

## Part 2A of Form ADV: Firm Brochure

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Morgan Stanley Infrastructure Inc.

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212-761-7160

<https://www.morganstanley.com/im/en-us/institutional-investor/strategies/real-assets/private-infrastructure.html>

March 27, 2020

This Brochure provides information about the qualifications and business practices of Morgan Stanley Infrastructure Inc. (the “Adviser”). 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 [msipinvestor@morganstanley.com](mailto:msipinvestor@morganstanley.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

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

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## **Item 2 – Material Changes**

We provide this brochure to our clients as well as limited partners of the pooled investment vehicles that we advise (“Limited Partners”).

There have been no material changes since the last update of this Brochure, dated March 29, 2019. 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 [msipinvestor@morganstanley.com](mailto:msipinvestor@morganstanley.com).

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## Item 4 – Advisory Business

Morgan Stanley Infrastructure Inc. (the “Adviser”) was formed in 2006 and registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) in 2007.

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

As of December 31, 2019, the Adviser had approximately \$12,946,689,165<sup>1</sup> of regulatory assets under management, all of which are managed on a discretionary basis.

The Adviser provides infrastructure-related investment advisory services to the co-investing partnerships that comprise (i) North Haven Infrastructure Partners LP (collectively, “NH Infrastructure Partners I”), (ii) North Haven Infrastructure Partners II LP (collectively, “NH Infrastructure Partners II”), (iii) North Haven Infrastructure Partners III SCSp (collectively, “NH Infrastructure Partners III”) and (iv) North Haven India Infrastructure Partners L.P. (collectively, “NH India Infrastructure Partners” and, together with NH Infrastructure Partners I, NH Infrastructure Partners II and NH Infrastructure Partners III, the “Funds”), which each are designed to seek capital appreciation primarily through investments in assets associated with the provision of public goods or essential services that generate long-term, stable cash flows in sectors such as transportation, gas infrastructure, energy and utilities, social infrastructure, and communications (collectively, “Infrastructure Assets”). NH Infrastructure Partners I, NH Haven Infrastructure Partners II and NH Infrastructure Partners III invest on a global basis, however, NH Infrastructure Partners II and NH Infrastructure Partners III each targets investments in Infrastructure Assets globally primarily within the Organization for Economic Cooperation and Development (“OECD”). NH India Infrastructure Partners targets investments in Infrastructure Assets which derive their revenues principally from India.

NH India Infrastructure Fund, a trust formed in India, registered with the Securities Exchange Board of India (“SEBI”) under the SEBI (Alternative Investment Funds) Regulations, 2012 (the “AIF Regulations”), as a Category II Alternative Investment Fund (the “Onshore Fund”), has entered into an investment management agreement with Morgan Stanley Investment Management Private Limited (the “Onshore Manager”) to delegate day-to-day managerial and administrative responsibilities to the Onshore Manager. NH India Infrastructure Partners, L.P., a Cayman Islands exempted limited partnership that feeds into the Onshore Fund (the “Offshore Fund”), has entered into an investment management agreement with the Adviser (together with the Onshore Manager, the “Manager”) to delegate day-to-day managerial and administrative responsibilities to the Offshore Manager. The Manager has a dedicated team of investment professionals that has as its primary responsibility managing NH India Infrastructure Partners. The Manager’s role includes sourcing, investigating, analyzing, structuring, negotiating and investing the NH India Infrastructure Partners’ assets in potential investment opportunities, monitoring the performance of portfolio companies, disposing of investments on behalf of NH India Infrastructure Partners and returning sale proceeds to the Partnership, in accordance with the terms of NH India Infrastructure Partners.

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<sup>1</sup> This amount includes assets managed solely by the Adviser’s participating affiliate in India, Morgan Stanley Investment Management Private Limited.

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

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## **Item 5 – Fees and Compensation**

Certain fees described herein are subject to negotiation.

### **Management Fees**

Through the end of each of the Funds' respective investment periods, the Adviser will generally receive an annual management fee payable quarterly in arrears (the "Management Fee") based on total capital commitments during the Fund's commitment period and on invested capital after such commitment period terminates; which Management Fee is funded by the Limited Partners and ranges from .75% to 1.6%. The investment period for NH Infrastructure Partners I ended in May 2013 and the investment period for NH Infrastructure Partners II ended in June 2019 (see also "Co-Investments" below for additional information on the fees and expenses relating to co-investments).

### **Acquisition Fees**

NH Infrastructure Partners I will pay to Morgan Stanley Infrastructure GP LP (the "General Partner I") an acquisition fee (the "Acquisition Fee") in respect of each investment. Each Limited Partner (other than Morgan Stanley and its affiliates) in NH Infrastructure Partners I will bear a portion of the Acquisition Fee for each investment determined by multiplying such Limited Partner's share of the gross value of the consideration paid (or to be paid) by NH Infrastructure Partners I for such investment by a percentage generally ranging from 0.15% to 0.5% depending on the capital commitment of each Limited Partner. Fees may be deducted from clients' assets as set forth in the limited partnership agreement of NH Infrastructure Partners I.

NH Infrastructure Partners II, NH Infrastructure Partners III and NH India Infrastructure Partners do not provide for the payment of Acquisition Fees to (i) Morgan Stanley Infrastructure II GP LP (the "General Partner II"), (ii) either Morgan Stanley Infrastructure III GP LP or Morgan Stanley Infrastructure III GP Investors S.à r.l. ("General Partner III" and, together with the General Partner I and the General Partner II, the "General Partners") or (iii) the Onshore Manager, respectively.

### **Carried Interest**

General Partner I is generally entitled to carried interest with respect to each NH Infrastructure Partners I Limited Partner equal to 20% of such Limited Partner's profits from each of the NH Infrastructure Partners I's investments, subject to satisfaction of an 8% internal rate of return, compounded annually, for such investment and previously realized investments.

General Partner I is also generally entitled to carried interest in an amount equal to 20% of cash proceeds attributable to any dividends, interest or other ordinary income from an NH Infrastructure Partners I's investments, subject to the NH Infrastructure Partners I Limited Partners first achieving a return of 8%, compounded annually, on the invested capital in such investment.

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General Partner II and General Partner III are generally entitled to carried interest with respect to each NH Infrastructure Partners II Limited Partner or NH Infrastructure Partners III Limited Partner, as applicable, equal to 20% of such NH Infrastructure Partners II Limited Partner's or NH Infrastructure Partners III Limited Partner's, as applicable, profits from NH Infrastructure Partners II's or NH Infrastructure Partners III's, as applicable, investments, subject to a return of capital and satisfaction of an 8% internal rate of return, compounded annually (see also "Co-Investments" below for additional information on the fees and expenses relating to co-investments).

The Onshore Manager, through its Class D ownership interest in the Onshore Fund, is generally entitled to carried interest equal to 20% of such Class D interests' profits from NH India Infrastructure Partners' investments, subject to a return of capital and satisfaction of an 8% internal rate of return, compounded annually (see also "Co-Investments" below for additional information on the fees and expenses relating to co-investments).

### **Placement Agent Fees**

With respect to the Funds, broker-dealers (which may include the Adviser's affiliates) may have acted as placement agents to assist in the placement of the Funds' interests. Any placement fee payable by an investor was in addition to that investor's capital commitment. The amount of any placement fee will be described in the placement agent's point of sale letter. However, any of the placement agents or distributors may have, in their sole discretion, waived the placement fees payable by an investor, including an investor that is an employee or affiliate of each of the General Partners and/or the Adviser.

### **Transaction Fees**

The Adviser, the Onshore Manager, the General Partners and each of their professionals may charge transaction fees, monitoring fees, break-up fees, advisory fees and other similar fees in connection with investments and proposed investments, but excluding fees received in respect of certain investment banking, advisory and other customary activities and services engaged in by Morgan Stanley in its role as an investment banking and brokerage firm.

An amount equal to 100% of any such transaction fees (net of unreimbursed related expenses) will be applied ratably to reduce the capital contribution in respect of the applicable Funds' Management Fee payable by Limited Partners for the quarterly period following the quarterly period in which such transaction fees were received. To the extent that a Limited Partner's share of the applicable Funds' Management Fee is reduced to zero for any quarter, the unapplied portion of such transaction fees (if any) will be carried forward and applied against such Limited Partner's share of the applicable Funds' Management Fee for future quarters.

### **Expenses**

Each of the 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 respective Fund. The payment of such expenses by each Fund does not represent a source of profit for the Adviser, but rather is a reimbursement of actual costs initially paid by the Adviser (or its affiliates) and subsequently passed through to the relevant Fund. The most common expenses include (i) all out-of-pocket expenses incurred in connection with the making, holding, sale, or

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proposed sale of any investment and any related hedging transaction, including any expenses (including travel and entertainment) associated with proposed investments that are ultimately not made by any of the Funds; (ii) all costs incurred in connection with the operation and maintenance of any of the Funds; and (iii) routine expenses of any of the Funds, including legal, accounting, auditing, consulting, and financing fees and expenses associated with a Fund's financial statements and tax returns, and other administrative expenses of the respective Fund. The Adviser and its affiliates may also provide a Fund with certain data processing, legal, accounting, insurance purchasing or administrative services which would otherwise be performed for such Fund by third parties and, in such event, the Adviser and its affiliates may be reimbursed by such Fund at the lesser of (i) the cost of providing such services (including reasonable employment costs and related overhead allocable thereto) and (ii) the amount that would be payable by such Fund if services of equal quality were provided by third parties on an arm's-length basis, except that such reimbursements will not be permitted with respect to appraisal or valuation services. 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).

### **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, Manager 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 may, in certain circumstances, be 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 due to the amount of performance-based compensation or management fees paid by the co-investor receiving the priority allocation or better 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, Onshore Manager 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 (as hereinafter defined). Co-investors in one or more specific investments will not necessarily be required to share in 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. The performance of co-investments is not aggregated with that of any Fund, including for purposes of determining a General Partner's or Onshore Manager's, as applicable, carried interest or the Adviser's or Onshore Manager's, as the case may be, 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.



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## **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, the Onshore Manager or their respective affiliates. Such advisors and other service providers may be investors in any of the Funds, affiliates of the General Partners or Manager, 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 or Onshore Manager, as the case may be, in deciding whether to select or recommend 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, the Onshore Manager or their respective affiliates as compared to services provided to the Funds, which may result in more favorable rates or arrangements than those payable by any of the Funds. Item 10 further describes material relationships with Morgan Stanley and other affiliated entities.

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

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

In some cases, the Adviser has entered into performance fee arrangements with qualified clients and such fees are subject to individualized negotiation with each such client. The Adviser will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. Performance-based fee arrangements may create an incentive for the Adviser to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. The Adviser has designed and implemented procedures to ensure that all clients are treated fairly and equitably, and to prevent this conflict from influencing the allocation of investment opportunities among clients. 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 fees charged by the Adviser.

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## **Item 7 – Types of Clients**

The Adviser provides portfolio management services to pooled investment vehicles. These pooled investment vehicles are not subject to regulation under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Generally, each Fund’s investors must have invested a minimum of \$5 million, unless otherwise approved by the General Partners. In addition, NH Infrastructure Partners I has a specific fund designed to admit only Morgan Stanley current and former employees (and certain other permissible related investors), and investors in those funds must generally invest a minimum of \$50,000, unless otherwise approved.

Limited Partner interests in a Fund may be purchased only by certain eligible investors who are (i) “accredited investors” as defined in Regulation D of the Securities Act of 1933, as amended, and (ii) “qualified purchasers” for purposes of Section 3(c)(7) of the Investment Company Act or “knowledgeable employees” as such term is defined in Section 3(c)(5) of the Investment Company Act. In the case of the employee funds described above, interests have been offered and sold to investors who are “accredited investors” as defined in Regulation D of 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.

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

### **Investment Strategies**

The Funds target investments in Infrastructure Assets. NH Infrastructure Partners I, NH Haven Infrastructure Partners II and NH Haven Infrastructure Partners III invest on a global basis, however, NH Infrastructure Partners II and NH Haven Infrastructure Partners III target investments in Infrastructure Assets globally primarily within the OECD. NH India Infrastructure Partners targets investments in Infrastructure Assets which derive their revenues principally from India. From time to time, the Adviser may cause the Funds to invest cash held by the Funds in temporary investments or to employ hedging techniques to reduce the risk of adverse interest rate, currency, credit or security movements on investments.

### **Methods of Analysis**

The Adviser's main source of information and investment opportunities are contacts with employees of Morgan Stanley, a public company listed on the New York Stock Exchange (of which the Adviser is a wholly-owned subsidiary), industry executives and established business relationships. Regional investment teams are responsible for performing due diligence on potential investments. Such analysis includes underwriting the potential returns and risks for such investments (including legal, tax, accounting and environmental issues), as well as regularly monitoring the value of such investments. The regional investment teams assess the impact of various macro and microeconomic shifts on potential investments and make recommendations to the Adviser on strategies to maximize the value of investments. Such services are provided pursuant to service contracts between the Adviser and local broker-dealers owned by Morgan Stanley.

### ***Preliminary Evaluation***

An initial review of each investment opportunity is carried out by one of the senior members of the respective Fund's investment team (the "Investment Team") to determine whether such opportunity is consistent with the respective Fund's investment objective in terms of size, geography, governance/control and return potential. If the opportunity fits the Fund's investment objectives, the opportunity is staffed with a managing director leading the evaluation of the attractiveness of the opportunity.

If the Investment Team determines that the target investment merits further evaluation, it is discussed at the Investment Team's weekly meeting. At this meeting the senior members of the Investment Team will discuss the attractiveness of the opportunity and whether Morgan Stanley's resources and relationships can be utilized to give the Fund a meaningful competitive advantage relative to other potential investors. In general, an Investment Team will not pursue an opportunity unless the respective Fund has such an advantage.

### ***Active Evaluation***

If the senior members of the Investment Team determine that an opportunity meets a Fund's investment objectives, is attractive and the Fund has a meaningful competitive advantage, the Investment Team will commence formal due diligence on the opportunity. The due diligence process is conducted with company management to achieve a comprehensive understanding of the company's competitive positioning, as well as

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the opportunities and risks associated with the proposed investment. Throughout the due diligence process, the Investment Team keeps the lead managing director for the investment apprised of all developments and key findings, and the questions/issues raised by the lead managing director for the investment are addressed by the Investment Team through their continuing due diligence. The Investment Team is assisted in its due diligence by a broad network of experts from both within and outside Morgan Stanley, as appropriate. The Investment Team is responsible for all aspects of the acquisition process including due diligence, structuring and negotiating, and financing. At each critical stage of the process, the approval of the lead managing director for the investment is required prior to the Investment Team proceeding to the next phase of the investment process.

Morgan Stanley will, where appropriate, retain third-party consultants to assess business and market conditions, competition, physical and environmental concerns and other factors that it deems necessary to review with external advisors.

For each investment opportunity, the Investment Team will generally make multiple presentations to the relevant General Partner's Investment Committee (each, an "Investment Committee"). Each Investment Committee is comprised of individuals who have leadership roles at Morgan Stanley as well as senior management positions with respect to each Fund. Issues and questions raised by an Investment Committee will be addressed by the Investment Team in subsequent due diligence. Formal Investment Committee approval is required prior to the execution of definitive agreements with respect to any transaction.

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

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

- **General Economic and Market Risks.** The 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 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,

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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.

- **Coronavirus and Public Health Emergencies.** As of the date of this brochure, there is an outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization has declared to constitute a "Public Health Emergency of International Concern." The outbreak of COVID-19 has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity, debt, derivatives and commodities markets. The global impact of the outbreak is rapidly evolving, and many countries have reacted by instituting (or strongly encouraging) quarantines, prohibitions on travel, the closure of offices, businesses, schools, retail stores, restaurants, hotels, courts and other public venues, and other restrictive measures designed to help slow the spread of COVID-19. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries. Moreover, with the continued spread of COVID-19, governments and businesses are likely to take increasingly aggressive measures to help slow its spread. For this reason, among others, as COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

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 have a significant adverse impact on the Funds and their investments and could adversely affect the Funds' ability to fulfill their investment objectives.

The extent of the impact of any public health emergency on the Funds and their investments' operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the scope of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and spending levels, 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. The effects of a public health emergency may materially and adversely impact the value and performance of the Funds and their investments, the Funds' ability to source, manage and divest investments and the Funds' ability to achieve their investment objectives, all of which could result in significant losses to the Funds. In addition, the operations of the Funds and the Adviser 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

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emergency, including its potential adverse impact on the health of the personnel of any such entity or the personnel of any such entity's key service providers.

- **Legal and Regulatory Risks**

Section 619 of the Dodd-Frank Act (commonly referred to as the "Volcker Rule"), along with regulations issued by the Federal Reserve and other U.S. federal financial regulators ("Implementing Regulations") generally prohibit "banking entities" (which term includes bank holding companies and their affiliates) from investing in, sponsoring, or having certain types of relationships with, private equity funds or hedge funds (referred to in the Implementing Regulations as "covered funds"). Banking entities (including Morgan Stanley and its affiliates) were required to bring their activities and investments into conformance with the Volcker Rule by July 21, 2015, subject to certain extensions granted by the U.S. Federal Reserve that allow Morgan Stanley and its affiliates until July 21, 2022 at the latest to bring certain of their covered fund activities and investments into compliance with certain aspects of the Volcker Rule.

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

The current regulatory environment in the United States may be impacted by future legislative developments, such as amendments to key provisions of the Dodd-Frank Act. For example, on May 24, 2018, the U.S. Economic Growth, Regulatory Relief and Consumer Protection Act (the "Reform Act") was signed into law. Among other regulatory changes, the Reform Act amends various sections of the Dodd-Frank Act, including by modifying the Volcker Rule to exempt depository institutions that do not have, and are not controlled by a company that has, more than \$10 billion in total consolidated assets and significant trading assets and liabilities. In addition, with regard to the so-called sponsored funds or "asset management" exemption of the Volcker Rule, the Reform Act modifies the prohibition on covered funds sharing the same name or a variation of the same name as a banking entity that is its investment advisor (*provided*, that the investment advisor is not itself an insured depository institution, a company that controls an insured depository

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institution, or a company that is treated as a bank holding company for purposes of the U.S. International Banking Act of 1978, and the investment advisor does not share the same name or a variation of the same name as such an entity). In July 2019, U.S. federal regulatory agencies adopted amendments to the Volcker Rule Implementing Regulations to implement the Volcker Rule amendments included in the Reform Act. Also in 2019, such U.S. federal regulatory agencies adopted certain targeted amendments to the Volcker Rule regulations to simplify and tailor certain compliance requirements relating to the Volcker Rule. In January 2020, U.S. federal regulatory agencies proposed additional revisions to the Volcker Rule's current restrictions on banking entities sponsoring and investing in certain covered hedge funds and private equity funds, including by proposing new exemptions allowing banking entities to sponsor and invest without limit in credit funds, venture capital funds, customer facilitation funds and family wealth management vehicles. The proposal would also loosen certain other restrictions on extraterritorial fund activities and direct parallel or co-investments made alongside covered funds. If adopted, the proposal would expand the ability of banking entities to invest in and sponsor private funds. However, the proposed revisions have not yet been adopted and are subject to change. The ultimate consequences of the Reform Act and such regulatory developments on the Funds and its activities remain uncertain, and it remains unclear whether any other legislative or regulatory proposals will be enacted or adopted.

**Departure of the United Kingdom (U.K.) from the European Union (EU).** The U.K. formally notified the European Council of its intention to leave the EU on March 29, 2017. The U.K. ratified a withdrawal treaty under which it left the EU on January 31, 2020 with a transition period lasting until December 31, 2020. During the transition period all of the current rules and arrangements will remain in place while the U.K. and the EU seek to negotiate a free trade agreement ("FTA"). The FTA will govern the trading relationship between the U.K. and the EU after the end of the transition period.

The U.K. will remain subject to EU law with access to the single market and privileges to provide services until the end of the transition period, but any further privileges after that date will depend either on extending the transition period or on the terms of the FTA (if the parties have agreed on an FTA). It is not clear whether the FTA will cover the provision of services by U.K. firms.

U.K.-regulated firms and other U.K. businesses could be adversely affected by the terms ultimately agreed under the FTA. A tariff or non-tariff barrier, customs checks, the inability to provide cross-border services, changes in withholding tax, restrictions on movements of employees, restrictions on the transfer of personal data, etc., all have the potential to materially impair the profitability of a business, require it to adapt or even relocate.

If the U.K. and the EU are unable to agree on the terms of an FTA by December 31, 2020 and do not agree to extend the transition period, the U.K. will become a third country vis-à-vis the EU on the expiry of the transition period. As a third country, the cross-border trade in goods between the U.K. and the EU will depend on any multilateral trade agreements to which both the EU and the U.K. are parties (such as those administered by the World Trade Organization) and the provision of services by U.K. firms will be generally restricted to those that could be provided by firms established in any third country.

Given the relatively short time within which to negotiate an FTA, there is a risk that the U.K. may leave the transition period without an FTA. In such circumstances, it is probable that the adverse



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effects of leaving on unfavorable terms would principally affect the U.K. (and those having an economic interest in, or connected to, the U.K.). However, given the size and global significance of the U.K.'s economy, uncertainty about whether it will secure an FTA by the end of the transition period, and thus uncertainty as to the substance of its future legal, political and economic relationships with Europe may continue to be a source of instability, produce currency fluctuations or have other adverse effects on international markets, international trade and other cross-border cooperation arrangements.

The ongoing process by which the U.K. withdraws from the EU could therefore adversely affect the Funds, the performance of their investments and their ability to fulfil their investment objectives (especially if their investments include, or expose them to, businesses that have relied on access to the EU's single market or whose value is affected adversely by the U.K.'s future relationship with the EU).

### **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 memoranda for each of the Funds. 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 the Adviser as described above.

- potential loss of invested capital;
- reliance on expertise of Morgan Stanley investment professionals;
- highly competitive markets and prevailing regulatory or political climates;
- limitations on transfers and withdrawals;
- illiquidity of investments;
- little or no current return on investments prior to their disposition;
- risks associated opportunistic investments prior to their disposition;
- significant degree of financial and/or business risks;
- volatility of global fixed income, equity markets, and commodity prices;

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- leverage at the level of the Funds and/or portfolio companies;
  - adverse political developments and regulation in foreign countries;
  - no assurance of investment return;
  - reliance on management of operating companies;
  - risks arising from providing managerial assistance;
  - exposure to portfolio company and related party claims;
  - potential liabilities related to portfolio company restructurings;
  - risks relating to infrastructure assets;
  - risks related to greenfield projects;
  - risks related to environmental matters
  - risks related to focused investing in India
  - use of hedging techniques;
  - changes in general economic conditions and global economic and political events;
  - limitations on transfer and withdrawal;
  - risks associated with making non-U.S. investments and minority investments;
  - potential inability to protect the value of minority equity investments
  - risks associated with the realization and disposition of investments;
  - catastrophic events, epidemics and other force majeure events;
  - cybersecurity risks;
  - legal and regulatory risks, including burdensome regulation by one or more governmental entities in specific industries; and
  - proposed tax legislation adversely affecting employees and other service providers.

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, 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. 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.

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

### **Broker-Dealer Registration**

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

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

The Adviser, each Fund, their respective portfolio companies and their respective affiliates may use the commodity pool operator, commodity trading advisor and futures commission merchant registrations or exemptions of one or more of the following related persons: 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 Private Equity Asia, Inc., Morgan Stanley Private Equity Asia III, L.L.C., Morgan Stanley Private Equity Asia IV, L.L.C., Morgan Stanley Private Equity Asia V GP ONT, L.P., Morgan Stanley Private Equity Asia, L.L.C., 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 Credit Partners II GP L.P., MS Credit Partners III GP L.P., MS Credit Partners III S.a.r.l., MS Energy Partners GP LP, MS Expansion Capital GP LP, MS Tactical Value Fund GP LP, MS Thai Private Equity GP LLC, MSREF Real Estate Advisor Inc., MSREF V International-GP, L.L.C., MSREF V, 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., NH Senior Loan Fund GP Ltd., Prime Property Fund Asia GP Pte. Limited, Prime Property Fund Europe GP S.a.r.l., SSF Hedging III GP, Ltd, Morgan Stanley AIP GP LP, Morgan Stanley Alternative Investment Partners LP, and Morgan Stanley Investment Management Inc.

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## Other Material Relationships with Affiliated Entities

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

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

- Participating Affiliates

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

- Morgan Stanley & Co. International plc
- Morgan Stanley Australia Limited
- Morgan Stanley Asia Limited
- Morgan Stanley India Financial Services Private Limited
- Morgan Stanley Investment Management Private 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 by the Funds (in such capacity, the "Participating Affiliates"). The Participating Affiliates also may 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 the Funds.

The Onshore Fund has delegated day-to-day managerial and administrative responsibilities to Morgan Stanley Investment Management Private Limited which will have a dedicated team of investment professionals that has as its primary responsibility managing the Onshore Fund. Morgan Stanley Investment Management Private Limited's role includes sourcing, investigating, analyzing, structuring, negotiating and investing the Onshore Fund's assets in potential investment opportunities, monitoring the performance of portfolio companies, disposing of investments on behalf of the Onshore Fund and returning sale proceeds to the Onshore Fund and its investors, in accordance with the terms of the governing documents of NH India Infrastructure Partners.

- Other Advisory Affiliates

The Adviser is part of a group of investment advisers within the Morgan Stanley Investment Management business, including Morgan Stanley Investment Management Inc., Morgan Stanley Investment Management Limited, Morgan Stanley Investment Management (Japan) Co., Ltd., Morgan Stanley AIP GP LP, Morgan Stanley Asset Management Private Limited, Morgan Stanley Real Estate Advisor, Inc., MS Capital Partners Adviser Inc., Morgan Stanley Private Equity Asia, Inc.,

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MSREF V, L.L.C., MSREF Real Estate Advisor, Inc., MSRESS III Manager, L.L.C., and Mesa West Capital, LLC.

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

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

- Affiliates Acting as Fundraising Broker-Dealers

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

- Affiliates Acting as Investment Bankers

In the ordinary course of its business, Morgan Stanley performs full-service investment banking and financial services and therefore engages in activities where Morgan Stanley's interests or the interests

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of its clients may conflict with the interests of the investors, notwithstanding Morgan Stanley's direct or indirect participation in the respective investments of the Funds.

From time to time, Morgan Stanley's investment banking professionals may introduce to one or all 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 such Fund's investment.

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 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 competitors of companies in which each of the Funds invests, in which case it will take appropriate steps to safeguard the confidential information of each client. Morgan Stanley is under no obligation to share and, in fact, may be prohibited by applicable law, from sharing any confidential or material non-public information with any of the Funds or the Adviser. Such activities may present Morgan Stanley with a conflict of interest vis-à-vis a respective Fund's portfolio companies and may also result in a conflict with respect to the allocation of investment banking resources to portfolio companies. Alternatively, any material non-public information about a potential investment or portfolio company in which Morgan Stanley comes in possession may preclude 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 financially troubled companies in which one or all Funds hold an investment. Morgan Stanley's compensation for such activities is generally based upon the successful completion of a restructuring which may include raising funds for the purchase, exchange or restructuring of existing securities or loans or for an equity infusion. In such case, certain conflicts of interest would be inherent in the situation including those involved in valuing the company.

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

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

Each General Partner's or Onshore Manager's, as the case may be, carried interest may create an incentive for such entity to make more speculative investments for its respective Fund than it would

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otherwise make in the absence of such performance-based distributions. Furthermore, investments made with third parties in joint ventures or other entities may involve carried interests and/or other fees payable to such third party partners of co-investors, which could also create an incentive for such parties to take risks with respect to such investments. In addition, the method of calculating the carried interest may result in conflicts of interest between a General Partner or Onshore Manager, as the case may be, on the one hand, and the investors, on the other hand, with respect to the management and disposition of investments. For example, the General Partners or the Onshore Manager, as the case may be, will value any securities being distributed in-kind to investors in order to calculate its carried interest. If the valuations conducted by the General Partners or Onshore Manager, as the case may be, are incorrect, the amount of payment of the relevant carried interest could be incorrect.

○ Morgan Stanley Investments and Affiliated Investment Accounts

Morgan Stanley may advise clients and has sponsored, managed or advised other alternative investment funds and investment programs, accounts and businesses (collectively, together with any new or successor funds, programs, accounts or businesses, the “Affiliated Investment Accounts”) that have or will have active investment programs that are substantially similar to those of the Funds. 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 each Fund’s Investment Team and the Investment Committee may make investment decisions on behalf of both Morgan Stanley and such Affiliated Investment Accounts, including Affiliated Investment Accounts with investment objectives that overlap with those of the 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.

Morgan Stanley related persons (including Morgan Stanley’s trading and principal investing businesses) will have no obligation to offer to a Fund investment opportunities that are excluded from any otherwise existing contractual obligation. In such situations, a Morgan Stanley related person may pursue and make the investment for its own account.

When deciding how to allocate such opportunities, Morgan Stanley will exercise its discretion and may consider its own financial interests or the interests of other clients or affiliates of Morgan Stanley ahead of those of the 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 the General Partners or Onshore Manager, as the case may be, may invite Morgan Stanley or an Affiliated Investment Account to co-invest with one or all 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 when the interests of the two co-investors are in conflict. See also “Allocation



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of Co-Investment Opportunities” in Item 11 below for additional information on the allocation of co-investment opportunities.

- Other Morgan Stanley Investment Management Activities

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

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

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

- Management Persons

Officers and employees supporting the Adviser may also serve as directors of certain portfolio companies and, in that capacity, will be required to make decisions that they consider to be in the best interest of the portfolio company, which in certain circumstances may not be in the best interests of any of the Funds. Companies with which one or more members of the Investment Team or other employees of Morgan Stanley are involved may also engage in transactions that would be suitable for the Funds, but in which the Funds might be unable to invest. Accordingly, in these situations, there may be conflicts of interests between such person’s duties as an officer or employee of the Adviser and such person’s duties as a director of the portfolio company.

Certain of the Adviser’s management persons may also hold positions with the affiliates listed above. In these positions, those management persons of the Adviser may have some responsibility with respect to the business of these affiliates and the compensation of these management persons may be

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based, in part, upon the profitability of other affiliates. Additionally, these management persons may come into possession of confidential non-public information and may be recused from certain investment-related discussions, including Investment Committee meetings, so that such members do not receive information that would limit their ability to perform functions of their employment with Morgan Stanley unrelated to the Funds. Consequently, in carrying out their roles with the Adviser or any of the Funds and these other entities, the management persons of the Adviser may be subject to the same or similar conflicts of interest that exist between the Adviser and these affiliates.

### **Conflict Identification and Mitigation**

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

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## **Item 11 – Code of Ethics**

### **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 supports the Adviser in providing investment advice to the General Partners or the Funds, and who have access to non-public information regarding the purchase or sale of securities, or who make securities recommendations to the General Partners or the Funds, or who have access to such recommendations that are non-public (“Access Persons”). Each Access Person is required to acknowledge the Code at the inception of his/her employment and annually thereafter. The Code is designed to make certain that all acts, practices and courses of business engaged in by Access Persons are conducted in accordance with the highest possible standards and to prevent abuse, or even the appearance of abuse, by Access Persons with respect to their personal trading and other business activities.

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

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

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

### **Personal Trading and Investments**

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

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

We recommend that clients invest in Funds for which we act as investment adviser. Prior to subscribing for interests in a Fund advised by the Adviser, investors receive information relating to potential conflicts of interest between the activities of the Funds and the business activities of the Adviser, and its affiliates, or clients that may have a financial interest in the securities in which the Funds invest.

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

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

One or all of the General Partners or Onshore Manager, as the case may be, may offer co-investment opportunities with respect to none, some or all of the relevant Fund’s investments. In the event that a General Partner or Onshore Manager, as the case may be, offers co-investment opportunities, such opportunities will be offered pursuant to the terms of the applicable partnership agreement. With respect to certain of the Funds, certain of the investors may have priority rights (but not obligations) to participate in co-investment opportunities, subject to the terms and conditions of the applicable partnership agreement, subscription agreement, side letter agreement or other agreement setting forth such priority rights. After the allocation of co-investment opportunities to such investors with priority rights to co-investment opportunities (if any), a General Partner or Onshore Manager, as the case may be, 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, commercial considerations for the applicable portfolio investment, a Limited

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Partner's stated desire to participate in co-investments, the General Partners' or Onshore Manager's, as the case may be, 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 assurances with respect to the amount of any co-investment opportunity that will be made available to a Limited Partner in connection with the relevant Fund, and there is no guarantee, prediction or projection of the availability to a Limited Partner of future co-investment opportunities.

Investing in any Fund 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 the 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 any of the Funds 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 General Partner or Onshore Manager, as the case may be. The actual number of co-investment opportunities made available to Limited Partners may be significantly higher or lower than those made available in connection with other Affiliated Investment Accounts.

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

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## **Item 12 – Brokerage Practices**

Due to the nature of the investments the 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.

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**

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

The respective 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 managed by the Adviser, which include, among other things, financial statements and descriptions of the investments of each Fund.

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

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



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**Item 15 – Custody**

The Adviser is deemed to have custody of the each Fund's cash and securities by virtue of its relationship with each General Partner. Each Limited Partner of NH Infrastructure Partners I will receive NH Infrastructure Partners I's audited financial statements prepared in accordance with generally accepted accounting principles within 120 days of the end of NH Infrastructure Partners I's fiscal year.

Each Limited Partner of NH Infrastructure Partners II, NH Infrastructure Partners III and NH India Infrastructure Partners will receive such Fund's audited financial statements prepared in accordance with generally accepted accounting principles within 90 days of the end of such Fund's fiscal year.

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## **Item 16 – Investment Discretion**

The Adviser manages each Fund's assets on a discretionary basis. The Adviser does not manage client assets on a non-discretionary basis. Please see Item 4 for a discussion of the types of advisory services provided by the Adviser. The Adviser provides investment advice to the Funds, subject to certain investment limitations regarding concentration and diversification, geography, time and type of permitted investments as set forth in the respective Fund's partnership agreement. Such investment limitations may be disregarded with prior approval of the limited partner advisory committee, as set forth in the respective Fund's partnership agreement.

The Adviser generally receives its discretionary authority from a Fund at the outset of the 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**

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

In many situations, a client is a party to a stockholder or a similar agreement. These agreements are entered into in the best interests of the clients, and may require the advisers 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 will become or are 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 the 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 disclosures about their financial condition. The Adviser is not aware of any financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.