanley and other affiliated entities.

The confidential private placement memoranda (as supplemented from time to time), partnership agreements, investment management or advisory agreements, and other appropriate documentation for each of the Funds (collectively, the “Governing Documents”) include further details on fees and, compensation, expenses, and related matters, which should be reviewed carefully by potential investors in Funds.

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

In some cases, the Adviser has entered into performance-based compensation arrangements with qualified clients and such fees are subject to individualized negotiation with each such client. The Adviser will structure any performance-based compensation arrangement subject to Section 205(a)(1) of the Advisers Act in accordance with one or more of the available exemptions thereunder, including the exemption set forth in Rule 205-3. Performance-based compensation arrangements may create an incentive for the Adviser and its personnel to select or recommend certain investments or the timing of exits to maximize or accelerate the receipt of such compensation, and to propose or make more speculative investments on behalf of Funds than it would otherwise propose. Such fee arrangements also create an incentive to favor higher fee-paying accounts over other accounts including in connection with the allocation of investment opportunities. The Adviser has implemented procedures designed to ensure that all clients are treated fairly and equitably, and to prevent this incentive from influencing the allocation of investment opportunities. In addition, certain investment vehicles may pay different levels of performance fees, which may create differing incentives for the Adviser when allocating investment opportunities. Specific parameters for allocations are included in the Governing Documents of the Funds to address the conflicts inherent in these differing incentives. See “Allocation of Investment Opportunities” in Item 11 below for additional information on the allocation of investment opportunities.

Please see Item 5 for further information regarding performance-based compensation 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 registration under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Generally, the Funds’ investors were required to invest a minimum of \$10 million (less in the case of limited partners who are employees of Morgan Stanley and its affiliates). Each General Partner reserves the right to waive any minimum investment requirement in its discretion. In addition, Limited Partner interests in a Fund (“Interests”) may be purchased only by certain eligible investors who are “accredited investors” as defined in Regulation D under the Securities Act of 1933, as amended, and “qualified purchasers” for purposes of Section 3(c)(7) of the Investment Company Act.

In the case of the Employee Fund, Interests have been offered and sold to investors who are “accredited investors” as defined in Regulation D under the Securities Act and in accordance with the requirements of an exemptive order under the Investment Company Act received by Morgan Stanley from the SEC in April 2000.

In addition to providing advisory services to the Funds, the Adviser or a related person may act as the managing member or the general partner of certain co-investment partnerships.

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

### **Investment Strategies**

Each of the PE Asia, PE Asia III, PE Asia IV and PE Asia V Funds' objective is to make investments ("Portfolio Investments") consisting primarily of equity and equity-related securities of operating companies or their parents that are acquired in privately negotiated transactions ("Private Equity Securities"). Portfolio Investments may also consist of other investments in Private Equity Securities, publicly traded equity and equity-related securities, as well as public or private debt securities, and investments, assets and instruments related to the foregoing. The PE Asia, PE Asia III, PE Asia IV and PE Asia V Funds may each commit funds to other entities with investment objectives consistent with those of the PE Asia, PE Asia III, PE Asia IV and PE Asia V Funds that may earn performance-based fees where Morgan Stanley believes such investment may facilitate the creation of strategic relationships or otherwise enhance any of the PE Asia, PE Asia III, PE Asia IV and PE Asia V Funds' performance or investment opportunities ("Strategic Funds"). These fees will not reduce the fees payable to the Adviser. From time to time the Adviser may cause the PE Asia, PE Asia III, PE Asia IV and PE Asia V Funds to invest cash held by such Funds in temporary investments or to employ hedging techniques to reduce the risk of adverse interest rate, currency, credit or security movements on investments.

The PE Asia and PE Asia III Fund's objective is to invest in entities (or their parents) with significant operations in Asia, principally in entities with operations in the People's Republic of China, South Korea, Singapore, Hong Kong, Taiwan, Japan, Malaysia, Thailand, Indonesia, the Philippines, Australia, New Zealand and India. The PE Asia IV and PE Asia V Funds look to invest in Vietnam, the markets mentioned above as well as entities organized or primarily operating outside of Asia with the potential to have significant operations in Asia.

The investment period of each of the PE Asia, PE Asia III and PE Asia IV Funds has terminated. The Adviser's advisory services with respect to those funds are limited to managing and disposing of the existing fund investments.

### **Methods of Analysis – Investment Process**

The global investment committee (the "Investment Committee"), led by the respective management teams of each Fund (each, an "Investment Team") and other senior officers of Morgan Stanley, is involved throughout the entire investment process, including initial review and evaluation of potential investments, consideration of applicable industry dynamics and approval of the respective Fund's investments. Each Investment Committee brings to bear the combined global investment experience and perspectives of some of Morgan Stanley's most senior and experienced professionals to determine whether a Fund's investments meet the most stringent criteria consistent with global best practices.

Each investment opportunity identified by the Investment Team is first reviewed based on preliminary discussions with management to determine the key parameters of the opportunity and the competitive strengths of the company. In addition, the Investment Team undertakes an initial review of industry

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research and industry experts' views to gain an understanding of the overall industry dynamics and the company's competitive positioning. Following this review, the Investment Team determines whether it is likely to meet the Investment Committee's strict investment criteria and subsequently decides whether it merits further development, research and the devotion of additional resources.

If an investment opportunity passes preliminary screening, the Investment Team then performs due diligence, generally with management, to achieve a comprehensive understanding of the company's competitive positioning and the opportunities and risks associated with the proposed investment. The Investment Team's analytic process includes constructing business and financial scenarios that test operating and capital structure assumptions and estimate potential returns from the investment. The Investment Team draws on other experts from both within and outside Morgan Stanley, including experienced industry executives, research analysts and investment banking professionals who cover the relevant countries, industries and companies.

If an investment opportunity meets the Investment Committee's investment criteria and standards, the Investment Team then assembles a dedicated transaction team that consists of legal counsel, financial and tax accountants, and if necessary, other advisors such as industry experts to assist with formal due diligence, structuring and negotiations. The Investment Team and advisors undertake a thorough due diligence review to ensure the transaction, structure and terms take into account all relevant data points specific to the opportunity, including key leverage points that can be utilized to negotiate the most favorable terms.

### **Risk Considerations Associated with Investing - In General**

All investing involves a risk of total or partial loss, and the investment strategy offered by the Adviser could lose money over short or even long periods. A potential investor should not invest in the Funds or products advised by the Adviser unless the investor is able to withstand a total loss of its investment. 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 Funds' 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 Funds' investments. Unexpected volatility or lack of liquidity, such as the general market conditions that have prevailed recently, could impair the Funds' 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



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providers, if applicable, use to service the Funds; 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 Funds, potentially resulting in, among other things, financial losses; the Adviser's inability to transact business on behalf of the Funds; 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 Funds, which may cause the Funds' investments 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.

- **Epidemics and Pandemics.** Many countries have experienced outbreaks of infectious illnesses in recent decades, including swine flu, avian influenza, SARS and 2019-nCoV ("COVID-19"). In December 2019, an initial outbreak of COVID-19 was reported in Hubei, China. In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The outbreak of COVID-19 resulted in numerous deaths, adversely impacted global commercial activity, and contributed to significant volatility in certain equity, debt, derivatives and commodities markets.

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof, could negatively impact the Funds and their investments and could meaningfully affect the Funds' ability to fulfill their investment objectives. The extent of the impact of any public health emergency on the Funds' and their operational and financial performance will depend on many factors, including but not limited to the duration and scope of such public health emergency, the extent of any related travel advisories and voluntary or mandatory government restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and spending levels, the extent of government support and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. For this reason, valuations in such an environment are subject to heightened uncertainty and subject to numerous subjective judgments, any or all of which could turn out to be incorrect with the benefit of hindsight. Furthermore, traditional valuation approaches that have been used historically may need to be modified in order to effectively capture fair value in the midst of significant volatility or market dislocation. In addition to these developments having adverse consequences for certain properties and

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operating companies in which the Funds may invest and the value of the Funds' investments therein, the Adviser's operations (including those relating to the Funds) could be adversely impacted including through quarantine measures and travel restrictions imposed on the Adviser's personnel or service providers, or any related health issues of such personnel or service providers. There is also a heightened risk of cyber and other security vulnerabilities during a public health emergency, which could result in adverse effects to the Funds or their investments in the form of economic harm, data loss, or other negative outcomes. If one or more of the third parties to whom the Funds or their operating companies outsource certain critical business activities experience operational failures as a result of the impacts from a public health emergency, or claim that they cannot perform due to a force majeure event, it could cause a material adverse effect on the business, financial condition, results of operations, and cash flows of the Funds and their investments. Any of the foregoing events could materially and adversely affect the Funds' ability to source, manage, and divest investments (including but not limited to circumstances where potential transactions are already signed but not closed) and their ability to fulfill their investment objectives, all of which could result in significant losses to the Funds.

The full impact of a public health emergency, such as the COVID-19 pandemic, on markets, business activity, and the U.S. and global economy, as well as potential changes in U.S. and foreign economic and fiscal policies that may be adopted to address the pandemic, price shocks, and related externalities, may take a significant amount of time to be fully identified or understood. In implementing the Funds' investment strategy, the Adviser will make a number of assumptions, including as to the severity of the consequences of the public health emergency to the U.S. and global economies as well as prospective portfolio entities, and the likelihood of a similar future event and any possible impacts thereof. There can be no assurances that such assumptions will be correct and unexpected events and developments, including the severity of this or any other pandemic on economies and specific portfolio entities, may be detrimental to the Funds and their investments.

In addition, the operations of the Funds, their respective investments and operating companies, and Morgan Stanley may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of the personnel of any such entity, including possibly key personnel of the Adviser, or the personnel of any such entity's key service providers. The impact to businesses in such circumstances has been and may continue to be substantial.

- **Legal and Regulatory Risks.** Section 619 of the Dodd-Frank Act, commonly known as the "Volcker Rule," and the final implementing regulations thereunder (the "Implementing Regulations") prohibit, among other things, "banking entities" from sponsoring and investing in "covered funds," except as permitted pursuant to certain available exemptions. In addition, a "banking entity" may not enter into certain so-called "covered transactions," as discussed further below, with any "covered fund" (or with any other covered fund controlled by such

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covered fund) that the banking entity sponsors, organizes and offers or for which the banking entity serves as investment manager, investment advisor or commodity trading advisor. The term “covered fund” includes private equity funds that rely on Sections 3(c)(1) or 3(c)(7) of the Investment Company Act to avoid being treated as “investment companies” under the Investment Company Act. Morgan Stanley is a “banking entity,” and the Funds are “covered funds” for purposes of the Volcker Rule. As the Federal Reserve’s general conformance period for compliance with the Volcker Rule’s restrictions has expired, Morgan Stanley and its affiliates are currently required to comply with 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 Funds, the General Partners, the Adviser and the Limited Partners. For example, to sponsor and invest in the Funds, Morgan Stanley relies upon the Implementing Regulations’ so-called “asset management” exemption to the Volcker Rule’s general prohibition on sponsoring and investing in covered funds. Under this exemption, Morgan Stanley may sponsor and acquire or retain an ownership interest in each Fund so long as, among other things, (i) Morgan Stanley provides bona fide trust, fiduciary, or investment advisory services; (ii) each Fund is organized and offered only in connection with the provision of bona fide trust, fiduciary, investment advisory, or commodity trading advisory services and only to persons that are customers of such services of Morgan Stanley; (iii) any investment by Morgan Stanley in each Fund is generally limited to no more than 3% of the ownership interests of each Fund, measured by reference to both the number of ownership interests and the fair market value of such ownership interests (the “per-fund limit”), and Morgan Stanley’s aggregate permitted investments in all covered funds (aggregated with certain affiliate and employee investments) is limited to the maximum amount permitted by the final regulations, which amount cannot generally be more than 3% of the Tier 1 capital of Morgan Stanley (the “aggregate investment limit”); (iv) Morgan Stanley, as investment advisor, does not enter into a transaction that would be subject to Super 23A (as explained below); (v) Morgan Stanley does not, directly or indirectly, guarantee, assume, or otherwise insure the obligations or performance of the Funds or of any covered fund in which the Funds invest; (vi) the Funds do not share with Morgan Stanley the same name or variation of the same name and does not use the word “bank” in its name; (vii) no director or employee of Morgan Stanley takes or retains an ownership interest in any Fund, except for any director or employee of Morgan Stanley who is directly engaged in providing investment advisory or other qualifying services to each Fund at the time the director or employee takes such interest; (viii) a number of disclosures are clearly and conspicuously disclosed to actual and prospective investors in the Funds; and (ix) Morgan Stanley’s sponsorship of, or investment in, each Fund does not involve or result in a material conflict of interest between Morgan Stanley and its clients, customers, or counterparties, result, directly or indirectly, in a material exposure by Morgan Stanley to a high-risk asset or a high-risk trading strategy, or pose a threat to the safety and soundness of Morgan Stanley or to the financial stability of the United States.

With regard to the aggregate investment limit, a change in the Tier 1 capital of Morgan Stanley may mean that retention of some or all of the ownership interest in the Funds by Morgan

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Stanley or certain of its affiliates and employees would violate the aggregate investment limit. In addition, the withdrawal or default of an investor in a Fund may cause a violation of the per-fund limit by Morgan Stanley. To the extent that the retention of an interest in any Fund or further investment in any Fund by Morgan Stanley or certain of its affiliates and employees would result in a violation of either the per-fund limit or the aggregate investment limit, then Morgan Stanley and certain of its affiliates and employees may be required to dispose, transfer or otherwise reduce some or all of their interests in any such Fund or may be prohibited, entirely or partially, from making further investments in any such Fund.

With regard to the Volcker Rule's so-called "Super 23A" provision, Morgan Stanley generally is prohibited from entering into "covered transactions," as defined in Section 23A of the U.S. Federal Reserve Act, with or for the benefit of each Fund, other than covered transactions that would be exempt under section 23A of the Federal Reserve Act and meet the criteria specified in Regulation W for such exemption, and limited exceptions, such as certain "riskless principal" transactions, short-term extensions of credit and purchases of assets in the ordinary course of business in connection with payment transactions settlement services, or futures, derivatives, and securities clearing activities. For example, Morgan Stanley is prohibited from providing loans and hedging transactions with extensions of credit or other credit support to the Funds (or to any other covered fund controlled by the Funds), other than certain intraday extensions of credit. Certain other transactions between Morgan Stanley and each of the Funds are subject to the market terms requirements of Section 23B of the Federal Reserve Act.

Morgan Stanley's interest in determining what actions to take in complying with the Volcker Rule may conflict with the interests of the Funds, the General Partners, the Adviser and the Limited Partners, all of which may be adversely affected by such actions. In addition, further restrictions and limitations may emerge as additional regulatory guidance and interpretations are provided on the Volcker Rule. To this end, certain aspects of the Volcker Rule remain unclear and susceptible to alternative interpretations. The foregoing is, thus, not an exhaustive discussion of the potential risks the Volcker Rule poses. In addition, the Funds (and Morgan Stanley's relationship with the Funds) may be affected by rules recently issued or issued in the future by U.S. federal banking, securities and commodities regulators pursuant to the Volcker Rule and other provisions of the Dodd-Frank Act.

As a registered investment adviser under the Advisers Act, the Adviser is required to comply with a number of periodic reporting and compliance-related obligations under applicable U.S. and state securities laws. In particular, the SEC recently adopted the "Private Fund Adviser Rules" which, among other things, impose (i) significant disclosure and reporting obligations for registered investment advisers ("RIAs") to private funds, as well as (ii) meaningful restrictions on certain activities of private fund advisers subject to consent-based and/or disclosure-based exceptions. The Adviser's compliance with the Private Fund Adviser Rules, in connection with the investment advisory services it provides to the Funds, is likely to be complex and will entail various legal and compliance costs and expenses, which will be

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allocated to the Funds. The SEC and other US regulators may adopt additional rules in the future that may have an impact on the client's portfolios.

- **Geopolitical Events and Risks.** Economies and financial markets worldwide 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, including in ways that are difficult to predict or foresee. The impacts of these events can be exacerbated by failures of governments and societies to respond adequately to an emerging event or threat. For example, local or regional armed conflicts have led to significant sanctions against certain countries and persons and companies connected with certain countries by the United States, Europe, and other countries. Such armed conflicts and sanctions and other local or regional developments can exacerbate global supply and pricing issues, particularly those related to oil and gas, and result in other adverse developments and circumstances, as well as increased general uncertainty, for markets, economies, issuers, businesses, and societies globally. For example, in 2023, the global economic and geopolitical environment was generally characterized by persistent inflation, rising interest rates, volatility in global financial markets (leading to, among other things, declines in equity prices), supply chain complications, recessionary fears, and geopolitical uncertainty regarding the war between Russia and Ukraine and armed conflicts occurring in the Middle East, and their impact on the global markets, including the energy markets. Although these types of events have occurred and could also occur in the future, it is difficult to predict when similar events or conditions affecting the U.S. or global financial markets and economies may occur, the effects of such events or conditions, potential retaliations in response to sanctions or similar actions and the duration or ultimate impact of those events. Any such events or conditions could have a significant adverse impact on the value and risk profile of the Funds and their investments, with or without direct exposure to the specific geographies, markets, countries or persons involved in an armed conflict or subject to sanctions.
- **Recent Developments in the Banking Sector.** During 2023, bank closures in the United States caused uncertainty for financial services companies and fear of instability in the global financial system generally. In addition, certain financial institutions – in particular smaller and/or regional banks – experienced volatile stock prices and significant losses in their equity value, and there was concern that depositors at these institutions withdrew, or may withdraw in the future, significant sums from their accounts at these institutions. Notwithstanding intervention by U.S. governmental agencies to protect the uninsured depositors of banks that closed, during that period there was no guarantee that the uninsured depositors of a financial institution that closes (which depositors could include the Funds and/or their portfolio companies) would be made whole or, even if made whole, that such deposits would become available for withdrawal in short order. There is a risk that other banks, or other financial institutions, may be similarly impacted, and it is uncertain what steps (if any) regulators may take in such circumstances. As a consequence, for example, in such circumstances, a Fund and/or its portfolio companies may be delayed or prevented from accessing money, making any required payments under their own debt or other contractual obligations, or pursuing key strategic initiatives, and Limited Partners

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may be impacted in their ability to honor capital calls and/or receive distributions. In addition, such bank failures or instability could affect, in certain circumstances, the ability of both affiliated and unaffiliated joint venture partners, co-lenders, syndicate lenders or other parties to undertake and/or execute transactions with the Funds, which in turn may result in fewer investment opportunities being made available to the Funds, result in shortfalls or defaults under existing investments, or impact the Funds' ability to provide additional follow-on support to portfolio companies. In addition, in the event that a financial institution that provides credit facilities and/or other financing to the Funds or their portfolio companies closes or experiences distress, there can be no assurance that such bank will honor its obligations or that a Fund or such portfolio company will be able to secure replacement financing or capabilities at all or on similar terms. There can be no assurances that a Fund or its portfolio companies will establish banking relationships with multiple financial institutions, and a Fund and its portfolio companies are expected to be subject to contractual obligations to maintain all or a portion of their respective assets with a particular bank (including, without limitation, in connection with a credit facility or other financing transaction). Uncertainty caused by the bank failures of 2023 – and general concern regarding the financial health and outlook for other financial institutions – could have an overall negative effect on banking systems and financial markets generally. Such recent developments may also have other implications for broader economic and monetary policy, including interest rate policy. For the foregoing reasons, there can be no assurances that conditions in the banking sector and in global financial markets will not worsen and/or adversely affect the Funds, their portfolio companies, or their respective financial performance.

### **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. The Adviser's 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 Funds.

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 Funds. The risks summarized below are described in greater detail in the confidential offering memorandum for each Fund. In addition, there are other risks (in addition to risks related to our investment strategy) associated with investing in the Funds, which are described in each confidential offering memorandum. You may also request an updated explanation of risk factors by contacting Morgan Stanley Investment Management Investor Services as described above.

- potential loss of invested capital;
- volatility of the global fixed income and equity markets;
- uncertainty regarding the economies of certain countries and jurisdictions in Asia;
- economic and market influence on individual securities markets of Asia;

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- adverse political, legal, tax, or regulatory developments and regulations;
  - underdeveloped accounting, auditing and financial reporting standards;
  - participation in emerging securities markets;
  - risks associated with opportunistic investment strategies in certain industries;
  - direct and indirect consequences of potential political, economic, social and diplomatic changes in Asia;
  - limitations or restrictions on direct foreign investment in the securities of resident companies;
  - inability to obtain government approval of repatriation transactions;
  - highly competitive markets and prevailing regulatory or political climates;
  - reliance on expertise of Morgan Stanley investment professionals and management of operating companies;
  - significant degree of financial and/or business risk;
  - lack of diversification;
  - lack of protection by financial covenants in debt investments;
  - illiquidity 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;
  - exposure to portfolio company and related party claims;
  - unfavorable performance of a single portfolio investment;
  - inability to execute exit strategy;
  - contingent liabilities in connection with the disposition of investments;
  - exculpation and indemnification;
  - risks associated with making non-U.S. investment and minority investments;

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- potential inability to protect the value of minority equity investments;
  - reliance on portfolio company management;
  - potential liabilities related to portfolio company restructurings;
  - legal and regulatory risks, including burdensome regulation by one or more governmental entities in specific industries;
  - changes in general economic conditions and global economic and political events;
  - use of hedging techniques;
  - catastrophic events, pandemics and other force majeure events and availability of insurance against certain catastrophic losses;
  - possession of material, non-public information concerning an investment or potential investment; and
  - cybersecurity risks.

The General Partners and the Adviser also may face conflicts of interest in connection with managing the Funds. See Item 10 – Other Financial and Industry Activities.



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**Item 9 – Disciplinary Information**

The Adviser has no information applicable to this Item.

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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, investment 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 each of the Funds, on the other hand, may exist and others may arise in connection with the operation of the Funds. Morgan Stanley's employees may also have interests separate from those of Morgan Stanley and the Funds. The discussion below enumerates certain actual, apparent and potential conflicts of interest which should be carefully evaluated before making an investment in a Fund. The discussion below, however, does not purport to provide investors with a complete description of all conflicts of interest that could arise in connection with Morgan Stanley's investment advisory services to the Funds. Prospective investors in a Fund should carefully review the Governing Documents for that Fund for a more tailored and detailed description of actual, apparent, and potential conflicts of interest that should be considered in connection with an investment in that Fund. Moreover, the Adviser can give no assurance that conflicts of interest will be resolved in favor of the Funds' investors, and, in fact, they may not be.

### **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**

To the extent required and/or permitted by applicable law, the Adviser, the Funds, their respective portfolio companies or entities and/or their respective affiliates could use the commodity pool operator, commodity trading advisor, or futures commission merchant registrations or exemptions of one or more of the following related persons: Morgan Stanley Asia Singapore Pte., Morgan Stanley India Infrastructure GP LP, Morgan Stanley Infrastructure GP LP, Morgan Stanley Infrastructure II GP LP, Morgan Stanley Infrastructure III GP L.P., Morgan Stanley Infrastructure III Investors GP SARL, Morgan Stanley Infrastructure IV GP L.P., Morgan Stanley Infrastructure IV Investors GP S.ar.l., Morgan Stanley Infrastructure Inc., Morgan Stanley Private Equity Asia III, L.L.C., Morgan Stanley Private Equity Asia IV, L.L.C., Morgan Stanley Private Equity Asia IV, Inc., Morgan Stanley Private Equity Asia V GP ONT, L.P., Morgan Stanley Real Estate Special Situations III-GP LLC, MS Capital Partners Adviser Inc., MS Capital Partners V GP L.P., MS Capital Partners V LP, MS Capital Partners VI GP LP, MS Capital Partners VII GP LP, MS Capital Partners CV GP LLC, MS Credit Partners II GP Inc., MS Credit Partners II GP L.P., MS Credit Partners III GP L.P., MS Credit Partners III S.ar.l., MS Credit Partners IV GP L.P., MS Credit Partners GP Inc., MS Energy Partners

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GP LP, MS Expansion Capital GP Inc., MS Expansion Capital GP LP, MS Expansion Equity GP LP, MS Expansion Equity IX GP LP, MS Expansion Credit GP L.P., MS Expansion Credit II GP LP, MS Tactical Value Fund GP LP, MS Tactical Value Fund II GP LP, MS Tactical Value Fund II GP Inc., MS Tactical Value Fund II Co-Invest Excelsior GP LLC, MS Tactical Value Fund II Lux GP S.a.r.l., MS Thai Private Equity GP LLC, MSREF Real Estate Advisor Inc., MSREF V International-GP, L.L.C., MSREF VI International-GP, L.L.C., MSREF VII Global-GP, L.P., MSREF VII Hedging GP Ltd., MSREF VIII Global-F, L.P., MSREF VIII Global-GP, L.P., MSREI IX Global GP L.P., MSREI X Global-GP, L.P., MS Senior Loan Partners GP L.P., NH Senior Loan Fund GP Ltd., Prime Property Fund Asia GP Pte. Limited, Prime Property Fund Europe GP S.a.r.l., Morgan Stanley Next Level Fund GP, LLC, SSF Hedging III GP, Ltd, 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 required and/or permitted by applicable law, the Adviser, the Funds, their respective portfolio companies or entities and/or their respective affiliates could use the securities, futures execution, underwriting, or other services offered by Morgan Stanley & Co. LLC or its other affiliates. Please see Item 12 for more information about the Adviser's practices concerning the use of a Morgan Stanley affiliate as a broker.

- Participating Affiliates

Investment advice may be provided to the Funds and their respective General Partners not only through the Adviser but also through certain of the employees of one or more of the following related persons:

- Morgan Stanley Private Equity Management Korea Ltd.
- Morgan Stanley India Financial Services Private Limited
- Morgan Stanley Asia Limited
- Morgan Stanley Investment Management Consultancy (Shanghai) Limited

These related persons may or may not be registered with the SEC as investment advisers but are foreign affiliated advisers that may provide advice or research for the Adviser for use with the Funds (in such capacity "Participating Affiliates provide non-advisory services to the Adviser and the Funds. The Adviser may delegate all or a portion of its advisory or other functions to any of its Participating Affiliates.

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

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- 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 AIP GP LP, Morgan Stanley Real Estate Advisor, Inc., MS Capital Partners Adviser Inc., Morgan Stanley Infrastructure, Inc., MSREF Real Estate Advisor, Inc., MSRESS III Manager, L.L.C., Mesa West Capital, LLC, Eaton Vance Management, Eaton Vance WaterOak Advisors, Calvert Research and Management, Parametric Portfolio Associates LLC, Atlanta Capital Management Company LLC, Boston Management and Research, Eaton Vance Advisers International Ltd., Eaton Vance Trust Company, Morgan Stanley Eaton Vance CLO Manager and Morgan Stanley Eaton Vance CLO CM LLC.

The Adviser, in its discretion, may delegate all or a portion of its advisory or other functions to one or more affiliates that are registered with the SEC as investment advisers and 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.

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 Funds upon request.

- Affiliates Acting as Fundraising Broker-Dealers

Broker-dealers at least one of which 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 Funds 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 in the Funds 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 in the Funds. Morgan Stanley employees involved in the marketing and placement of the interests are not acting as tax, financial, legal or accounting advisors to potential investors in connection with the offering of the interests in the Funds. Potential investors must independently evaluate the offering and make their own investment decisions.

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

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- 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 the interests of the Funds may conflict with Morgan Stanley's interests or the interests of its other clients, notwithstanding any direct or indirect participation by Morgan Stanley in investments of the Funds.

From time to time, Morgan Stanley's investment banking professionals may introduce to the Funds a client that requires equity to complete an acquisition transaction. If the relevant 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 investments.

Morgan Stanley has long-term relationships with a significant number of institutions and corporations and their advisors as well as with certain Limited Partners. In determining whether to pursue a particular transaction on behalf of any of the Funds, 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 any of the Funds in view of such relationships.

In addition, Morgan Stanley could provide investment banking services to a competitor of a company in which a Fund invests, in which case Morgan Stanley will take appropriate steps to safeguard the confidential information of each investment banking client. Morgan Stanley is under no obligation to share, and may, in fact, be prohibited by applicable law from sharing, information with the Fund or with the Adviser. Such activities would present Morgan Stanley with a conflict of interest vis-à-vis a Fund's portfolio company and could 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 will, under certain circumstances, preclude (or otherwise delay) the Funds 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, or act in a similar capacity to, a financially troubled company (or an affiliate of a financially troubled company) in which the Adviser's advisory clients hold an investment. Morgan Stanley's compensation for such activities is generally based upon the successful completion of a restructuring which could 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 in valuing the company.

- Other Investment Vehicles or Funds; Performance-Based Compensation

The Adviser is the manager of the Funds and serves as the managing member of the Funds. The Adviser and/or certain related persons have and may continue to organize partnerships (or other investment vehicles), serve as the manager, general partner, or the managing member or general partner of the general partner, to these partnerships (or other investment vehicles), and may have solicited investors to become limited partners in these partnerships (or other investment vehicles).

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A General Partner's performance-based compensation, earned by such general partner or an affiliate in respect of an advisory client, creates an incentive for such General Partner to make more speculative investments for such client than it would otherwise make in the absence of such performance-based compensation. Furthermore, investments made with third parties in joint ventures or other entities may involve performance-based compensation payable to such third-party partners, which could also create an incentive for such parties to take risks with respect to such investments. In addition, the method of calculating the performance-based compensation in certain cases results in conflicts of interest between a Fund's General Partner, on the one hand, and the investors in the Funds, on the other hand, with respect to the management and disposition of investments. For example, each Fund's General Partner will value any securities being distributed in-kind to investors in order to calculate the performance-based compensation and, in doing so, will have an incentive to make valuation determinations that maximize or accelerate its receipt of performance-based compensation. If the valuations conducted by a Fund's General Partner are incorrect, the amount and timing of payment of performance-based compensation 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"). Some Affiliated Investment Accounts have, and others may in the future have, active investment programs that are substantially similar to, or that otherwise overlap with, those of the Adviser's advisory clients. Morgan Stanley may also from time to time create new or successor Affiliated Investment Accounts that may compete with the Funds and may present similar conflicts of interest. Certain members of the Funds' respective Investment Teams and the Investment Committees 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 any of the Funds. In addition, certain Affiliated Investment Accounts may make investments similar to those that may be made by the Funds even if they are not solely focused on such investments.

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

- In some cases, Morgan Stanley or an Affiliated Investment Account may invite one or more of the Funds to co-invest with it or a Fund's General Partner may invite Morgan Stanley or an Affiliated Investment Account to co-invest with one or more of the Funds, 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 relevant 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

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when the interests of the two co-investors are in conflict. Morgan Stanley's Investment Management Activities

Morgan Stanley conducts a variety of investment management activities, including sponsoring investment funds registered or regulated under the Investment Company Act subject to its rules and regulations. Such activities also include managing assets of pension funds that are subject to federal pension law and its regulations. Conflicts could arise in circumstances where a Fund or its portfolio company or entity pursues an investment in, purchases an investment from, enters into a business relationship with, or otherwise transacts with, Morgan Stanley's other investment advisory clients or investment companies or a company in which such parties have previously invested or are looking to invest.

- Conflicts With Portfolio Companies

Morgan Stanley may invest on behalf of itself and/or its Affiliated Investment Accounts in a portfolio company that is or becomes a competitor of a portfolio company of a Fund, or that is a service provider, supplier, customer or other counterparty with respect to a portfolio company of the Fund. Such investment could create a conflict between the Fund, on the one hand, and Morgan Stanley and/or the Affiliated Investment Account, on the other hand. In such a situation, Morgan Stanley may also have a conflict in the allocation of its own resources to the portfolio company. Portfolio companies of a Fund, and of Morgan Stanley and/or the Affiliated Investment Accounts may be counterparties in agreements, transactions, and other arrangements with a Fund, Affiliated Investment Accounts, other portfolio companies of the foregoing, and Morgan Stanley (including its affiliates), for the provision of goods and services, purchase and sale of assets, loan transactions, capital markets transactions, and other matters. Fees paid by a Fund or its portfolio company pursuant to these agreements, transactions, and other arrangements, do not offset or reduce the management fees payable by the Fund and are not otherwise shared with the Fund or its investors unless otherwise required by the Governing Documents.

In addition, circumstances could arise where an advisory client of the Adviser competes over investment opportunities with a joint venture, platform company, or other portfolio company or entity in which another client of the Adviser or an Affiliated Investment Account has invested. In such circumstances, personnel of the Adviser could serve as directors of such portfolio companies or entities, in which case they could be required by applicable law to present investment opportunities to the portfolio company or entity, instead of to the advisory client. See also "Management Persons" below for additional information about legal obligations that apply to Morgan Stanley personnel who serve as directors of portfolio companies.

- Portfolio Entity Service Providers

The Funds and their portfolio companies or entities could engage portfolio companies or entities of the Funds and of Affiliated Investment Accounts ("Portfolio Entity Service Providers") to provide certain services with respect to one or more of the Fund's actual or potential investments, which could include: (a) management services with respect to a property; (b) operational services with respect to a property; (c) transaction support services with respect to actual or potential investments; (d) corporate support services; and (e) loan servicing and management. Similarly, Affiliated Investment Accounts and their portfolio companies or entities may

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engage Portfolio Entity Service Providers of the Funds to provide some or all of these services. Some of the services performed by a Portfolio Entity Service Provider could also be performed by Morgan Stanley from time to time and vice versa. Fees paid by a Fund or its portfolio companies or entities to Portfolio Entity Service Providers do not offset or reduce the management fees payable by the Fund, and are not otherwise shared with the Fund or its investors unless otherwise required by the Governing Documents.

- 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 fall within the investment guidelines of an advisory client. In connection with these activities, related persons of the Adviser occasionally take actions for their own accounts that differ from, conflict with, or are adverse to, advice given by the Adviser to or action by the Adviser taken for advisory clients. These activities can adversely affect the prices and availability of other securities or instruments held by or potentially considered for, one or more advisory clients.

Morgan Stanley, through its affiliates, invests in many of its private funds for its own account where Morgan Stanley affiliates act as an investment adviser and/or general partner. In addition, Morgan Stanley generally receives performance-based compensation or benefits from performance-based compensation which is tied to the investment performance of such private funds. Morgan Stanley engages in a variety of transactions, including entering into derivatives contracts, to limit its exposure to the risk of such investments. For example, under certain circumstances, Morgan Stanley will determine to hedge exposures (currency, interest rate, equities or commodities) arising from its investments in, or exposure to, such private funds (resulting from performance-based compensation). These hedging activities do, at times, differ from the investment or hedging activities undertaken by Morgan Stanley affiliates acting as general partner and/or adviser to such private funds.

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

- Management Persons

The members of the Adviser's Investment Team may work on matters and projects for Morgan Stanley (including for the Affiliated Investment Accounts) that are unrelated to the Funds, and conflicts of interest arise in allocating management time, services, or functions among such affiliates. The involvement of these Investment Team members in such Morgan Stanley matters and projects diverts their time and attention away from the activities of the Funds, which could negatively impact the Funds and their investors. Furthermore, Morgan Stanley and its personnel derive financial benefit from these other activities, including fees and performance-based compensation. Although Morgan Stanley will generally seek to minimize the impact of any such conflicts, there can be no assurance they will be resolved favorably for the Funds.

Officers and employees of the Adviser or of Morgan Stanley, at times, also serve as directors of certain portfolio companies and, in that capacity, they are required by law 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



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of the any of the Funds. Under certain circumstances, companies with which one or more members of the Investment Teams or other employees of Morgan Stanley are involved (including, in some cases, portfolio companies of Affiliated Investment Accounts) also pursue investments or engage in transactions that would be suitable for the advisory clients or their portfolio companies. Accordingly, in these situations, there will be conflicts of interests between such person's duties as an officer or employee of the Adviser or of Morgan Stanley (including in relation to a Fund) and such person's duties as a director of the portfolio company. There can be no assurance that any such investment or transaction that is suitable for an advisory client will necessarily be allocated to that client.

Certain of the Adviser's management persons may also hold positions with the affiliates listed above. In such 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 the affiliates. Additionally, these management persons could come into possession of confidential non-public information and may be recused from certain investment-related discussions, including Investment Committee meetings, relating to a Fund so that other Investment Team members do not receive information that would limit their ability to perform functions of their employment with Morgan Stanley unrelated to any of the Funds. Consequently, in carrying out their roles with the Adviser or the advisory clients and the affiliates listed above, the management persons of the Adviser will, at times, be subject to the same or similar conflicts of interest that exist between the Adviser and these affiliates.

- Intangible and/or Other Benefits, Discounts and/or Perquisites

Morgan Stanley and its personnel have received, and can be expected to continue receiving, certain intangible and/or other benefits, discounts and/or perquisites arising or resulting from their activities on behalf of a Fund, which will not be shared with the Fund, its investors and/or its portfolio companies or entities.

- Senior Advisors and Operating Partners

Morgan Stanley may engage and retain consultants or advisory board members (collectively, "Consultants") who are not employees or affiliates of Morgan Stanley. Services performed by Consultants could include providing the Adviser with industry-specific insights and feedback on investment themes, assisting in transaction due diligence, making introductions to and providing reference checks on management teams and could, in some cases, involve the Consultants taking on more extensive roles and contributing to the origination of new investment opportunities. In some instances, portfolio companies or entities retain and bear the fees of Consultants for their services, or operating executives may serve on the portfolio company's or entity's board of directors. Any such directors' fees or other remuneration received by Consultants may be retained by such persons. Certain such Consultants, including Consultants that serve as operating partners, will not be treated as affiliates of the Adviser or the relevant Fund's general partner for purposes of the Fund's Governing Documents and, accordingly, no such payments to these Consultants will be offset against any Fund management fees or performance-based compensation distributions payable to the Adviser or a Fund's general partner, nor will such payments otherwise benefit a Fund or its investors.

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- Valuation of Assets

The Adviser or the respective Fund's general partner will determine the fair value of all investments in accordance with the respective Governing Documents. Under certain circumstances, the valuation of investments will affect the amount and timing of management fee payments to the Adviser, as well as the amount and timing of a Fund's general partner's performance-based compensation, as applicable. In particular, a reduction in the fair value of an investment will not necessarily result in a reduction of invested capital (as defined in the Governing Documents) attributable to such investment, including for purposes of calculating management fees or performance-based compensation, as applicable, as such a reduction will ordinarily only occur when the Adviser or general partner, in its sole discretion, determines that the investment has become "worthless" under the Internal Revenue Code, the subject of a permanent write-off and/or permanently impaired (as applicable). The determination of whether and when an investment has become worthless, the subject to a permanent write-off and/or permanently impaired (as applicable) will involve subjective judgments on the part of the Adviser or general partner, as applicable. Therefore, the Adviser or general partner has an incentive to, for instance, refrain from or delay in determining that an investment is worthless or otherwise subject to a permanent write-off, and to select and/or apply valuation methodologies in a manner that maximizes the amount of fees and compensation the general partner and/or Adviser receive. As a result, the valuation of investments involves conflicts that will not necessarily be resolved in favor of the Funds.

- Subscription Facility

A Fund's use of a subscription facility presents conflicts of interest as a result of certain factors, including that a Fund's use of a subscription facility with respect to a portfolio investment or to meet the Fund's ongoing capital needs, including in relation to the payment of management fees and expenses, could reduce or eliminate the preferred return received by the Fund's Limited Partners and accelerate or increase distributions of performance-based compensation to the respective Fund's general partner. In addition, using a subscription facility to fund investments will typically have the effect of increasing the internal rates of return for the Fund, the presentation of which could affect the Adviser's or Morgan Stanley's marketing efforts with respect to future funds.

## **Conflict Identification and Management**

Morgan Stanley and the Adviser have established procedures intended to identify and address 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

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situations choose to seek the approval of the investors, Limited Partners 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) thereof and/or the relevant Governing Documents.

The Governing Documents of each Fund are detailed agreements that establish complex arrangements among the Adviser, its affiliates, the Fund and its investors. Questions arise under these agreements regarding the parties' rights and obligations in certain situations, some of which will not have been contemplated and are not specifically addressed or could have been articulated more precisely at the time of the agreements' drafting and execution. In these instances, the operative provisions of the agreements, if any, can be broad, general, ambiguous or conflicting, and could permit more than one reasonable interpretation, including in circumstances where one reasonable interpretation is most favorable to the Adviser and/or its affiliates while another reasonable interpretation is most favorable to the Fund, and where the Adviser therefore has an incentive to prefer the former interpretation over the latter one. While the Adviser will construe the relevant agreements in good faith and in a manner consistent with its legal obligations (and, when appropriate, in consultation with external legal counsel), the interpretations the Adviser adopts will not necessarily be, and need not be, the interpretations that are the most favorable to the Fund or its investors and could be the interpretations that are most favorable to the Adviser and/or its affiliates.

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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 its advisory clients or their applicable general partners or, who have access to non-public information regarding the purchase or sale of securities, or who make securities recommendations to its advisory clients or their applicable general partners, or who have access to such recommendations that are nonpublic (“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 a Fund, investors receive information relating to potential conflicts of interest between the activities of the advisory clients and the business activities of the Adviser, and its affiliates, or clients that may have a financial interest in the securities in which any of the Funds invest.

On rare occasions, an advisory client of the Adviser may sell a security or asset which another advisory client (of either the Adviser or an affiliate thereof), or an affiliate of the Adviser, wants to own, or vice

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versa. Any such cross transactions between clients can be expected to raise potential conflicts of interest, including with respect to transaction pricing. On these occasions, after extensive Firm and legal and compliance review and documentation, a sale of the security or asset from one advisory client to another may be permitted, subject to compliance with the relevant clients' Governing Documents.

The Adviser may purchase and sell public and private investments and co-invest the assets of its advisory clients alongside other advisory clients 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 client governing documents.

### **Allocation of Investment Opportunities**

The Adviser has a governance process in place to ensure that each client is treated in a fair and equitable manner. The following factors will be considered, as appropriate, in connection with allocation decisions:

- Rights of first offer in favor of a client
- 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 provide value add to the operations of the business or provide future opportunities to the business of the client (see also "Allocation of Co-Investment Opportunities" below)
- Other relevant business considerations

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

Any of the General Partners of the Funds may offer co-investment opportunities with respect to none, some or all of a Fund's investments. In the event a General Partner offers co-investment opportunities, such opportunities will be offered pursuant to the terms of the applicable Fund's Governing Documents. The terms of a co-investment applicable to one co-investor may be different than the terms applicable to another co-investor. With respect to certain of the Funds, certain of the investors will, in some cases, have priority rights (but not obligations) to participate in co-investment opportunities, subject to the terms and conditions of the applicable Governing Documents. After the allocation of co-investment opportunities to such investors with priority rights to co-investment opportunities (if any), a General Partner may allocate the remainder (if any) of co-investment opportunities among interested parties in its sole discretion including for example, on the basis of the size of investor commitments to a Fund and other Affiliated Investment Accounts as well as a broad range of other considerations, including,

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commercial considerations for the applicable portfolio investment, a Limited Partner's stated desire to participate in co-investments, the applicable general partner'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 a Limited Partner in connection with the applicable Fund, and there is no guarantee, prediction or projection of the availability to a Limited Partner of future co-investment opportunities. Moreover, conflicts of interest could arise in connection with co-investment-related decisions made by the Adviser or a Fund's general partner, including in respect of the nature or structuring of investments that may be more beneficial for one partnership than for another partnership, or for one group of investors with similar tax or other characteristics than for another group of investors with different tax or other characteristics. Additionally, the allocation of co-investment opportunities may involve a direct or indirect benefit to Morgan Stanley as a result of, among other things, the receipt of fees or performance-based compensation from the co-investment opportunity, which will be calculated independently from the fees and performance-based compensation in respect of the capital commitments to the Fund and capital commitments to other Affiliated Investment Accounts.

Investing in any of the Funds does not entitle a 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 any of the Funds. 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 a 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 any of the General Partners. The actual number of co-investment opportunities made available to Limited Partners can be significantly higher or lower than those made available in connection with other Affiliated Investment Accounts.

The appropriate allocation of fees and expenses generated in connection with potential investments that are not consummated with an investment of a Fund's assets, including without limitation out-of-pocket fees associated with attorney fees and the fees of other professionals ("Broken Deal Expenses"), will be determined by the Adviser or the respective Fund's general partner in its good faith discretion. However, until such time as a co-investor or a strategic investor makes such commitment related to one or more specific investments, such investors will generally not be required to share in Broken Deal Expenses that are paid by a 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. Thus, where permitted by applicable law, a Fund will generally bear all of such Broken Deal Expenses.

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 Funds make, broker-dealers are not generally used for transactions. However, when executing transactions on behalf of a 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 client's markets.

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

To the extent permitted by the applicable regulatory authorities, Morgan Stanley will be authorized to engage in transactions in which it acts as a broker for a Fund and for another person on the other side of the transaction. The Adviser may, in its discretion, subject to its determination in its discretion that such transactions are on arm's-length terms, and subject to applicable law (including the Volcker Rule), choose to execute trades or enter into derivative or hedging transactions for portfolio entities with Morgan Stanley, with Morgan Stanley acting as agent and charging a commission or acting as principal and retaining all profits it may realize as a result of such transactions. If Morgan Stanley acts as agent in such a situation, Morgan Stanley may receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding, both parties to such transactions.

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**

Each Fund's respective Investment Committee reviews and approves all significant investment decisions. The members of the respective Investment Committee are identified in the Supplements to the Adviser's Brochure in Form ADV Part 2B.

The investments made by each 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. However, the Adviser's portfolio management staff closely monitors companies and assets in which each 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). Reviews occur on a quarterly and (in some cases) monthly basis.

The Adviser provides quarterly unaudited reports and annual audited reports to the Limited Partners of the relevant Fund, which include, among other things, financial statements and descriptions of the investments of each Fund. In certain cases, the Adviser may provide additional or different information to different investors. Other than as required by agreement with an investor or by applicable law, the Adviser is not obligated to offer similar information to any investor by virtue of providing that information to other investors.



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

The Adviser may have, from time to time, compensated placement agents (which may include certain of its affiliates) in return for referrals of Limited Partners. Any additional compensation paid specifically for such referrals met the requirements under the Advisers Act, if applicable.

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**Item 15 – Custody**

The Adviser is deemed to have custody of each Fund's cash and securities by virtue of its relationship with the General Partner of each Fund. Each Limited Partner of the PE Asia and PE Asia III receives the relevant Fund's audited financial statements prepared in accordance with generally accepted accounting principles within 120 days of the end of the Fund's fiscal year.

Each Limited Partner of PE Asia IV and PE Asia V Fund receives the relevant Fund's audited financial statements prepared in accordance with generally accepted accounting principles within 90 days of the end of each Fund's fiscal year.

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**Item 16 – Investment Discretion**

As the manager of each of the Funds, the Adviser will have discretion to recommend to the respective General Partner, without consent of the relevant Fund's Limited Partners, the particular securities 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 Funds in cases where a broker or dealer is used. The Adviser provides investment advice to the Funds, subject to certain investment limitations regarding diversification and type of permitted investments as set forth in the applicable partnership agreement.

When executing transactions on behalf of a 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.

The Adviser generally receives discretionary authority from a Fund at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. Such authority is provided in the Adviser's advisory contract with each Fund and/or under the terms of the partnership agreement of each Fund. In all cases, however, such discretion is exercised in a manner consistent with the stated investment objectives for the relevant Fund. When selecting securities and determining amounts, the Adviser observes the investment policies, limitations and restrictions of the relevant Fund.

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

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.