Global Macro is an investment style that is highly opportunistic and has the potential to generate strong risk-adjusted returns in challenging markets. Against a backdrop of geopolitical uncertainty and potentially increased volatility, we felt it would be timely to share our insights on the space and explain why we believe now could be an opportune time to make an allocation to Global Macro.

Both equity and fixed income markets have exhibited strong performance in recent years, leading to fully valued stock markets, historically low yields and tight credit spreads. However, substantial U.S. fiscal stimulus through a $1.5 trillion tax cut and a $300 billion increase in government spending, amid robust economic growth and inflation readings, have made it difficult for investors to adopt a more cautious, late-cycle posture in their portfolios. Importantly, increasing market volatility levels may result from any of a litany of potential catalysts, including escalating protectionist policies, U.S. midterm elections, central bank policy missteps, Italian debt sustainability, tensions in the Middle East, and political unrest in key emerging markets. We believe that these dynamics have

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1 Please see Glossary for definitions.
2 Source: AIP Hedge Fund Team.

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set the stage for a challenging investment landscape, one in which Global Macro tends to outperform.

In this paper we provide an overview of Global Macro hedge fund strategies, evaluate their performance from a historical perspective, and discuss options for implementation. We will also explain why we believe an allocation to an actively managed, diversified portfolio of Global Macro managers is a valuable component of a well-diversified portfolio—particularly today.

Section 1: Overview

Though the definition is fairly open-ended, Global Macro strategies generally involve directional positioning across a broad range of markets and asset classes based on technical and/or fundamental analysis. With the ability to take long or short positions in any global market using any financial instrument, Global Macro strategies can be very opportunistic.

Global Macro managers can be classified in a variety of ways, including by style, type of analytical input, and investment time horizon.

Style

- **DISCRETIONARY**—Though discretionary managers may employ quantitative models, ultimate “discretion” on trade expression and execution lies with a human trader. Experience and skill inform qualitative inputs that factor into decisions about trading instruments, sizing and timing.

- **SYSTEMATIC**—Systematic managers rely on quantitative models to determine entry, exit and sizing decisions. A distinguishing characteristic of systematic strategies is their ability to trade across a great number of markets and construct well-diversified portfolios.

Type of Input

- **FUNDAMENTAL**—Fundamental managers evaluate opportunities based on criteria such as valuation metrics, economic forecasts, interest rate and currency outlooks, and fiscal and monetary policy. The information employed may be macro-economic or the aggregation of micro-level information. These managers tend to be close followers of academia, particularly econometrics.

- **TECHNICAL**—Technical managers employ predictive signals that are generated from market-related information (e.g., price, volume, order book), and often involve the use of pattern recognition and other types of advanced statistical forecasting tools.

Time Horizon

- **SHORT TERM**—Short-term managers express trades with holding periods typically less than one week, often capitalizing on intra-day mispricings. These strategies are trading and resource intensive, and they can only be implemented in highly liquid markets.

- **LONG TERM**—Long-term managers express trades with multi-week to multi-month time horizons. Transaction costs are less important in long-term strategies than in short-term ones.

Managers can be further differentiated by the degree of directionality and generalist versus specialist orientation. And of course, they may employ a combination of strategies and won’t necessarily fall neatly into any one classification bucket.

Sources of Return

Global Macro managers seek to generate the majority of their alpha by timing their exposure to risk premia (“betas”) across a broad range of liquid markets. To do so, they gather, process and analyze data, use proprietary trading models, customize technology platforms and rely on automatic execution systems. Some managers also seek to gain an investment edge by applying bottom-up micro-level analyses in specific markets and/or regions.

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3 Shorting is selling a security not owned by the seller to take advantage of an anticipated price decline.
4 Please see Glossary for definitions.
5 Please see Glossary for definitions.
6 Please see Glossary for definitions.
7 Please see Glossary for definitions.
Global Macro managers seek to exploit inefficiencies, such as those listed below, many of which feature prominently today:

- Investor behavioral biases
- Reduced consensus opinion on market directionality
- Monetary policy errors causing disequilibria in the financial markets
- Non-economic investment activities (central bank currency interventions, sovereign debt rating downgrades, political events)
- Divergent global business cycles
- High dispersion of central banking policy

- Differences in local tax and regulatory structures

The beta component of a Global Macro manager’s return typically comes from systematic exposure to a variety of traditional forms of risk premia, including equity risk premia, term premia and credit risk premia. An additional component of returns stems from exposure to “alternative risk premia”. These often are well known and commonly exploited phenomena that can be captured through simple trading strategies.

Display 1 illustrates how careful statistical analysis can help to “decompose” a manager’s returns and shine a light on the drivers of inter-manager correlations.

Section 2: A Historical Perspective

History

In the 1990s, Global Macro was dominated by a small number of large managers with highly concentrated, leveraged directional bets, which inevitably led to high volatility of returns. However, beginning in 2000, with the investor community’s increased demand for institutionalized hedge fund managers, assets flowed to those Global Macro managers that adopted a more disciplined framework and more robust risk management. In our opinion, this has translated to more stable, albeit lower, returns for the strategy.

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Display 1

Return Decomposition

<table>
<thead>
<tr>
<th>Total Return</th>
<th>Market Factors</th>
<th>Alternative Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>RF Risk-Free Rate</td>
<td>Less Valuable</td>
<td>Traditional Market Betas</td>
</tr>
<tr>
<td>Skill</td>
<td>More Valuable</td>
<td>Equity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fixed Income</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Currency</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Commodity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Geographic</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Political</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Economic</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Monetary</td>
</tr>
</tbody>
</table>

Alpha/Active Risk Sources

Dynamic and Complex

- Top-down and bottom-up
- Qualitative and quantitative

Alpha

- Manager trading acumen
- Proprietary systems and models
- Unique skill set
- Superior data processing
- Better judgment and analysis
- Experience

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* Please see Glossary for definitions.

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At the same time, markets have become much more competitive. To combat the inherent return degradation, Global Macro managers have increasingly adopted a specialist approach, focusing their research efforts on such areas as asset class, predictive signal type, and time horizon. This has resulted in an explosion in the number and variety of Global Macro strategies, increasing the complexity of the manager selection process.

**Strong Performance During Market Dislocations**

From January 1, 1990 to March 31, 2018, Global Macro, as proxied by the HFRI Macro (Total) Index, generated a 10.15% annualized return with an associated annualized volatility of 7.15%, representing 50 basis points of excess annualized returns over the S&P 500 while incurring 711 basis points lower annualized volatility. Over that period, Global Macro experienced positive returns in 22 out of 27 full calendar years.10

Periodic spikes in market volatility and major inflection points in central bank policy measures in recent months have highlighted that correlations are not stable. During severe market dislocations, diversification benefits can quickly evaporate as correlations spike. Historically, the effect has tended to be the opposite for Global Macro. For example, as illustrated in Display 2, correlations between Global Macro and equities actually decreased during the technology bubble and the credit crisis.

As shown in Display 3, Global Macro performance (as proxied by HFRI Macro (Total) Index) has tended to be strong during market crises. Such market conditions often give rise to attractive trading opportunities on which Global Macro managers can capitalize.

**DISPLAY 2**

**HFRI Macro and S&P 500 12-Month Rolling Correlation**

12/31/1990 through 06/30/2018

Source: Hedge Fund Research Inc. and Bloomberg

**DISPLAY 3**

**Global Macro Performance During Crisis Periods**

01/1998 through 06/2018

Source: Hedge Fund Research, Inc. for HFRI indices; Bloomberg for all other indices

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10 Source: Hedge Fund Research, Inc.

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Diversification Benefits: Traditional Markets

As shown in Display 4, Global Macro has historically exhibited relatively low correlation to equity and bond markets as well as to other hedge fund strategies. Further, in contrast to most other strategies, Global Macro has also exhibited appealing downside correlations relative to equities, bonds and other hedge fund strategies. This can be well understood given its lower exposure to systematic liquidity risk and systemic deleveraging risk.

Looking Ahead – Environmental Considerations

Broadly, Global Macro investments tend to perform best in high uncertainty/high volatility environments where macro factors exert a meaningful influence on asset pricing. These types of markets affect factors such as interest rate differentials, foreign exchange balances, and the consequent over and under valuation of asset classes and sectors, which may be exploited through nimble and tactical positioning. For the reasons stated above, we believe today’s markets are moving toward a state of disequilibrium that makes current asset valuations increasingly fragile. In other words, the current environment seems to be one in which Global Macro would be well-positioned for strong performance.

Section 3: Implementation Options

We believe an allocation to Global Macro makes sense for any well-diversified portfolio, and we believe investors should bear in mind three things when considering how to implement an allocation: 1) the inherently high volatility of most of Global Macro managers; 2) the heterogeneity of the manager universe; and 3) the wide dispersion of returns within the universe. An investor who allocates directly to Global Macro funds is exposed to the risks associated with manager selection and concentration. We believe this makes the case for an actively managed and diversified portfolio of Global Macro managers.

MANAGER SELECTION/SKILL: As markets become increasingly efficient, many Global Macro managers have fought the inevitable forecasting degradation by applying a more granular approach in hopes of improving their directional forecasting abilities. This movement toward specialization has resulted in a much broader and more heterogeneous set of Global Macro participants.

If an investor were to invest directly in a relatively small number of managers, it would potentially limit the investor’s ability to generate additional returns by identifying, sizing and timing investments in a broad range of specialized funds. However, selecting, sizing and monitoring a broader range of Global Macro managers requires substantial resources.

Further, though the wide dispersion of manager returns presents challenges from an adverse selection standpoint, this same dispersion offers substantial opportunity for additional returns through careful selection, making Global Macro a particularly attractive strategy for highly “skilled” allocators.

DISPLAY 4
Historically Low Correlations to Traditional Asset Classes and Other Hedge Fund Strategies
01/2005 through 06/2018

<table>
<thead>
<tr>
<th>Index</th>
<th>Correlation</th>
<th>Downside Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSCI World Net (USD)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Barclays Global Aggregate Unhedged (USD)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HFRI Equity Hedge (Total) Index</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HFRI Relative Value (Total) Index</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HFRI Event-Driven (Total) Index</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Hedge Fund Research, Inc. for HFRI indices; Bloomberg for all other indices.

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Display 5 highlights the dispersion of 3-year rolling returns among Macro Funds reporting into the HFR database.

CONCENTRATION RISK/DIVERSIFICATION Another approach to potentially improving risk-adjusted returns is to diversify across uncorrelated strategies. In the context of Global Macro, managers that employ similar approaches tend to be highly correlated. On the other hand, correlations of managers with different styles and strategies can be very low, and, in certain cases, negative.

Further complicating the diversification issue is the pronounced post-2008 trend, particularly among discretionary managers, away from an exclusive focus on top-down directional trading of highly liquid instruments and toward a multi-strategy approach that uses less liquid and non-directional “diversifying” strategies. Though this trend may ultimately lead to more stable stand-alone returns over time, it may also lead to reduced diversification benefits relative to traditional and alternative strategies, particularly during times of stress.

As such, we believe it is important to use a disciplined portfolio construction methodology that seeks to: 1) maximize diversification; 2) identify style-pure Global Macro managers; and 3) dynamically allocate across managers and styles according to the environment. Successfully executed, such a multi-manager approach could result in a more efficient, diversifying and controlled exposure to Global Macro than investing directly in a handful of managers.

Conclusion

Over time, Global Macro has demonstrated its ability to perform differently from other asset classes and to weather difficult market conditions, making it a valuable component of any well-diversified portfolio. And as we’ve explained, we believe the most efficient and effective way to gain exposure to this heterogenous investment strategy is through an actively managed, multi-manager portfolio. Furthermore, we believe Global Macro is poised for a period of strong performance, amid myriad sources of geopolitical, economic and policy uncertainty and a backdrop of high asset valuations.

Diversification does not eliminate the risk of loss.

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About the Author

MARK VAN DER ZWAN, CFA
Chief Investment Officer and Head of the AIP Hedge Fund Team

Mark is the Chief Investment Officer and Head of the AIP Hedge Fund team and a member of the Investment Committee. He joined Morgan Stanley Investment Management in 2004 and has 20 years of industry experience. Prior to joining the firm, Mark was a senior consultant for Alan D. Biller & Associates, an institutional investment consulting firm, where he was responsible for hedge fund manager selection. Previously, he was a researcher at the National Research Council of Canada, where he performed advanced computational modeling. Mark received both a B.Sc. with honors in chemistry and an MBA in finance from Queen’s University in Ontario, Canada. Mark holds the Chartered Financial Analyst designation.

ROBERT RAFTER, CFA
Executive Director

Rob serves as Head of Discretionary Global Macro, Sovereign Fixed Income Relative Value and Emerging Markets Strategies for the Morgan Stanley Alternative Investment Partners Hedge Funds group. He joined Morgan Stanley AIP in 2011 and has 15 years of professional experience. Prior to joining the firm, Rob served as vice president responsible for hedge fund investments at Colchis Capital Management, a boutique alternative investment manager. Previously, he was a segment producer at CNBC Business News and an analyst at Lehman Brothers, where he worked on the central funding desk within the Fixed Income Division. Rob received a B.A. in government from Georgetown University. He is a member of the Bond Club of Philadelphia and the CFA Society of Philadelphia. Rob holds the Chartered Financial Analyst designation.

Risk Considerations

The following are among the risks applicable generally to a portfolio of hedge fund investments:

Reliance on Third-Party Management.
The goal of investing in a portfolio of hedge funds managed by the Investment Adviser is to seek capital appreciation. Hedge funds selected for the portfolio are managed by third-party managers unaffiliated with the Investment Adviser over which the Investment Adviser does not exercise control.

Wide Scope of Investment Options Available to Third-Party Managers.
Hedge funds may invest and trade in a wide range of instruments and markets and may pursue various investment strategies. Although hedge funds will primarily invest and trade in U.S. and non-U.S. equity and debt securities, they may also invest and trade in equity-related instruments, currencies, financial futures and debt-related instruments. In addition, hedge funds may sell securities short and use a wide range of other investment techniques. Hedge funds are generally not limited in the markets in which they may invest, either by location or type, such as U.S. or non-U.S. markets or large- or small-capitalization companies, or in the investment discipline which their investment managers may employ, such as value or growth strategies or bottom-up or top-down analysis. Hedge funds may use various investment techniques for hedging and non-hedging purposes. A hedge fund may, for example, sell securities short, purchase and sell options and futures contracts, and engage in other derivative transactions. The use of these techniques may be an integral part of the hedge fund’s investment strategy and may involve certain risks. Hedge funds may use leverage, which also entails risk.

No Assurance of Returns.
The investment program of a portfolio of hedge funds is speculative and entails substantial risks. No assurance can be given that its investment objective would be achieved. Its performance depends upon the performance of the hedge funds included in the portfolio and upon the ability of the Investment Adviser effectively to select hedge funds and allocate and reallocate the portfolio’s assets among them. Each hedge fund’s use of leverage, short sales and derivative transactions, in certain circumstances, can result in significant losses, volatility, or both.

Performance-Based Compensation.
In addition to asset-based fees based on the hedge fund’s net assets under management, a hedge fund’s investment manager will typically charge each of the hedge fund’s investors a performance or incentive fee or allocation based on net profits of the hedge fund which it manages. Similarly, in addition to asset-based fees based on the portfolio’s net assets, the Investment Adviser or one of its affiliates will also receive performance-based compensation (the “Performance Incentive”). The receipt of a performance or incentive fee or allocation by a hedge fund’s investment manager or of the Performance Incentive by the Investment Adviser or one of its affiliates may create an incentive for the hedge fund’s investment manager or the Investment Adviser, respectively, to make investments which are riskier or more speculative than those which might have been made in the absence of such an incentive.

Lack of Transparency.
Hedge funds are not registered as investment companies with the U.S. Securities and Exchange Commission (the “SEC”) under the Investment Company Act of 1940 (the “ICA”), and investors in hedge funds will not have the benefit of the protections afforded by the ICA to investors in registered investment companies.

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Although the Investment Adviser will periodically receive information from each hedge fund in which the portfolio is invested regarding such hedge fund’s investment performance and investment strategy, the Investment Adviser may have little or no means of independently verifying this information. Hedge funds are not contractually or otherwise obligated to inform their investors of details surrounding proprietary investment strategies. In addition, the Investment Adviser has no control over the investment management, brokerage practices, custodial arrangements or operations of hedge funds and must rely on the experience and competence of each hedge fund’s investment manager in these areas.

No ICA Diversification. Each Fund named and described in this Presentation which is registered with the SEC under the ICA is classified as a non-diversified management investment company under the ICA. Each Fund named and described in this Presentation which is offered to investors in the United States and is not registered with the SEC under the ICA is excluded from the ICA’s definition of “investment company.” Consequently, percentage limitations imposed by the ICA on the portion of Fund assets which may be invested in the securities of any single issuer will not apply. As a result, the Fund’s investment portfolio may be subject to greater risk and volatility than if it invested in the securities of a broader range of issuers.

Multiple Levels of Fees and Expenses. By investing in a portfolio of hedge funds managed by the Investment Adviser, an investor bears its proportionate share of the asset-based fees and the Performance Incentive payable to the Investment Adviser and any of its affiliates, as the case may be, as well as other expenses of the portfolio. An investor, however, also indirectly bears its proportionate share of the asset-based fees, performance or incentive fees or allocations, and other expenses borne by investors in the hedge funds included in the portfolio. An investor which meets the eligibility conditions imposed by the respective hedge funds included in the portfolio, including minimum initial investment requirements which may be substantially higher than those imposed by any Fund, could avoid the extra layer of fees and expenses by investing directly in those hedge funds.

Independence of Hedge Funds’ Investment Managers. A hedge fund’s investment manager will receive any performance or incentive fees or allocations to which it is entitled, without regard to both the performance of the other hedge funds in the portfolio and the performance of the overall portfolio. An investment manager to a hedge fund with positive performance may receive compensation, even if the overall portfolio’s aggregate returns are negative.

Potential for Increased Transactions Costs. Investment managers of the hedge funds included in the portfolio make investment decisions independently of each other. Consequently, at any particular time, one hedge fund in the portfolio may be purchasing interests in an issuer which at the same time are being sold by another hedge fund in the portfolio. Investment by hedge funds in this manner could cause the overall portfolio to incur certain transaction costs indirectly without accomplishing any net investment result.

Limited Liquidity of Hedge Funds. Additional investments in, or withdrawals from, the hedge funds in the portfolio may be made only at certain times, as specified in the governing documents of the respective hedge funds. As a result, before investments in hedge funds are effected or in furtherance of the portfolio’s objectives generally, some assets held in the portfolio may temporarily be from time to time cash, cash equivalents, or high-quality fixed-income securities and money market instruments (whether or not managed by affiliates of the Investment Adviser).

Limited Voting Rights of Investors. A hedge fund typically restricts the ability of its investors to vote on matters relating to the hedge fund. As a result, investors in the hedge fund will have no say in matters which could adversely affect their investment, via the portfolio, in the hedge fund. Additionally, for regulatory purposes related to the Investment Adviser’s management of certain funds registered with the SEC under the ICA, the Investment Adviser may enter into contractual relationships under which other Funds irrevocably waive their respective voting rights (if any) to vote interests in underlying hedge funds.

Distributions in Kind. Hedge funds may distribute securities in kind to investors. Securities distributed in kind may be illiquid or difficult to value. In the event that a hedge fund were to make such a distribution in kind to a Fund, the Investment Adviser would seek to dispose of the securities so distributed in a manner which is in the best interests of such Fund.

Reliance on Third-Party Managers with Respect to Asset Valuation. Certain securities in which a hedge fund invests may not have a readily ascertainable market price and will be valued by the hedge fund’s investment manager. Such a valuation generally will be conclusive, even though the hedge fund’s investment manager may face a conflict of interest in valuing the securities, inasmuch as the value of such securities will affect the compensation payable to the hedge fund’s investment manager. In most cases, the Investment Adviser will have no ability to assess the accuracy of any such valuation. In addition, the net asset values or other valuation information received by the Investment Adviser from hedge funds will typically be estimates only, subject to
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Statistical measure of the degree to which the movements of
Use valuation techniques
No human intervention in trade
market conditions.
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Price and volume) information as inputs to trading decisions.
Technical Inputs (basis for investment views):

and macroeconomic variables as inputs to investment decisions.
Fundamental Inputs (basis for investment views):

occasionally as “FX.”
The term foreign exchange is usually abbreviated as “forex” and
Foreign Exchange:

the dispersion of returns.

measure the volatility of different types of investment strategies. Returns
that have wide dispersions are generally seen as more risky because they
have a higher probability of closing dramatically lower than the mean.
In practice, standard deviation is the tool that is generally used to measure
the dispersion of returns.

Foreign Exchange: The exchange of one currency for another, or the
conversion of one currency into another currency. Foreign exchange also
refers to the global market where currencies are traded virtually around-
the-clock. The term foreign exchange is usually abbreviated as “forex” and
occasionally as “FX.”

Fundamental Inputs (basis for investment views): Use valuation techniques
and macroeconomic variables as inputs to investment decisions.

Systematic Style (application of views): No human intervention in trade
generation.

Technical Inputs (basis for investment views): Employ market-based (e.g.,
price and volume) information as inputs to trading decisions.

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Because the Dodd-Frank Act and the Volcker Rule are such recent legislative
and regulatory changes and because additional regulatory guidance and
interpretations regarding the Volcker Rule may be issued in the future, the full
scope of the impact and the requirements of both the Dodd-Frank Act and the
Volcker Rule is not yet known, and other direct or indirect legal and regulatory
consequences of the Dodd-Frank Act and the Volcker Rule may affect
Morgan Stanley, any Affiliated General Partner, the Investment Adviser, or other
Morgan Stanley Affiliates and may result in a material adverse effect on the Fund.

GLOSsARY

Alpha: “Alpha” is a risk-adjusted measure of the so-called “excess return”
on an investment. It is a common measure of assessing an active manager’s
performance.

Beta: “Beta” is a measure of the sensitivity of a manager’s returns to the
performance of the markets. It is an estimate in percentage terms of, all
else equal, how a one-percentage point change in a particular market (or
index) will be reflected in the manager’s returns.

Correlation: Statistical measure of the degree to which the movements of
two variables are related.

Commodities: A basic good used in commerce that is interchangeable
with other commodities of the same type. Commodities are most often
used as inputs in the production of other goods or services. The quality
of a given commodity may differ slightly, but it is essentially uniform across
producers. When they are traded on an exchange, commodities must also
meet specified minimum standards, also known as a basis grade.

Dispersion: A term used in statistics that refers to the location of a set
of values relative to a mean or average level. In finance, dispersion is used to
measure the volatility of different types of investment strategies. Returns
which have wide dispersions are generally seen as more risky because they
have a higher probability of closing dramatically lower than the mean.
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generation.

Technical Inputs (basis for investment views): Employ market-based (e.g.,
price and volume) information as inputs to trading decisions.

Volatility: A statistical measure of the tendency of a market or security to rise
or fall sharply within a period of time – usually measured by standard deviation.
The views expressed herein are those of the Investment team and are subject
to change at any time due to changes in market and economic conditions. The
views and opinions expressed herein are based on matters as they exist as of
the date of preparation of this piece and not as of any future date, and will
not be updated or otherwise revised to reflect information that subsequently
becomes available or circumstances existing, or changes occurring, after the
date hereof. The data used has been obtained from sources generally believed
to be reliable. No representation is made as to its accuracy.

Information regarding expected market returns and market outlooks is based
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do not represent views of other Investment teams at MSIM or those of the
firm as a whole. These conclusions are speculative in nature, may not come
to pass, and are not intended to predict the future of any specific investment.

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which can be identified by the use of forward-looking terminology such as
“may,” “will,” “should,” “expect,” “anticipate,” “project,” “estimate,” “intend,”
“continue” or “believe” or the negatives thereof or other variations thereon or
other comparable terminology. Due to various risks and uncertainties, actual
events or results may differ materially from those reflected or contemplated
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offer, or a solicitation of an offer, to buy or sell any security or instrument
or to participate in any trading strategy.

Persons considering an alternative investment should refer to the specific
fund’s offering documentation, which will fully describe the specific risks
and considerations associated with a specific alternative investment.
Alternative investments are speculative and include a high degree of risk.
Investors could lose all, or a substantial amount of, their investment.
Alternative investments are suitable only for long-term investors willing
to forgo liquidity and put capital at risk for an indefinite period of time.

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market conditions. Past performance is not indicative of future results.
Alternative investments are typically highly illiquid—there is no secondary market for private funds, and there may be restrictions on redemptions or the assignment or other transfer of investments in private funds. Alternative investments often engage in leverage and other speculative practices that may increase volatility and risk of loss. Alternative investments typically have higher fees and expenses than other investment vehicles, and such fees and expenses will lower returns achieved by investors.

Funds of funds often have a higher fee structure than single manager funds as a result of the additional layer of fees. Alternative investment funds are often unregulated and are not subject to the same regulatory requirements as mutual funds, and are not required to provide periodic pricing or valuation information to investors. The investment strategies described in the preceding pages may not be suitable for your specific circumstances; accordingly, you should consult your own tax, legal or other advisors, at both the outset of any transaction and on an ongoing basis, to determine such suitability.

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Hedge Fund Research, Inc. (HFRI) Macro (Total) Index. The HFRI Macro (Total) Index consists of investment managers who trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top-down and bottom-up theses, quantitative and fundamental approaches and long and short-term holding periods. Although some strategies employ RV techniques, Macro strategies are distinct from RV strategies in that the primary investment thesis is predicated on predicted or future movements in the underlying instruments, rather than realization of a valuation discrepancy between securities. In a similar way, while both Macro and Equity Hedge managers may hold equity securities, the overriding investment thesis is predicated on the impact movements in underlying macroeconomic variables may have on security prices, as opposed to EH, in which the fundamental characteristics on the company are the most significant are integral to investment thesis, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios.

Hedge Fund Research, Inc. (HFRI) Relative Value (Total) Index. The HFRI Relative Value (Total) Index consists of investment managers who maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types range broadly across equity, fixed income, derivative or other security types.

Hedge Fund Research, Inc. (HFRI) Event Driven (Total) Index. The HFRI Event Driven (Total) Index consists of investment managers who maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event Driven exposure includes a combination of sensitivities to equity markets, credit markets and idiosyncratic, company specific developments. Investment theses are typically predicated on fundamental characteristics (as opposed to quantitative), with the realization of the thesis predicated on a specific development exogenous to the existing capital structure.

Hedge Fund Research, Inc. (HFRI) Equity Hedge (Total) Index (long/short equity). The HFRI Equity Hedge (Total) Index consists of managers who maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure and leverage employed.

Barclay CTA Index: The Barclays CTA Index is a leading industry benchmark of representative performance of commodity trading advisors. The index is unweighted and rebalanced at the beginning of each year. To qualify for inclusion in the CTA Index, an advisor must have four years of prior performance history. Additional programs introduced by qualified advisors are not added to the Index until after their second year. These restrictions, which offset the high turnover rates of trading advisors as well as their artificially high short-term performance records, ensure the accuracy and reliability of the Barclay CTA Index.

Barclays Global Aggregate Index (Hedged USD): The Barclays Global Aggregate Index provides a broad-based measure of the global investment grade fixed-rate debt markets. Total Returns shown in hedged USD.

S&P 500 Total Return Index: The S&P 500 Total Return Index is an index that consists of 500 stocks chosen for market size, liquidity and industry group representation. The S&P Index is a market value weighted index with each stock's weight proportionate to its market value. The S&P Index is one of the most widely used benchmarks of U.S. equity performance. The performance of the S&P Index does not account for any management
fees, incentive compensation, commissions or other expenses that would be incurred pursuing such strategy. Total return provides investors with a price-plus-gross cash dividend return. Gross cash dividends are applied on the ex-date of the dividend.

MSCI World Index: The MSCI World Index is a free float adjusted market capitalization weighted index that is designed to measure the global equity market performance of developed markets. The term “free float” represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. The performance of the Index is listed in U.S. dollars and assumes reinvestment of gross of dividends.

Hedge Fund Research, Inc. (HFRI) Event-Driven: Distressed/Restructuring Index. Distressed/Restructuring strategies which employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings. Managers are typically actively involved with the management of these companies, frequently involved on creditors’ committees in negotiating the exchange of securities for alternative obligations, either swaps of debt, equity or hybrid securities. Managers employ fundamental credit processes focused on valuation and asset coverage of securities of distressed firms; in most cases portfolio exposures are concentrated in instruments which are publicly traded, in some cases actively and in others under reduced liquidity but in general for which a reasonable public market exists. In contrast to Special Situations, Distressed Strategies employ primarily debt (greater than 60%) but also may maintain related equity exposure.

Hedge Fund Research, Inc. (HFRI) Relative Value: Fixed Income Corporate Index. Fixed Income: Corporate includes strategies in which the investment thesis is predicated on exploitation of pricing anomalies which may occur as a function of expected mean reversion inherent in security prices; high frequency techniques may be employed and trading strategies may also be employed on the basis of technical analysis or opportunistically to exploit new information the investment manager believes has not been fully, completely or accurately discounted into current security prices. Equity Market Neutral Strategies typically maintain characteristic net equity market exposure no greater than 10% long or short.

Hedge Fund Research, Inc. (HFRI) Emerging Markets (Total) Index. Emerging Markets funds invest, primarily long, in securities of companies or the sovereign debt of developing or “emerging” countries. Emerging Markets regions include Africa, Asia ex-Japan, Latin America, the Middle East and Russia/Eastern Europe. Emerging Markets - Global funds will shift their weightings among these regions according to market conditions and manager perspectives. Past performance is not indicative of future results.

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