

# Morgan Stanley

WEALTH MANAGEMENT

Global Investment Manager Analysis | May 2, 2023

## KKR GLOBAL IMPACT FUND II SCSP

Approved List

### Executive Summary

- KKR is currently fundraising for KKR Global Impact Fund II SCSP (“GIF II”, the “Fund”), targeting \$3.0 billion in commitments to continue to pursue investment opportunities to grow and scale companies whose core business models address critical global challenges identified by the United Nations Sustainable Development Goals (“UN SDG’s”) primarily in North America, Europe, and Asia.
- The Fund will look to invest up to \$250 million in equity to between 15 and 25 portfolio companies that fit into the following themes: Climate Action, Sustainable Living, Lifelong Learning, and Inclusive Growth.
- The Global Impact Investment team is led by Ken Mehlman and Robert Antablin, who bring 28 years of ESG, policy & impact-related experience and 18 years of investing experience, respectively. The two senior professionals are supported by 21 additional investment professionals, five regional experts, two dedicated Sustainability and Impact Specialists, as well as dedicated Capstone resources.

#### FUNMILAYO LEDIJU

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#### STRATEGY DETAILS

**Strategy:**

Private Equity

**Sub-Strategy:**

Buyout, Growth Equity

**Asset Allocation Classification:**

Alternatives

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**General Alternative Investments Risk** - Alternative investments often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are appropriate only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Investors should carefully review and consider potential risks before investing. Certain of these risks may include but are not limited to:

- loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices;
- lack of liquidity in that there may be no secondary market for the fund and none expected to develop;
- volatility of returns;
- restrictions on transferring interests in the fund;
- potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized;
- absence of information regarding valuations and pricing;
- complex tax structures, tax inefficient investing and delays in tax reporting;
- less regulation and higher fees than mutual funds;
- fund of funds often have a higher fee structure than single manager funds as a result of the additional layer of fees;
- risks associated with the operations, personnel and processes of the advisor; and
- generally have higher fees and expenses than traditional investment vehicles and such fees can lower the returns achieved by investors
- Individual funds will have specific risks related to their investment programs that will vary from fund to fund. Additional information can be found in the fund's confidential offering documents.

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## Strategy Attributes

### Positive Attributes

- **Proven model of private equity impact investment.** GIF II builds on the work of KKR Global Impact Fund SCSp (“GIF I” or “Fund I”), which has committed over \$1.3 billion in aggregate fund commitments across 15 companies whose core business models offer solutions to critical global SDG challenges. GIF I and GIF II contribute to and build on the capital that KKR has invested over the past decade in companies whose business models address climate action, lifelong learning, sustainable living and inclusive growth.
- **Experienced Private Equity Investment Team.** Overall, KKR has a long history of private equity investing navigating through various capital market and economic cycles dating back to the firm’s founding in 1976. The Global Impact Investment team is led by Ken Mehlman and Robert Antablin, who bring 28 years of ESG, policy & impact-related experience and 18 years of investing experience, respectively. The two senior professionals are supported by 21 additional investment professionals, five regional experts, with an average of 16 years of experience each, two dedicated Sustainability and Impact Specialists, as well as a dedicated Capstone resource. Additionally, the team works closely with the Firm’s Public Policy & KKR Global Institute teams to deeply understand, anticipate & navigate the policy underpinnings that are often relevant to these themes.
- **KKR’s Experience and Expertise in ESG (i.e., de carbonization, employee ownership, and DEI).** KKR has been a leader in creating value through proactive and thoughtful management of Environmental, Social & Governance (“ESG”) issues, having partnered with a number of global non-governmental organizations and thought leaders to implement best practices and drive performance enhancements for more than a decade. This approach has delivered meaningful double-bottom line impact.
- **Breadth of KKR’s Global Platform and Resources.** The 21-person Global Impact Team will be supported by the full spectrum of the KKR’s resource capabilities, which includes over 700 executives. The Global Impact team will have access to supporting resources across Global Macro and Asset Allocation, Balance Sheet and Markets Risk and Analytics Team, Capstone, KKR Capital Markets, Public Affairs, KKR Global Institute, Senior and Industry Advisors and Client Partners Group.

### Points to Consider

- **Development of and Expected Realizations of GIF I.** GIF I is a 2019 vintage fund and while fully invested the portfolio is still very young with no full realizations as of December 31, 2022. Though the portfolio is young and still developing, the portfolio is performing well and is expected to generally meet its underwriting expectations.
- **Significant Growth in Fund Size and Investment Pacing.** GIF II is expected to reach its target of \$3.0 billion, which is 130% larger than the previous Fund, KKR Global Impact Fund II “GIF II.” As a mitigant to this concern, KKR explained that the increase in fund size as a natural development of the strategy. It’s important to note that KKR has deployed over \$2.0 billion of co-investment and SMA capital alongside platform investments. With a jump in fund size, KKR will continue to need to be prudent in deployment of capital.
- **Potential for shared allocation amongst other KKR funds.** Five of the 15 investments in GIF I are shared investments with other funds in the KKR ecosystem, which might suggest a conflict of interest for investors. A mitigant to this issue is that the Firm has a fairly strict allocation policy. GIF II receives priority for all investments under \$250M that meet the impact criteria. Should the investment meet both criteria and the criteria for another fund, GIF II will receive its pro rata share.
- **Seed Portfolio.** GIF II has deployed ~\$565.0 million (~19% of \$3.0 billion target, or 28% of current commitments) into three portfolio companies since the fund’s inception. In discussions with the manager, all three portfolio companies are performing according to business expectations, though still very early in their investment life cycles.
- **Macroeconomic volatility during the investment period.** The value of the Fund’s investments may be affected negatively by an increase in interest rates, which are influenced by inflation, recessionary economic conditions, governmental monetary policies and other factors. Since the Fund’s portfolio companies may be highly leveraged, the impact of interest rate risk may be amplified. This risk is partially mitigated by KKR’s robust investment criteria to identify commercialized businesses with secular growth trends and stable regulatory frameworks.

### Analysts’ Opinion

- For investors seeking exposure to a core large cap impact fund offering, Global Impact Fund II represents an opportunity to invest in an established manager with a demonstrated track record of investing in the impact space. Moreover, the team is supported by both a seasoned investment committee and the overall global KKR platform who combined possess the requisite industry insight in navigating its four underlying sectors and bringing to bear its foresight on the companies.

### Investing with Impact Platform

- KKR Global Impact Fund II, LP is appropriate for Morgan Stanley’s Investing with Impact Platform, a suite of investment strategies that have been evaluated for their financial integrity and return potential, with the added goal of achieving a positive environmental and/or social impact.

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## Investment Performance


Please refer to the offering memorandum for further details.

## Investment Capabilities Overview

### Portfolio Management Team & Resources


• KKR’s Global Impact team consists of 21 investment executives, led by two senior professionals, Ken Mehlman and Robert Antablin, with 28 years of ESG, policy & impact-related experience and 18 years of investing experience, respectively. This team is further supplemented by additional five regional industry experts that have an average of 15 years of experience each. These regional industry experts actively collaborate with the dedicated Global Impact team in developing investment opportunities particularly across Asia and Europe. They have two dedicated Sustainability and Impact Specialists as well as a dedicated Capstone resource. The Global Impact team works closely with the Firm’s Public Policy & KKR Global Institute teams to deeply understand, anticipate & navigate the policy underpinnings that are often relevant to these themes. KKR believes that this approach of combined investment experience and ESG expertise plays a critical role in their proactive targeting of and relationship development efforts with potential investment partners and ultimately in the screening and selection of investment opportunities.

**DEDICATED KKR GLOBAL IMPACT TEAM**

























**Ken Mehlman**  
Partner & Head of PA, Co-Head of Global Impact  
New York  
28 years of experience  
Architect of KKR’s ESG efforts and leader in building differentiated governance strategies

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**Robert Antablin**  
Partner & Co-Head of Global Impact  
New York  
19 years of total experience  
17 years of investing experience leading private equity related investments at KKR


■ Europe-focused
■ Asia-focused
■ North America-focused
■ Dedicated ESG Resource
■ Dedicated Capstone Resource
■ Dedicated Product Strategists


 <b>Rami Bibi</b> ◉ Director London 12 years of experience	 <b>Pedro Ramos</b> Director London 12 years of experience	 <b>Rebecca Versteeg Morales</b> Principal London 6 years of experience	 <b>Amit Alleck</b> Associate London 7 years of experience
 <b>Sara Gentili</b> Associate London 2 years of experience	 <b>Astrid Palmstierna</b> Analyst London 2 years of experience	 <b>Chee Wei Wong</b> ◉ Director Singapore 17 years of experience	 <b>Ivan Kwong</b> Principal Singapore 8 years of experience
 <b>Joy Zhang</b> Associate Singapore 4 years of experience	 <b>Kyle Matter</b> ◉ Managing Director Menlo Park 14 years of experience	 <b>Katie Wu</b> Director New York 11 years of experience	 <b>Evan Kaufman</b> Principal New York 10 years of experience
 <b>Eleanor McEnaney</b> Principal New York 6 years of experience	 <b>Daniel Ovelar</b> Associate New York 6 years of experience	 <b>Kenneth Johnson</b> Associate Menlo Park 4 years of experience	 <b>Hedy Gutfreund</b> Associate New York 4 years of experience
 <b>Alice Kehoe</b> Impact Specialist New York 8 years of experience	 <b>Lena Gloeckler</b> Impact Specialist New York 7 years of experience	 <b>Antonia Wrede</b> <sup>(1)</sup> Principal London 10 years of experience	 <b>Pam Tholen</b> Managing Director New York 15 years of experience
 <b>Carter Frazee</b> Associate New York 5 years of experience	 <b>Bradlee Few</b> Associate New York 3 years of experience		


**KEY SENIOR / INDUSTRY ADVISORS<sup>(2)</sup>**

  
Jim Shelton  
Education


  
Johannes Teyssen  
Climate


  
Diego Piacentini  
E-Commerce / Sustainability


  
Honorable Malcolm Turnbull  
Australia/Climate


  
Sustainability Expert Advisory Council ("SEAC")

**ACCESS TO THE BROADER KKR PLATFORM**

  
KKR Capstone<sup>(1)</sup>

  
KKR Global Institute

  
KKR Capital Markets

  
Client and Partner Group

Source: KKR

• The Global Impact Investment Committee is led by Joe Bae, Co-Chief Executive Officer of KKR, along with the co-heads of the Global Impact team. Additional senior leadership representation includes three senior private equity Members, one from Asia and two from Europe, along with the Global Head of KKR Infrastructure and senior Global Impact team members that have extensive

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experience in operational enhancement, ESG and socially responsible investing. The Global Impact Investment Committee seeks to leverage the global private equity investment experience of some of the most senior executives within the Firm, while also benefiting from operational and ESG-specific experiences of the senior team members. Collectively, the current eleven members of the Global Impact Investment Committee share approximately 208 years of combined experience. The current Global Impact Investment Committee members are listed below.

GLOBAL IMPACT INVESTMENT COMMITTEE		
INVESTMENT COMMITTEE MEMBERS	YEARS AT KKR	YEARS OF RELEVANT EXPERIENCE
<b>Raj Agrawal</b> Partner, Global Head of KKR Infrastructure	17	21
<b>Robert Antablin</b> Partner, Co-Head of Global Impact	17	19
<b>Joe Bae</b> Partner, Co-CEO of KKR	23	24
<b>Rami Bibi</b> Director, Global Impact	8	12
<b>Mattia Caprioli</b> Partner, European Private Equity	21	24
<b>Tim Franks</b> Partner, European Private Equity	4	24
<b>Kyle Matter</b> Managing Director, Global Impact	11	13
<b>Ken Mehlman</b> Partner, Co-Head of Global Impact & Global Head of KKR Public Affairs	13	28
<b>Pedro Godinho Ramos</b> Director, Global Impact	2	12
<b>Chris Sun</b> Partner, Greater China Private Equity	14	17
<b>Chee Wei Wong</b> Director, Global Impact	2	14

Source: KKR

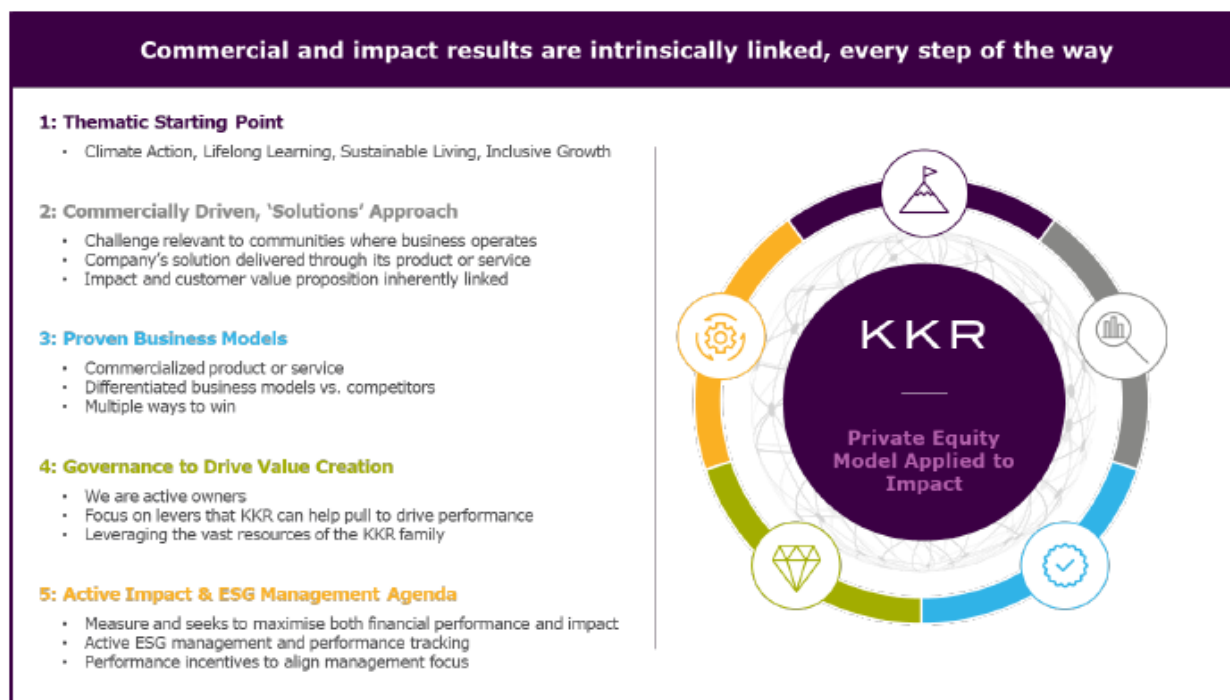
### Investment Process & Portfolio Construction

- GIF II will seek to continue to invest behind scalable, commercial solutions to solve critical global challenges that address the SDGs and will focus on areas where KKR has deep experience. The Firm believes that the current market trends previously referenced are creating an increasing number of attractive investment opportunities with strong macro-economic tailwinds and positive social and/or environmental impact.

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Source: KKR

- GIF II is a global fund, and will focus on opportunities in North America, Europe, and Asia, with expected equity checks from \$75 to \$250 million.
- KKR expects to maintain a flexible approach to ownership and structure, while ensuring active engagement to drive value creation across commercial, impact and ESG performance
- KKR will not assign specific target weightings to sectors per se, as they aim to maintain an opportunistic approach that is flexible to take advantage of changing market conditions. While there are no specific targets or constraints with respect to sector, the Firm will target the construction of a broadly diversified portfolio by industry.
- Below is the expected portfolio construction for the GIF II:

<b>Fund Portfolio Construction<sup>33</sup></b>	
Target number of deals in Fund	Approximately 15-25
Max % of Fund to be invested in single investment	20%
Max % of Fund to be invested in Opportunistic Investments	15%
Target number of deals completed per year	4 to 6
Expected holding period per investment	4 to 6 years
Expected # of years until Fund is fully invested	4 to 6 years

Source: KKR

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## Due Diligence/Underwriting

- When developing an idea, KKR first reviews each investment opportunity based on early discussions with management or the relevant entrepreneur to determine the key parameters of the opportunity and the competitive strengths of the company. The team then consults with local industry experts and leverages its regional and global industry knowledge to gain an understanding of the overall business dynamics and the company's competitive positioning.
- Each of the regional investment teams devotes additional resources once it determines the opportunity is likely to meet the strict investment criteria established by the Global Impact Investment Committee. After sufficient discussions with the senior Global Impact team regarding the investment thesis, and if the investment team is sufficiently convinced that a business is worth serious due diligence, the opportunity is presented to the Global Impact Investment Committee. The investment team then performs business due diligence with management or the entrepreneur to form a comprehensive understanding of the company's competitive advantages and the investment opportunities and risks.
- The Global Impact Investment Committee advises the private equity and growth equity investment teams on analysing and executing new investments and will review and approve all of the Fund's investments. Once the identified potential investment meets the Global Impact Investment Committee's investment criteria and standards, the team will then engage a dedicated transaction team consisting of leading legal counsel, financial and tax accountants and other advisors to assist with formal due diligence, structuring and negotiations. Together, the teams perform a thorough due diligence review to ensure the transaction structure and terms take into account all relevant data points specific to the opportunity from the Firm's perspective, including key leverage points that can be utilized to negotiate favourable terms.
- During diligence, the impact investment team tests operating assumptions and estimate potential returns from the investment based on multiple scenarios. They also try to assess the information provided by legal and business advisors in light of the formal and informal reference checks the team carries out through KKR's strong local network and relationships with industry participants, financial institutions and local government agencies. Additionally, the teams will consult their global legal and compliance teams for their insights into the jurisdictions in question. Their judgment is expected to supplement the advice that regional legal counsel provides on investments. Lastly, consistent with global processes, background checks are conducted to help ensure a high level of consistency to address anti-money laundering concerns, and to help ensure compliance with the Foreign Corrupt Practices Act ("FCPA") and regulations of the Office of Foreign Assets Control ("OFAC").
- For minority growth investments, the deal teams will seek to structure extensive governance rights and protections, such as veto rights on capital spending and acquisitions and the ability to force a liquidity event. The teams also place a strong focus on minimizing the potential downside risk for investments, often by implementing creative transaction structures.
- KKR Capstone executives typically provide an additional view of the performance of the specific company that a private equity team is evaluating. They focus on competitive and operational issues that can have a meaningful, immediate impact on revenue and cash flow generation. The Firm believes that KKR Capstone's early involvement in diligence enables us to drive operational excellence and value creation from the first day of ownership, and on occasion, even prior to the completion of an acquisition.
- In addition to KKR Capstone's contributions, the Firm's Senior Advisors often provide supplemental insights from the perspective of a chief executive or board of directors. Nearly all of the individuals invited by KKR to become Senior Advisors have extensive corporate management expertise, having served as Chief Executive Officer, Chief Financial Officer, Chairman of the Board of Directors, or other comparable positions at a large, industry-leading company or government institution.
- To help ensure top-down considerations and inputs have been taken into account appropriately, the team incorporates critical macro perspectives using the help of the GMAA team during the course of due diligence. The insights from the GMAA team can also be helpful in aiding the investment teams in their evaluation of the range of outcomes for a particular investment opportunity, as can the input of the Risk and Operations Committee, particularly in the context of the various political risks that are apparent across the world today.
- Throughout the diligence process and discussions with the Global Impact Investment Committee, the deal teams leverage the Firm's resources, such as the GMAA and Risk and Operations Committee, to refine their view on potential downside scenarios an investment may face along with the upside potential other scenarios may present. Where risks are identified that are substantial enough to materially jeopardize the potential outcome of an investment, such as regulatory uncertainty or unattractive competitive dynamics, the opportunity will be passed over.
- KKR's Public Affairs team assesses regulatory trends impacting a potential private equity investment and analyses the investment's effects on key stakeholders, including environmental, health, and safety issues, relationships with workers and

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unions, governance practices, and other matters. Given the growing importance of ESG considerations, the team also reviews these criteria when assessing a potential investment, and have developed a global Private Equity ESG policy, which has been published annually since 2014. The policy applies to KKR's private equity investments and establishes the various roles and responsibilities of KKR executives. Additionally, the policy details KKR's goals for ESG-related performance, referring to existing responsible investment frameworks for guidance.

### Sourcing

- KKR believes that its focus on commercial opportunities, its fully integrated model with private equity, broad and deep global network, brand and reputation provides access to proprietary deal flow and position the Firm as a partner of choice for SDG solution-oriented companies. The network of relationships built across the Impact Fund team specifically, as well as KKR more broadly, provides differentiated access to proprietary investment opportunities and broad reach to key advisors and prospective portfolio company leaders. Furthermore, the Firm's traditional private equity investing activities serve as a high-quality channel for new impact investment opportunities. Through the Firm's past historical experience across the broader KKR private equity platform investing in businesses with positive social and/or environmental impacts, and furthermore demonstrated by its track record investing through GIF I, KKR believes they have demonstrated their strong advantage to thematic sourcing.
- This structural, collaborative approach to investment sourcing has further contributed to the Global Impact team's differentiated deal flow, utilizing the power of the entire KKR platform, and ensured rigorous alignment to the Fund's risk/reward strategy:
  - Top-down approach combines global macro trends with specific sector themes and regional drivers
  - KKR's expert global resources and local regional and sector teams enable rigorous diligence and deal selection
  - KKR platform leveraged at each step of the process to enhance relationships and position KKR Global Impact as a differentiated partner
  - Work closely with KKR Senior, Executive and Industry Advisors to leverage differentiated insights and relationships
  - Partner with thought leaders in key industry verticals to enhance the Firm's network and create unique angles around opportunities
- Because of this meaningful sourcing advantage and considerably broad funnel of opportunities, the investment team is able to prioritize which opportunities they spend time on and focus on those with the most compelling attributes that fit their investment themes and target deal and company criteria. This rigorous approach is demonstrated in numbers: since January 2018, the Global Impact team has spent significant time reviewing over 500 opportunities and have progressed over 25 discrete opportunities with the Investment Committee, leading to 15 investments made, indicating an approximately 2% conversion rate.
- An example of KKR's thematic and ecosystem-driven sourcing can be demonstrated through its approach towards the Lifelong Learning thematic. The Global Impact team identifies a priority trend driving a scalable opportunity set and choose focus areas. For lifelong learning, they identified trends behind workforce development and digital and experiential learning in early education. KKR then uses its dedicated team – sector leads in each geography, advisors like Jim Shelton, former Deputy Secretary of the US Department of Education and Annabelle Vultee, former COO at EF Education First, and KKR education experts such as Richard Sarnoff, Abishek Kaput, and Tong Chen – to leverage a differentiated network to build and refine the thesis. The team also leverages expertise of its portfolio companies both within GIF I and prior investments. Finally, they use active sourcing through 30-40+ calls and meetings per month with new companies, diligent pipeline coverage, and development of a top company list, plus conferences and intermediaries. The Firm also leverages NGOs, policymakers, and advisors like Whiteboard Advisors and Teach for America to add to the team's expertise. This holistic sourcing approach has led to the completion of four investments in Fund I, including Graduation Alliance, Burning Glass, MasterD and EQuest.
- The Global Impact team spent significant time evaluating over eight hundred opportunities, with over twenty-five brought to Investment Committee. So far, the team has closed or committed fifteen investments, an ultimate approximately 2% of evaluated opportunities that eventually convert into investments. The team's sourcing and deal outcomes are differentiated as a result – 9 out of 15 deals were proprietary and 10 out of 15 were sourced by colleagues across the firm. Additionally, 5 of the 15 investments were KKR Platform Partnerships, partnering with other KKR funds, which allows us to leverage the KKR platform as a whole to enable new opportunities.

### Leverage

- The Fund has established a credit facility for Fund II. Following 90 days after the Final Closing Date, Fund II may not incur any borrowings that (i) exceed the lesser of (x) 30% of capital commitments and (y) aggregated unused capital commitments. or (ii) remain outstanding longer than 270 days.



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## Return Objective

- Consistent with Fund I, Fund II will similarly seek to underwrite deals targeting high teens net IRRs and 2x net MOIC, with an expected holding period per investment of 4 to 6 years.

## Themes

- The Fund will focus on providing capital to companies whose business models address commercial opportunities primarily associated with four Solutions-oriented Investment Thematics: Climate Action, Lifelong Learning, Sustainable Living, and Inclusive Growth (“Solutions-Oriented Investment Thematics”).

## Solutions-Oriented Investment Themes

		Target SDGs		
<b>Climate Action</b>	<ul style="list-style-type: none"> <li>• Facilitating the Energy Transition</li> <li>• Managing Environmental Impact</li> <li>• Adapting to Climate Change</li> </ul>	 	 	 
<b>Lifelong Learning</b>	<ul style="list-style-type: none"> <li>• Creating Equitable Access to Education</li> <li>• Improving the Quality of Education</li> <li>• Closing the Skills Gap</li> <li>• Integrating Data and Technology</li> </ul>			
<b>Sustainable Living</b>	<ul style="list-style-type: none"> <li>• Building Sustainable Cities</li> <li>• Moving Towards a Circular Economy</li> <li>• Consuming and Producing Responsibly and Sustainably</li> </ul>	 		
<b>Inclusive Growth</b>	<ul style="list-style-type: none"> <li>• Enhancing Diversity and Inclusion</li> <li>• Ensuring Equitable Access to Information and Opportunity</li> <li>• Protecting Freedoms and Wellbeing</li> </ul>	 	 	

Source: KKR

## Valuations

- The Manager has an adequate Valuation process, as Duff & Phelps is responsible for providing positive assurance to the valuations prepared by the Deal Teams. Additionally, the Valuations must be approved by a majority non-investment Valuation Committee.
- The Manager indicated that all of the Fund’s underlying positions will be Level 3 securities. Valuations are performed quarterly for all KKR private equity funds. On a quarterly basis, the deal teams are responsible for preparing a fair value valuation memo. Once the valuation memo has been prepared, the deal team shares the memo with Duff & Phelps, Duff & Phelps is responsible for providing positive assurance on the valuation determined by the deal team. Similarly, the valuation memo is shared with the auditor to ensure that the methodology used to determine the valuation is appropriate. The Manager has a call with the auditor, third party valuation agent, and the deal team for each position to discuss each valuation.

## Monitoring

- The process by which KKR monitors and maximizes value in its portfolio has been developed over four decades, originating from experience with the Firm’s private equity platform. The Global Impact Portfolio Management Committee will instill discipline into the process of building and maximizing value in its portfolio companies post-acquisition. This committee will seek to play a significant role in a variety of portfolio management decisions such as advising on exit strategies, assessing and evaluating leadership talent, deploying additional support resources as needed and incorporating macro-economic and industry factors into

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key investment and operating decisions. These meetings will be highly interactive and offer an additional forum for addressing key operational and strategic questions within a particular company.

- The KKR Global Impact Portfolio Management Committee consists of seven individuals. The current Global Impact Portfolio Management Committee members are:

GLOBAL IMPACT PORTFOLIO MANAGEMENT COMMITTEE		
PORTFOLIO MANAGEMENT COMMITTEE MEMBERS	YEARS AT KKR	YEARS OF RELEVANT EXPERIENCE
<b>Robert Antablin</b> Partner, Co-Head of Global Impact	17	19
<b>Rami Bibi</b> Director, Global Impact	8	12
<b>Kyle Matter</b> Managing Director, Global Impact	12	14
<b>Ken Mehlman</b> Partner, Co-Head of Global Impact & Global Head of KKR Public Affairs	13	28
<b>Pedro Godinho Ramos</b> Director, Global Impact	2	12
<b>Johannes Teysen</b> KKR Senior Advisor	1	31
<b>Chee Wei Wong</b> Director, Global Impact	2	14

Source:KKR

### Exit Strategy

- KKR's investment professionals are deeply engaged in continuous monitoring and management of material issues affecting its portfolio companies, including ESG issues where relevant. Throughout the management process, the applicable Portfolio Management Committee monitors each company's progress and provides input on strategies for realizing additional value. Throughout this process, the impact team works to support the portfolio companies' efforts to build long-term, sustainable efforts that exist beyond investment period. The Firm does not have policies that apply solely to the exit phase of any investment. They do, however, include information related to ESG issues in exit memos when required under the relevant KKR Fund limited partner agreement or where those issues are material to the performance of the business.
- KKR has considerable expertise in exiting portfolio companies through having successfully executed numerous IPOs, secondary offerings, sales to strategic and financial buyers, and recapitalizations over its 46-year history. The Firm has extensive contacts and long-standing relationships among corporate buyers and within the investment banking community that they leverage to complete these exits. The Global Impact Portfolio Management Committee will work with each deal team to seek to determine the optimum timing and structure of each disposition of a portfolio investment.
- The Global Investment team begins each investment by thinking about the exit. The deal teams are constantly monitoring opportunities for exit because the Firm feels that it is important to take advantage of market opportunities when they arise. Since KKR executives serve on the boards of its portfolio companies and therefore, have access to detailed information regarding the companies' financial and strategic positions, they are well positioned to recommend the timing for an exit. The Global Impact Portfolio Management Committee reviews these recommendations with each team to ensure that the teams are making the optimal decisions to create value for its investors.
- The Global impact team's goal upon exit is to achieve the optimum combination of an attractive risk-adjusted rate of return and multiple of capital. The deal teams evaluate recapitalization opportunities in the context of what they view as appropriately leveraged capital structures and long-term value creation. While the deal teams are proactive on the exit front, they assess exit strategies in terms of what is beneficial for each company's long-term value and returns.

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## Compensation

- KKR has a one firm-wide compensations and incentive structure based on a global profit and loss statement. Each of KKR's senior executives receives a base salary and is eligible for a cash bonus and equity compensation, as well as additional incentives including "dollars at work" ("DAW") in KKR fund investments. The cash bonus, equity compensation, and DAW are discretionary, and DAW and equity awards are typically subject to a vesting period of several years.

## LP Advisory Committee

- The General Partner has selected an advisory committee (the "Advisory Committee") consisting of one or more members appointed by persons unaffiliated with the General Partner, representing certain investors in the Fund (including any Investor Parallel Fund or Feeder Fund). Each Limited Partner (other than a Conduit Investor) that, together with its affiliates, makes a Capital Commitment of at least \$100 million on or before the Final Closing Date will be entitled to have a voting representative on the Advisory Committee, and the General Partner is permitted, in its sole discretion, to agree to the participation on the Advisory Committee by members representing Limited Partners with Capital Commitments of less than such amount.
- Regularly scheduled Advisory Committee meetings will be held on an annual basis.

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## Business Structure Overview

### History/Ownership

#### KKR Overview

Established in 1976, KKR is a global investment firm with industry-leading investment experience and a strong culture committed to teamwork



**46 Years**

of investment experience

**\$496B in client AUM**

invested in the public (\$213B) and private markets (\$283B)

**2,400+ employees**

including 650+ investment professionals

**Multi-asset expertise**

across private equity, real estate, infrastructure, and credit

**21 offices**

on 4 continents serving local markets

**\$25B invested**

alongside our clients from KKR and employees in our own products<sup>(1)</sup>

Source: KKR

- KKR, established in 1976, pioneered the leveraged buyout industry and has remained one of the world's largest and most successful investment management firms through the past four decades of economic cycles. They conduct business through their offices in 20 cities across four continents. Their geographic breadth provides them with a broad global platform for sourcing transactions, raising capital and carrying out capital markets activities.
- KKR has taken publicly listed companies private, acquired divisional assets through corporate divestiture transactions, partnered with businesses owned, controlled or influenced by a family or founder / entrepreneur and strategic buyers, structured meaningful minority investments enabling them to drive improvement at companies while limiting downside risk and acquired and subsequently grown businesses through industry consolidation strategies

### Personal Turnover

- Elizabeth Seeger- MD Public Policy & Affairs
- Chee Wei Wong, Director and Head of the Impact team in Asia, will leave KKR later this year. George Aitken, Managing Director and nine-year KKR veteran, will replace him as Head of Impact in Asia. George has been significantly involved in the Global Impact strategy and will also replace Chee Wei as a board member of two GIF I portfolio companies.

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## Terms Overview

Please refer to the offering memorandum for further details.

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## Appendix: Key Management Biographies

### Partners:

**Ken Mehlman (New York)** joined KKR in 2008 and is a Partner, Global Head of Public Affairs & Co-Head of KKR Global Impact. Since joining the firm, Mr. Mehlman has architected KKR's responsible investment efforts to create shared value for KKR investors and other stakeholders. He has also worked to identify investment opportunities by leveraging geopolitical, public policy, and ESG trends. KKR Global Impact is a private equity strategy investing in commercial solutions to global challenges associated with climate change, lifelong learning, sustainable living, and inclusive growth. Mr. Mehlman has focused on purpose and equity throughout his career in government, politics, business, and philanthropy. He spent a dozen years in national politics and government service, including as 62nd Chairman of the Republican National Committee and Campaign Manager of President Bush's 2004 re-election campaign, the only Republican presidential campaign in 30 years to win the popular vote. Mr. Mehlman also served in high level positions in Congress and the White House. He holds a B.A. from Franklin & Marshall College and a J.D. from Harvard Law School. Mr. Mehlman is a trustee of Mt. Sinai Hospital of New York, Franklin & Marshall College, Teach for America, the United Negro College Fund, and Seizing Every Opportunity (SEO). Mr. Mehlman was active in the successful effort for marriage equality, employment non-discrimination; and is a member of the Council on Foreign Relations.

**Robert Antablin (New York)** joined KKR in 2005 and is a Partner and Co-Head of KKR Global Impact, the firm's private market investing platform focused on commercial solutions to global challenges associated with climate change, lifelong learning, sustainable living, and inclusive growth. He serves as a member of the firm's Global Impact Investment and Portfolio Management Committees. Mr. Antablin currently serves on the boards of directors of Lightcast, Axius Water, Graduation Alliance, and Resource Environmental Solutions. Prior to joining KKR, Mr. Antablin was with Goldman, Sachs & Co.'s investment banking division in New York. Mr. Antablin holds a B.S. with highest distinction, Phi Beta Kappa, from the Schreyer Honors College of the Pennsylvania State University.

### Managing Directors

**Kyle Matter (Menlo Park)**, managing director, leads the KKR Global Impact team in North America. He serves as a member of the Global Impact Investment Committee and Portfolio Management Committee. Mr. Matter joined KKR Capstone in 2010 and later transitioned to KKR Global Impact and became a full-time member of the investing team. He currently serves on the Board of Directors of Lightcast, Axius Water, Graduation Alliance, and Resource Environmental Solutions. Before transitioning his role, Mr. Matter previously led KKR Capstone's value creation efforts for KKR's energy investing platform. In his role with KKR Capstone, he worked closely with investment professionals to provide an operations perspective to the entire lifecycle of the investment decision. Before aligning with the energy team, he worked with a diverse set of portfolio companies including Visant, Aricent and Big Heart Pet Brands. Prior to joining KKR Capstone, Mr. Matter was with Bain & Company where he worked across a variety of industries and with private equity firms during the due diligence process. He holds a B.S. and M.S. from the School of Engineering at Stanford University and an M.B.A. from Harvard Business School.

**George Aitken (Sydney)** joined KKR in 2014 and is a member of the Private Equity team. He is actively involved in KKR's investment in MYOB. Prior to this he was at a family office managing principal investments across a broad range of sectors including, technology, resource & energy, infrastructure and industrials. He holds a Bachelor's degree in Business and a Bachelor's degree in Law (Honors) from the University of Technology, Sydney and a Masters of Applied Finance from Kaplan Professional.

### Directors

**Rami Bibi (London)** joined KKR in 2014 and leads the KKR Global Impact business in Europe. He serves as a member of the firm's Global Impact Investment Committee and Portfolio Management Committee. Mr. Bibi is currently on the Boards of Sector Alarm and Citation. Previously, he was part of KKR's European Private Equity team and before that was a part of KKR's Credit and Capital Markets platforms where he focused on generating a range of capital markets and private credit solutions for KKR and 3rd party clients. Prior to joining KKR, Mr. Bibi worked at Morgan Stanley across the Leveraged Finance and M&A investment banking teams in London and New York. He is involved with various non-profit organizations including the Social Interest Group as a Board Trustee,

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and on the London Committee of Human Rights Watch. Mr. Bibi graduated from Tufts University with degrees in Quantitative Economics, Physics, and History.

**Chee Wei Wong1 (Singapore)** joined KKR in 2020 and leads the Global Impact team in APAC. He serves on the boards of BBP, EQuest Education Group, Education Perfect, and GreenCollar. Prior to joining KKR, Mr. Wong was a managing director at Tailwind Capital in New York and spent nine years at EQT in New York and Singapore, where he was an investor and board member of sustainability-focused technology enterprises and healthcare companies. Before that, he was a consultant at Bain & Company and a Justices' Law Clerk in the Supreme Court of Singapore. He holds a Bachelor of Laws (First Class Honors) degree from the National University of Singapore.

**Katie Wu (New York)** joined KKR in 2022 and is a member of the Global Impact team. Prior to joining KKR, she worked in private equity roles at HRS Management, Apollo Global Management, and Blackstone. She earned a B.S. and B.S.E. in Finance and Chemical and Biomolecular Engineering from the University of Pennsylvania, where she was a part of the prestigious Jerome Fisher Program in Management and Technology.

**Pedro Godinho Ramos (London)** joined KKR in 2020 and is a member of the Global Impact team. He has played a significant role in the firm's investments in MasterD, Citation, and CMC, serving on the boards of CMC and MasterD. Previously, Mr. Godinho Ramos worked at Bluegem Capital Partners, Generation Investment Management, Bain Capital, and The Boston Consulting Group. He holds an M.B.A. from INSEAD, an MSc. in Business Analytics from Warwick Business School, and a BSc. in Economics from Nova SBE.

**Evan Kaufman (New York)** joined KKR in 2018 and is a member of the Global Impact team. Prior to joining KKR, Mr. Kaufman worked for Summit Partners, where he focused on the tech-enabled services, industrial technology and consumer sectors. Previously, he was a member of the M&A practice at Lazard Frères & Co and the National Economic Council at the White House. Mr. Kaufman holds a B.S., with honors, from the Kelley School of Business at Indiana University. He currently serves on the board of the United Way of New York City and Axios Water.

## Principals

**Eleanor McEnaney (New York)** joined KKR in 2018. She leads the fund's coverage efforts in Education & Workforce Development and has been actively involved with the firm's investments in Lightcast, Graduation Alliance, and KnowBe4. Prior to joining KKR, Eleanor was a member of the M&A practice at Evercore. She holds a joint B.S. in Economics and Communication Studies, as well as a minor in Business Institutions from Northwestern University.

**Ivan Kwong (Singapore)** joined KKR in 2017 in the Singapore office. At KKR, he has been involved in the investment in PropertyGuru, First Gen Corporation, 800 Super, GreenCollar and BBP. Prior to joining KKR, he worked in the investment banking division of UBS in Sydney and Bain & Company in Sydney and Singapore. He received a Bachelor of Engineering (Aeronautical) (Space) and Bachelor of Laws from the University of Sydney (with the University Medal) and Master of Business Administration from the Wharton School of the University of Pennsylvania (Palmer Scholar).

**Rebecca Versteeg Morales (London)** joined KKR in 2022 and is a member of the Global Impact team. Prior to joining KKR, Ms. Versteeg Morales worked for Montague Private Equity as an investment manager. Previously, she was an associate at PSP Investments. Ms. Versteeg Morales holds an MSc from HEC Paris and a BSc in Economics and BA in Mathematics from Duke University.

**Amit Alleck (London)** joined KKR in 2021 and is a member of the KKR Global Impact team. Previously, Mr. Alleck worked at Clayton, Dubilier & Rice and Credit Suisse. Amit holds a Master of Arts in Economics and an MPhil in Economics and Finance from the University of Cambridge.

## Associates

**Hedy Gutfreund (New York)** joined KKR in 2021 and is a member of the KKR Global Impact team. She has been involved in KKR's investments in Axios Water and KnowBe4. Prior to joining KKR, she worked as a management consultant with Bain &

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Company in Boston and worked at Blue Meridian Partners, a philanthropic capital aggregator in New York, on the Portfolio Management and Strategy team. Ms. Gutfreund received a B.A. from Yale University in History.

**Kenny Johnson (Menlo Park)** joined KKR in 2022 and is a member of the KKR Global Impact team. Prior to joining KKR, Kenny was a founding member of the impact investing platform at Blackstone. He holds a B.B.A. with distinction from the Ross School of Business at the University of Michigan. He has been involved in KKR's investments in Lightcast and Graduation Alliance.

**Joy Zhang (Singapore)** joined KKR in 2022 and is a member of the KKR Global Impact team. Prior to joining KKR she was a member of Macquarie Capital's Infrastructure and Energy Group and before that she was at Morgan Stanley in Risk Management based in London. Ms. Zhang has been involved in KKR's investments in EQuest, Barghest Building Performance, and Five Star. She holds a B.A. in Economics and Management from Oxford University.

**Sara Mattei Gentili (London)** joined KKR in 2022 and is a member of the KKR Global Impact team. Prior to joining KKR, Ms. Mattei Gentili worked as a Business Analyst at McKinsey & Company. Ms. Mattei Gentili holds an M.B.A. from Harvard Business School, a MSc from HEC Paris, and a bachelor's in Finance from Università Bocconi.

**Audrey Fourneret (Paris)** joined KKR in 2022 and is a member of the KKR Global Impact team. Prior to joining KKR she worked at Goldman Sachs in Investment Banking. Ms. Fourneret has a Masters in Computer Science from Telecom ParisTech and a Masters in Finance from HEC Paris.

**Astrid Palmstierna (London)** joined KKR in 2022 and is a member of the KKR Global Impact team. Prior to joining KKR, Ms. Palmstierna worked as an Investment Banking Analyst at Morgan Stanley. She holds a MSc in Economic policy from Fondation Nationale des Sciences Politiques Institut d'Études Politiques de Paris, a Master of Finance and a Bachelor of Business Administration from Stockholm School of Economics.

## Analysts

**Thomas Yonke (New York)** joined KKR in 2023 and is a member of the KKR Global Impact team. Prior to joining KKR full time, Mr. Yonke was a summer analyst with the Global Impact team in 2022. Mr. Yonke holds a Bachelor of Science in Finance from Penn State.

## Dedicated Impact Resources

Alice Kehoe (New York) joined KKR in 2021 and is a member of the Public Affairs team. She manages impact measurement and management for the Global Impact Fund's portfolio companies in collaboration with BSR. Prior to KKR, she worked as an impact consultant advising tech and private equity clients in the States and Europe, and has also worked at CDC Group, the U.K.'s development finance institution, where she was responsible for managing impact in CDC's portfolio in Africa and South Asia.

Lena Gloeckler (New York) joined KKR in 2017 and is a member of the Public Affairs team. Ms. Gloeckler worked in the Citizenship division focusing on social impact before transitioning to the Global Impact Fund in 2022. Ms. Gloeckler will help manage impact assessment and measurement for the Global Impact Fund's portfolio companies. Ms. Gloeckler also contributes to research on social policy and the future of work at the International Migration Institute, and was a research fellow at the Netherlands Institute for Advanced Study in the Humanities and Social Sciences. Ms. Gloeckler has a B.A. with highest distinction, Magna Cum Laude and Phi Beta Kappa, from Columbia University.

## Dedicated Capstone Resources

**Antonia Wrede (London)** joined KKR Capstone in 2017 where she works exclusively with the Global Impact team. Ms. Wrede has been involved with several portfolio companies, including GfK, Citation Group, MasterD, CMC, and Välinge. Prior to joining KKR Capstone, Ms. Wrede worked with The Boston Consulting Group in Germany, where she focused on the Health Care sector across a range of functional topics, including strategy, commercial excellence, and post-merger integration. Ms. Wrede holds a M.Sc./B.Sc. in Business Administration from University of Mannheim with semesters abroad at Singapore Management University and Pepperdine University in California.



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**Anisha Vachani (New York)** joined KKR Capstone in 2019. She has partnered with a number of KKR's portfolio companies across funds, including the Apple Leisure Group, Lightcast, and OverDrive. Ms. Vachani also focuses on the firm's diversity, equity, and inclusion priorities. Prior to joining KKR, she worked at The Boston Consulting Group and Amazon, and also spent time with Strategic Grant Partners, an education-focused venture philanthropy and pro-bono consultancy. Ms. Vachani holds a BA, magna cum laude, in Economics with Honors from Wellesley College, an MBA from Harvard Business School, and a Master of Public Policy from Harvard Kennedy School.

## Partially Dedicated Impact Team

**Mattia Caprioli (London)** joined KKR in 2001 and is Co-Head of European Private Equity and serves as a member of KKR's European Private Equity Investment Committee and European Portfolio Management Committee. Since joining KKR, Mr. Caprioli has played a significant role in many investments including Sector Alarm, Walgreens Boots Alliance, Galenica, Avincis Mission-Critical Services (fka Inaer), RigNet, PortAventura, United Group (fka SBB), Travelopia, A-Gas and Citation. Currently, Mr. Caprioli serves on the board of directors of Sector Alarm, RigNet, PortAventura, Travelopia and A-Gas. Prior to joining KKR, Mr. Caprioli was with Goldman Sachs International in London, where he was involved in a broad array of mergers, acquisitions and financings across a variety of industries. He holds a M.Sc., summa cum laude, from L. Bocconi University, Milan, Italy.

**Timothy Franks (London)** joined KKR in 2017 and leads the development of KKR's activities in the UK & Ireland within the Private Equity platform, as well as the Consumer industry team in EMEA. Mr. Franks serves as a member of KKR's European Private Equity Investment Committee, European Portfolio Management Committee, and Global Impact Fund Committee. He also looks after the longer-term Core investment strategy of the firm in Europe. Mr. Franks has been involved in KKR's investments in Citation, Wella, Coty, Roompot, Viridor, Upfield, The Hut Group, Webhelp, and Afriflora. Mr. Franks is currently Chairman of Upfield and a member of the boards of Citation, Wella, and Viridor. Mr. Franks started his private equity career in 1999 at Advent International's London office. At Advent he was involved in more than 13 transactions over a 17 year period focusing on consumer-facing companies and technology and also opened and led Advent's New York office for three years. Prior to his private equity career, he was at Deutsche Morgan Grenfell and CS First Boston. He holds an M.A. from Cambridge University, and an M.P.P. from the John F. Kennedy School of Government, Harvard University.

**Chris Sun (Beijing)** joined KKR in 2007 and is a member of the Private Equity team, focused on the consumer sector in Greater China. Mr. Sun is also a member of the KKR Global Impact investment team. At KKR, Mr. Sun has played a significant role in advising on the investments in Modern Dairy, VATS Liquor Chain, Asia Dairy, COFCO Meat, Sunner Development, Yuehai Feed Group, Gambol Pet Group, Cue & Co, Jiangsu Yuguan, ByteDance, Xingsheng Yongxuan and Huohua Logic. Prior to joining KKR, he worked as an investment banking analyst at Goldman Sachs & Co. in the Natural Resources Group in Beijing. He holds a B.A. and an M.A., with honors, from Peking University in China.

**Neal Kok (Singapore)** joined KKR in 2014 and is a member of the Private Equity team. Prior to joining KKR, Mr. Kok worked at Australian advisory firm, Treadstone Partners, and prior to that in the investment banking division of Goldman Sachs & Co. (Sydney). He holds a Bachelor of Law (Hons) and Bachelor of Commerce (Finance and Accounting) from the University of Notre Dame Australia.

**Ankit Aggarwal (Mumbai)** joined KKR in 2018 and is a member of the Private Equity team and Global Impact team. At KKR, he has been closely involved with a number of investments including, Max Healthcare, Radiant Life Care, J.B. Chemicals & Pharmaceuticals, Jio Platforms and Five Star Finance. Prior to joining KKR, Mr. Aggarwal was with Warburg Pincus in Mumbai for over two years. Prior to that, he worked in the investment banking team of EY in New Delhi. Mr. Aggarwal is a Chartered Accountant and has received an Honours Degree in Commerce from the University of Delhi.

## Important Disclosures

### Additional Comments – 1940 Act Limitations

- GIMA recognizes that both 1940 Act-registered open-end mutual funds that seek alternative-like exposure and traditional hedge funds seek investment returns that have lower correlation to traditional markets in an attempt to increase diversification in an overall portfolio.
- Unlike traditional hedge funds, SEC registered open-end mutual funds that seek alternative-like exposure do not require investor pre-qualifications, enable efficient tax reporting, are subject to lower investment minimums and lower fees, provide portfolio transparency, daily liquidity, and are required to provide daily NAV pricing.
- Because of 1940 Act limitations, mutual funds that seek alternative-like exposure generally must utilize a more limited investment universe and, therefore, will have relatively higher correlation with traditional market returns. Registered open-end funds are statutorily limited in their use of leverage, short sales and the use of derivative instruments.
- Hedge funds typically charge an asset-based fee and a performance fee. Potential benefits to hedge funds include greater flexibility in terms of seeking enhanced returns through the use of leverage, exposure to less liquid investments, and the more flexible use of complex instruments such as derivatives.
- As a result of these differences, performance for a mutual fund that seeks alternative-like exposure and its portfolio characteristics may vary from a traditional hedge fund that is seeking a similar investment objective.

### Important Notice Regarding Complex Products – Please review

This fund utilizes non-traditional or complex investment strategies and/or derivatives. Examples of these types of funds include those that utilize one or more of the below noted investment strategies or categories or which seek exposure to the following markets:

- Commodities (e.g., agricultural, energy and metals), Currency, Precious Metals
- Managed Futures
- Leveraged, Inverse or Inverse Leveraged
- Bear Market, Hedging, Long-Short Equity, Market Neutral
- Real Estate
- Volatility (seeking exposure to the CBOE VIX Index)

Please refer to the fund's prospectus for additional information and descriptions of the specific non-traditional and complex strategies utilized by the fund. *Investors should carefully consider the fund's investment objectives, detailed risk disclosures, charges and fees contained in the fund's prospectus before investing. Please review the prospectus carefully and discuss any questions you may have with your Financial Advisor.* You should also keep in mind that while mutual funds may at times utilize non-traditional investment options and strategies, they should not be equated with unregistered privately offered alternative investments. Because of regulatory limitations, mutual funds that seek alternative-like investment exposure must utilize a more limited investment universe. As a result, investment returns and portfolio characteristics of alternative mutual funds may vary from traditional hedge funds pursuing similar investment objectives. They are also more likely to have relatively higher correlation with traditional market returns than privately offered alternative investments. Moreover, traditional hedge funds have limited liquidity with long "lock-up" periods allowing them to pursue investment strategies without having to factor in the need to meet client redemptions. On the other hand, mutual funds typically must meet daily client redemptions. This differing liquidity profile can have a material impact on the investment returns generated by a mutual fund pursuing an alternative investing strategy compared with a traditional hedge fund pursuing the same strategy.

Non-traditional investment options and strategies are often employed by a portfolio manager to further a fund's investment objective and to help offset market risks. However, these features may be complex, making it more difficult to understand the fund's essential characteristics and risks, and how it will perform in different market environments and over various periods of time. They may also expose the fund to increased volatility and unanticipated risks particularly when used in complex combinations and/or accompanied by the use of borrowing or "leverage."

Examples of non-traditional and complex investment options and strategies include the following. Please keep in mind that the below list is not exhaustive. Rather, it is a brief summary intended to focus your attention on some of the financial instruments, characteristics and special risk factors that may be associated with non-traditional mutual fund investments.

**Derivatives and Leverage.** Derivatives are financial contracts whose value depends on the value of underlying assets, reference rates or indices. The use of derivatives involves risks that are in addition to, and potentially greater than, the risks associated with investing directly in securities and other more traditional assets. These include imperfect correlation between the value of the derivative and the underlying asset, risks of default by the counterparty to certain transactions, magnification of losses incurred due to changes in the market value of the underlying asset, and risks that the transactions may not be liquid. Certain derivative transactions may give rise to a form of leverage, which can magnify the potential for gain and/or the risk of loss and could thus have a disproportionate impact on the performance of the fund. Leverage associated with derivative transactions may cause a fund to liquidate portfolio positions to satisfy its obligations when it may not be advantageous to do so, or may cause a fund to be more volatile than if it had not been leveraged. Commonly used derivative instruments and techniques include:

**Futures.** A futures contract is a standardized, exchange-traded agreement to buy or sell a specific quantity of an underlying instrument or commodity at a specific price at a specific future time. Futures contracts may be offered on agricultural commodities, energy commodities such as crude oil and natural gas, as well as on a vast array of financial instruments, including currencies, government securities, and stock indices. In addition to the derivatives risks discussed above, the prices of futures can be highly volatile. They are affected by many factors, including changes in overall market movements, speculation, real or perceived inflationary trends, index volatility, changes in interest rates

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or currency exchange rates and political events. Using futures can lower total return, and the potential loss from futures can exceed a fund's initial investment in such contracts.

**Options.** Options are contracts giving the holder the right to buy or sell a specific amount of the underlying instrument or futures contract on the underlying instrument at an agreed-upon price. Like futures, the prices of options can be highly volatile and they are impacted by many of the same factors. The use of options can also lower total returns.

**Swaps.** A swap contract is an agreement between two parties pursuant to which the parties exchange payments at specified dates calculated by reference to specified securities, indexes, reference rates, currencies or other instruments. Most swap contracts are purchased over-the-counter ("OTC"), are not purchased or traded on exchanges and often there is no central clearing or guaranty function for swaps. OTC swaps are generally subject to credit risk or the risk of default or non-performance by the counterparty. Swaps could result in losses if interest rate or foreign currency exchange rates or credit quality changes are not correctly anticipated by a counterparty or if the reference index, security or investments do not perform as expected.

**Structured Investments.** A structured investment is designed to offer a return linked to a particular underlying security, currency, commodity or market. Structured investments may come in various forms including notes, warrants and options to purchase securities. Holders of structured investments bear risks of the underlying investment as well as market risk, and are subject to issuer or counterparty risk because the fund is relying on the creditworthiness of such issuer or counterparty and has no rights with respect to the issuer of the underlying investment. Certain structured investments may be thinly traded or have a limited trading market and may have the effect of increasing a fund's illiquidity to the extent that the fund, at a particular point in time, may be unable to find qualified buyers for these investments.

**Short Sales.** A short sale involves the sale by the fund of a security that it does not own with the hope of purchasing the same security at a later date at a lower price. If the price of the security or derivative has increased during this time, then the fund will incur a loss. Short sales are a form of investment leverage and the amount of the fund's potential loss is theoretically unlimited. Short sales are subject to other risks including the risk that the third party to the short sale may fail to honor its contract terms, causing a loss to the fund.

**Liquidity.** Certain investments may be difficult to purchase or sell due to thinly traded markets or other factors such as a relatively large position size. Illiquid securities may reduce the returns of the fund because it may be unable to sell the illiquid securities or unwind derivative positions at favorable prices. Fund returns may also be adversely impacted where the fund has an obligation to purchase illiquid securities (e.g., as a result of entering into reverse repurchase agreements, writing a put, or closing out a short position). Moreover, less liquid securities are more susceptible than other securities to market value declines when markets decline generally. Funds will have greater liquidity risks to the extent their principal investment strategies involve foreign (non-U.S.) securities, derivatives or securities with substantial market and/or credit risk.

### **Strategy Definitions**

The Strategy Descriptions provided below may not, at any given time, completely describe, or account for, all the variations of a strategy that a manager utilizes, any evolution in the strategies, every instrument used within those strategies or new strategies that arise.

**Private Equity** An asset class typically consisting of equity and debt securities in operating companies or assets that are not publically traded. Sub-strategies include: Primary or direct investments in targeted companies, Secondary investments in existing private equity investments, Co-investment such as investing along-side other direct investors.

### **Private Equity Strategies**

**Buyouts:** Equity investments to acquire a controlling interest in a company

**Direct Lending:** Providing capital to companies in a form of debt within the company's capital structure.

**Distressed / Special Situations:** Investments in securities of companies or government entities that may be or near default or under bankruptcy protection. Purchasers typically buy these securities at deep discounts and seek to profit from the entity emerging from the distressed situation.

**Growth Equity:** Equity investments made in more mature companies to provide funding for growth, expansion or restructuring, new markets or finance a significant acquisition without a change of control.

**Mezzanine Debt:** Subordinated debt or preferred stock that earns a coupon and may have warrants or conversion features. Mezzanine capital is only senior common equity.

**Royalties:** The purchase of contractual rights to royalty rights for: for example, sales of medical products, including pharmaceuticals and devices. Also, may involve investment in equity of company that has current royalty interests.

**Whole Loans:** A single residential or commercial mortgage that a lender has issued and has not been securitized.

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**Venture Capital:** Seed or startup capital provided to early-stage, high potential growth start-up companies. Investors seek to profit from the unique product, technology or business model. Venture capital investments typically take 5 or more years to reach full valuation.

## Additional Definitions

**Distribution to Paid in Capital (DPI):** The proportion of the called capital that has been distributed or returned in Limited Partners.

**Enterprise Value:** A measure of a company's value, often used as an alternative to market capitalization. Enterprise value typically includes market cap plus debt, minority interests, preferred shares minus cash and cash equivalents

**Entrance Queue:** Funds will make calls for unfunded commitments from time to time with advanced notice as new investment or capital activity warrants. Capital from new investors is called pro rata in order of the quarter in which the investor's commitment was received.

**Gross Property Value:** Is the value of a fund's underlying assets inclusive of any leverage applied to individual assets or the portfolio as a whole.

**Gross Return:** Is the estimated or audited performance of a fund that excludes all associated fees and expenses.

**Internal Rate or Return (IRR):** The annualized effective compound rate of returns that makes the net present value of all cash flows equal to zero.

**Investment Period:** The period established by a fund in which the fund can make addition investments. Investments committed to prior to the expiration of the investment period may be made after the investment period has expired.

**J-Curve Effect:** Refers to the typical pattern of returns over the life of a private equity style portfolio as expenses and investments made to portfolio assets contribute to subdued or negative performance in the early years and rebound as the fund matures.

**Loan-to-Value Ratio:** Represents the first mortgage lien as a percentage of the properties appraised value.

**Multiple on Invested Capital (MOIC):** A measure to assess private equity performance. The measure typically includes all distributions plus any unrealized gains divided by paid-in-capital. An investment of \$10,000 which grows to \$20,000 is referred to a 2X MOIC.

**Net Asset Value (NAV):** The value of a fund's assets less liabilities.

**Net Investment Value:** Value of a fund's underlying assets based on the funds valuation methods and exclusive of any leverage.

**Net Return:** Is the estimated or audited performance of a fund less associated fees and expenses, such as management fees and carried interest.

**Redemption Queue:** Where a fund has a redemption provision and cannot meet redemptions requests in full, investors remaining redemption balance will be placed in the Redemption Queue. Future redemption payments will be made to investors on a pro-rata basis based on available proceeds.

**Residual Value to Paid in Capital (RVPI):** The value of the limited partners remaining interest in the partnership as derived from the General Partner's valuation of the unrealized portfolio.

**Total Value to Paid in Capital (TVPI):** Sum of distribution to paid in and residual value paid in, i.e., distributed cash and securities plus the value of the limited partner's remaining interest in the partnership.

**Vintage Year:** Typically refers to the year or period in which a fund initiated investments and typically used as reference period for performance review.

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## Risks Associated with Private Equity and Real Estate Investments

Investments in private equity and real estate related entities are subject to various risks but not limited to the following. For additional risk factors, please see the offering memorandum.

**Currency:** Private equity style funds may or may not hedge out currency risk when investing internationally. Currency values may have a positive or negative impact on the funds periodic and final valuations based on currency movements over time.

**Failure to make capital contributions:** If Investors fail to fund their subscription obligations or to make required capital contributions when due, the fund's ability to implement its investment strategy or otherwise continue operations may be substantially impaired. A default by a substantial number of Investors would limit opportunities for investment diversification and likely reduce returns to the fund. In addition, Investors may be required to make additional capital contributions to replace a shortfall caused by a default, thereby reducing the diversification of their investments. Any Investor who defaults in making a required capital contribution will be subject to certain penalties

**Fat Tail Risk:** Fat tails are anomalies in return distributions, where extreme occurrences are more frequent and larger than standard deviation would explain. Fat tails in alternative investment strategies typically produce an asymmetrical risk profile whereby the frequent and larger extreme occurrences tend to occur on the negative side of the return distribution. In other words, standard deviation understates risk. The investments and associated risk characteristics of private equity style investments may exacerbate typical fat tail risk.

**General Credit Risks/Lending:** Funds based on credit or lending strategies may be exposed to losses resulting from default and foreclosure. Therefore, the value of the underlying collateral, the creditworthiness of the borrower, and the priority of the lien are each of great importance. Funds in general cannot guarantee the adequacy of the protection of the fund's interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, Fund's cannot assure that claims may not be asserted that might interfere with enforcement of the fund's rights. In the event of a foreclosure, the fund or an affiliate of the Fund may assume direct ownership of the underlying asset. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to a fund. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.

**Investments with Intrinsic or Extrinsic Leverage:** The investment strategies utilized by the manager and/or the underlying funds may from time to time employ the use of leverage. Such leverage may be achieved through various methods and magnifies the degree of risk and the potential volatility of investment returns. The effects of leverage may be further exacerbated to the extent that an investment in a fund represents a leveraged investment in one or more investments or underlying funds (i.e., leveraging an already leveraged investment).

**Lack of diversification:** A fund may participate in a limited number of investments and there can be no assurances concerning the diversification of the Fund's assets. A limited degree of diversification increases risk because, as a consequence, the aggregate return of the Fund may be substantially adversely affected by the unfavorable performance of even a single investment.

**Lack of liquidity of investments:** It is unlikely that there will be a public market for the investments held by a fund. In some cases a fund may be prohibited by contract from selling investments for a period of time. In addition, the types of investments held by a fund may be such that they require a substantial length of time to liquidate. In particular, these risks could arise from absence of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions, and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located.

**Market dislocation:** An extended or worsening economic downturn could adversely affect the financial resources of a fund and its investments and their ability to make principal and interest payments on, or refinance, outstanding debt when due. In such event, a fund could lose both invested capital in, and anticipated profits from, the affected investments. The recent financial crisis has led to a marked decrease in the availability of financing (and, in many cases, an increase in the interest cost) for leveraged transactions, which may impair a fund's ability to consummate certain transactions or cause a fund to enter into such transactions on less attractive terms.

**Small Capitalization Companies:** Companies with small capitalizations may lack the financial resources, product diversification and competitive strengths of larger companies. The securities of small capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies. Funds that invest a large percentage of assets in only one industry sector (or in only a few sectors) are more vulnerable to price fluctuation than funds that diversify among a broad range of sectors.

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**Risks Associated with Real Estate Investment:** Risks include adverse changes in national or international economic conditions; local market conditions and the financial condition of tenants; changes in availability of debt financing; increases in interest rates, real estate taxes, energy prices, operating expenses and the possible reliance on operating partners. Changes in investment opportunities, environmental regulations, zoning laws and other governmental rules and policies; changes in the relative popularity of properties; risks due to dependence on cash flow; as well as acts of God, uninsurable losses and other factors beyond the control of the Fund.

**Restrictions on redemption:** Private closed-end investment funds typically include long-term, illiquid investments. As result, do not offer redemption provisions. Key events as defined in the funds Offering Documents may provide for selective liquidity events for investors. Please consult the funds Offering Documents for fund specific redemption provisions.

**Use of leverage:** Although the use of leverage (in the form of either debt or preferred equity) may increase the return on Fund capital and offer inflation protection, it also creates greater potential for loss.

### Conflicts of Interest

GIMA's goal is to provide professional, objective evaluations in support of the Morgan Stanley Wealth Management investment advisory programs. We have policies and procedures to help us meet this goal. However, we also believe that investors are entitled to full disclosure of conflicts of interests which could affect the objectivity of our Manager Profiles. For example, ideas and suggestions for which investment products should be evaluated by GIMA come from a variety of sources, including our Morgan Stanley Wealth Management Financial Advisors and their direct or indirect managers, and other business persons within Morgan Stanley Wealth Management or its affiliates. Such persons may have an ongoing business relationship with certain investment managers or mutual fund companies whereby they, Morgan Stanley Wealth Management or its affiliates receive compensation from, or otherwise related to, those investment managers or mutual funds. For example, a Financial Advisor may suggest that GIMA evaluates an investment manager or fund in which a portion of his or her clients' assets are already invested. While such a recommendation is permissible, GIMA is responsible for the opinions expressed by GIMA. Separately, certain strategies managed or sub-advised by us or our affiliates, including but not limited to MSIM and Eaton Vance Management ("EVM") and its investment affiliates, may be included in your account. See the conflicts of interest section in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management for a discussion of other types of conflicts that may be relevant to GIMA's evaluation of managers and funds. In addition, Morgan Stanley Wealth Management, MS&Co., managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs. Morgan Stanley Wealth Management, managers, MS&Co., and their affiliates receive compensation and fees in connection with these services. Morgan Stanley Wealth Management believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account.

In addition, Morgan Stanley Wealth Management, MS&Co., managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs. Morgan Stanley Wealth Management, managers, MS&Co., and their affiliates receive compensation and fees in connection with these services. Morgan Stanley Wealth Management believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account.

Morgan Stanley Wealth Management and its affiliates, which include Morgan Stanley & Co. LLC, (together "our Company") do and seek to do business with various alternative investments (the "Funds") that are covered in the Manager Profiles. Our Company receives compensation, directly or indirectly, from the Funds and their affiliated investment management companies in a variety of ways. Our Company is generally compensated for placing investments in the Funds with investors. As described in each Fund's confidential offering documents, our Company may receive a placement fee, a portion of the management fee or a portion of the performance incentive compensation paid to the manager of the Fund. The type and amount of our Company's compensation is not standard; it varies depending upon our Company's agreement with each Fund. Please consult the Fund's offering documents for specific information regarding how we receive and utilize these fees.

A majority of Alternative Investment managers reviewed and selected by GIMA pay or cause to be paid an ongoing fee to Morgan Stanley Wealth Management in connection with Morgan Stanley Wealth Management clients that purchase an interest in an alternative investment. Morgan Stanley Wealth Management will generally rebate such fee attributable to an investment made by an advisory client and retain the fees paid in connection with brokerage clients. Morgan Stanley Wealth Management has a conflict of interest in offering certain alternative investments because Morgan Stanley Wealth Management or our affiliates earn more money in your account from your investments in certain alternative investments than from other investment options.

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Our Company also receives reimbursement from Funds for various sales meetings, seminars and conferences held in the normal course of business and compensation for sales data. In addition, our Company receives compensation from Funds for providing traditional brokerage services (including related research and advisory support); fund administration and prime brokerage services; investment banking services; provision of various lending facilities; and for other types of financial services including, but not limited to, transfer agent or record-keeping services.

Our Company may invest, either at risk, or with respect to hedge swaps relating to the total return on a Fund or a group of Funds. Some of the Funds we cover have affiliates in the business of separate account investment management or investment management of mutual funds. Such affiliated investment management companies may be clients of our Company and, as such, our Company provides services and receives compensation for such services. In the case of mutual funds, such compensation may include, but is not limited to, a mutual fund support fee, also known as a “revenue sharing” payment, based upon the amount of assets of its funds held by our clients. For more detailed information on how our Company charged for revenue sharing in the past year, the names of the fund families from whom we collected such charges, and further details on fees for mutual fund recordkeeping and related services, please go to [www.morganstanley.com](http://www.morganstanley.com).

Ideas and suggestions for which Funds or managers should be evaluated by GIMA come from a variety of sources, including, but not limited to persons employed by our Company’s investment banking and trading businesses, its FA/PWAs and their direct or indirect managers, and other business persons within our Company. Such persons have an ongoing business relationship with those Funds whom they propose to be evaluated wherein such person, or some business within our Company, would be receiving compensation from such Fund. For example, an FA/PWA may suggest that GIMA evaluate a Fund that is already being utilized by that FA/PWA for a portion of his or her clients’ assets. While such a recommendation is permissible, final responsibility for the views expressed by rests with GIMA.

### **Additional Benchmark Considerations**

While the HFRI Indices are frequently used, they have limitations (some of which are typical of other widely used indices). These limitations include survivorship bias (the returns of the indices may not be representative of all the hedge funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all hedge funds are alike or comparable to one another, and the index may not accurately reflect the performance of a described style); and limited data (many hedge funds do not report to indices, and the index may omit funds, the inclusion of which might significantly affect the performance shown). The HFRI Indices are based on information self-reported by hedge fund managers that decide on their own, at any time, whether or not they want to provide, or continue to provide, information to HFR Asset Management, L.L.C. Results for funds that go out of business are included in the index until the date that they cease operations. Therefore, these indices may not be complete or accurate representations of the hedge fund universe, and may be biased in several ways.

Indexes are unmanaged and investors cannot directly invest in them. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment.

### **Focus List and Approved List Funds**

GIMA uses two methods to classify fund of hedge fund investment products that are available in applicable advisory programs:

- 1 – Focus List
- 2 – Approved List

All funds on the Morgan Stanley Wealth Management Alternative Investment Platform meet GIMA’s investment and operational standards for inclusion on the platform and have been approved for distribution by an independent Morgan Stanley Wealth Management review committee.

Approved List funds are funds that have met GIMA’s due diligence standards and passed Morgan Stanley Wealth Management’s committee. Focus List funds, a subset of Approved List funds, are vehicles GIMA believes may currently possess a competitive edge with regards to performance or capital preservation over a portion of, or full market cycle. Factors under consideration can include but are not limited to the strength of the investment team, portfolio construction, and risk management. GIMA’s views reflect its understanding of the firm as well as the fund, and may change at any time.

Investment products may move from the Focus List to the Approved List, or vice versa.