Australian Ethical

Alternatives & unlisted:

Why every client needs to allocate to Private equity

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Investing ethically and sustainably means that the investment universe will generally be more limited than non-ethical, non-sustainable portfolios in similar asset classes. This means that the portfolio(s) may not have exposure to specific assets which over or underperform over the investment cycle, and so the returns and volatility of the portfolio(s) may be higher or lower than non-ethical, non-sustainable portfolios over all investment time frames.

Why Private equity?

Private equity is an important component to any investment portfolio, with a large and broad investible universe…

More diversity

Access to investments and sectors not available in public markets - with the number of listed companies continuing to shrink (~50% less than 20 years ago).

More opportunity

Businesses are staying private longer and in doing so delivering more growth during private phase of asset lifecycle.

More focus

Institutional investments have clear shareholder control in setting business plans and strategy vs fragmented listed company shareholdings.

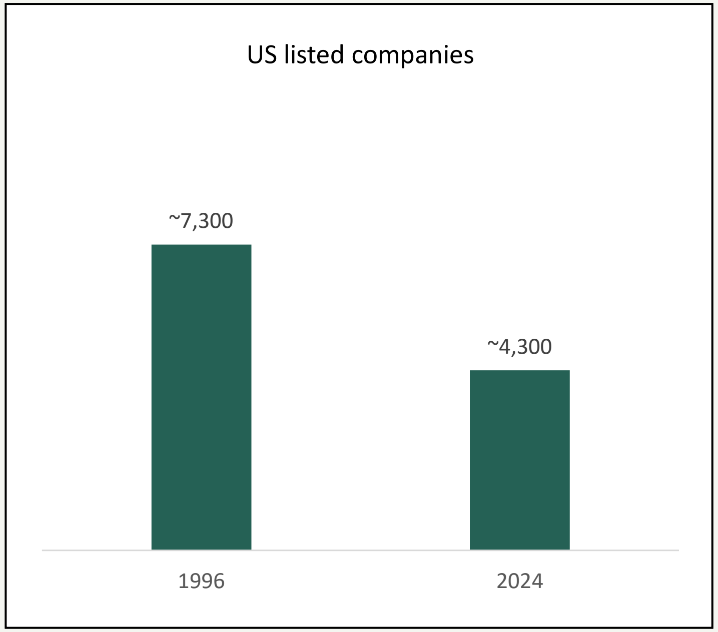
More patience

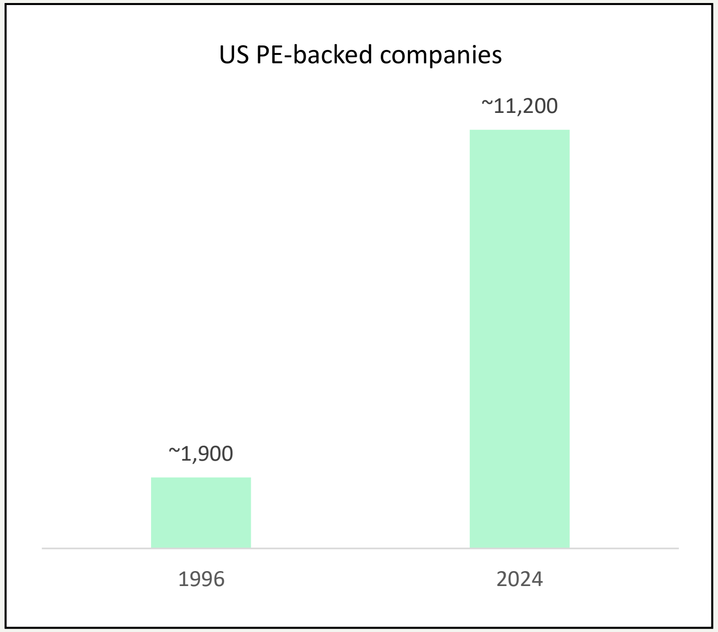
Shareholders supportive of long-term strategies that are not subject to quarterly reporting cycles and broader market sentiment.

…whilst delivering attractive risk-adjusted returns relative to public markets with reduced volatility.

Why Private equity?

More diversity

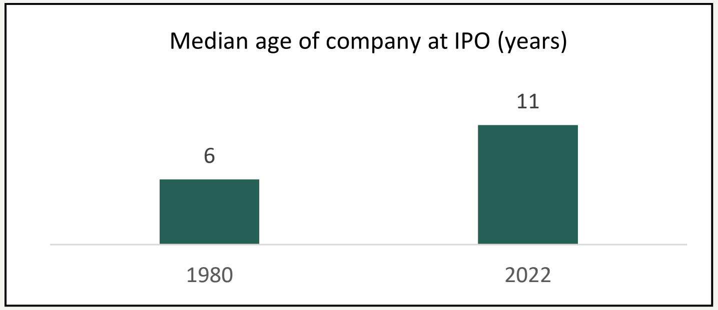


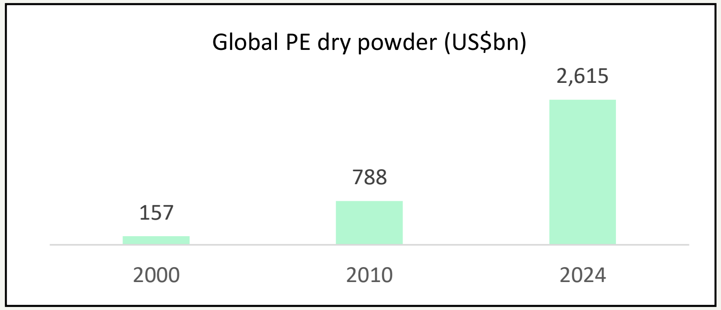


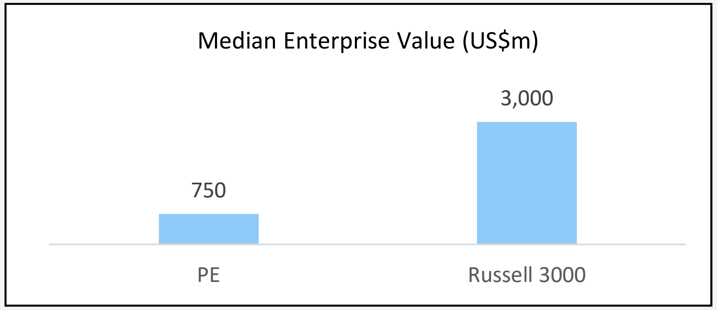
Source: EQT

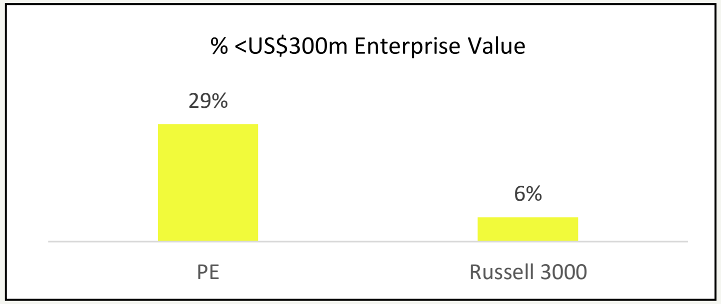
Why Private equity?

More opportunity





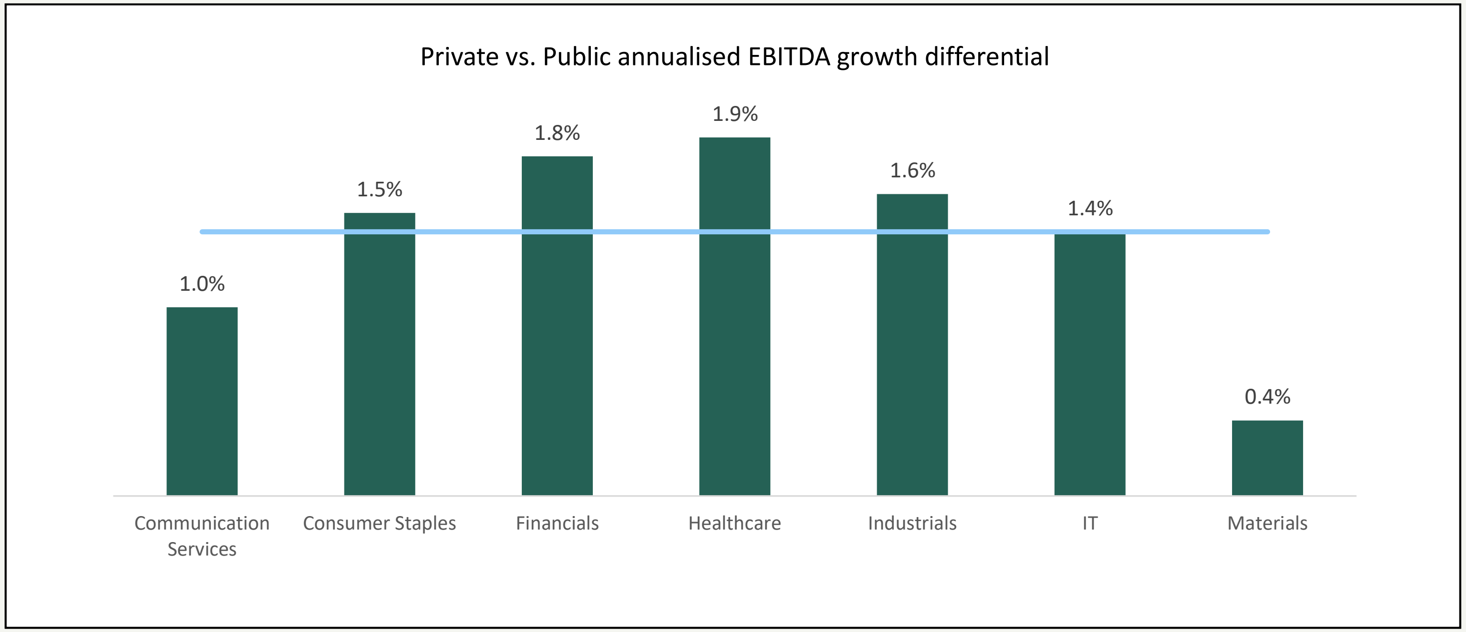




Source: NASDAQ; S&P Global; Stepstone

Why Private equity?

More focus



Source: Stepstone

Why Private equity?

More patience

5.5 years

Average hold period

67%

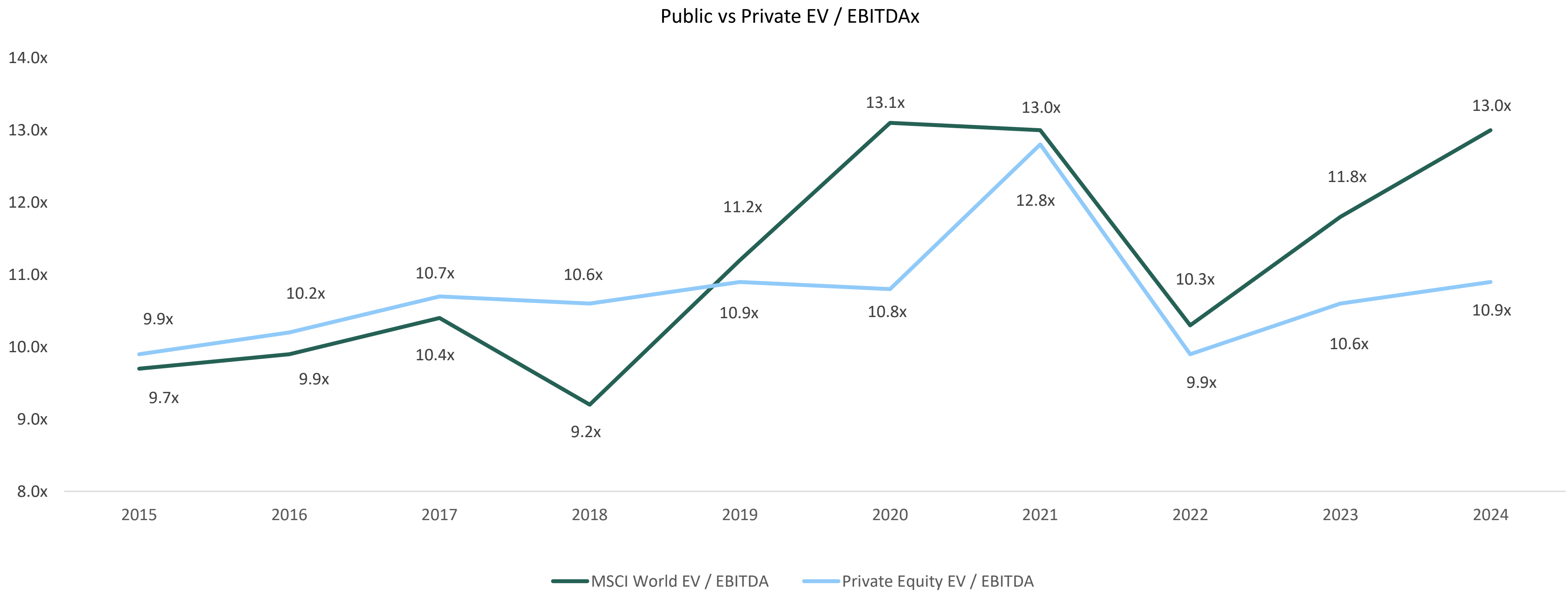
of mid-market M&A in 2023 were bolt-ons

2x

PE tends to double their initial commitment through growth capex or bolt-on M&A

Source: Ion Analytics; KPMG

Attractive entry point



Source: Preqin

Wholesale adoption

There are structural challenges for wholesale investors in accessing traditional private equity funds.

Structural challenges	Liquidity	Scale	Diversification
Asset-specific challenges	Partner selection	Investment diligence	Access

Our approach to private assets

Leveraging our scale, track record, and relationships to invest in key thematics that align with our Ethical Charter.

Thematic investing

Decarbonisation

Circular economy

Digitalisation

Urbanisation

Changing demographics

Our approach

- Partnering on investments with leading asset management teams who drive investment performance.
- Leveraging our $1+ billion private markets portfolio to create deep partner relationships.
- Thoughtful portfolio of investment across funds, co-investments and direct investing.
- Diversification across sub-sectors, regions and partners to create hard-to-replicate portfolio.
- Leveraging relationships to access unique mix of opportunities and economics.

Australian Ethical Sustainable Opportunities Fund (ASOF)

A market rate open-ended real assets product with a deliberate portfolio of impactful investments.

Structural challenges	Liquidity **Monthly applications, Quarterly redemptions**	Scale **$500m initial close**	Diversification **~35 underlying exposures**
Asset-specific challenges	Partner selection **Active origination across best-in-class partners globally**	Investment diligence **AEI Investment team co-underwriting every investment**	Access **Long-standing relationships & track-record of closing co-investments**

Key takeaways

Private equity provides a diversified & less correlated return profile

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It's an attractive time for Wholesale to access private equity

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Choose wisely to access scale, diversification and expertise

- There are more investment opportunities with aligned shareholders driving long-term strategy and outcomes for businesses.
- This is why private equity has outperformed public markets and led to material increased allocation from institutional capital.
- Institutional capital has materially increased allocations in past decades.

- Global listed equities valuations remain at all-time highs.
- Wholesale products have evolved to provide equivalent PE exposures along with additional structural solutions.
- High-quality offerings are now available as firms seek to capture share of Wholesale market.

- Invest in evergreen solutions to provide rebalancing optionality.
- Find a broad product offering as the first entry point to provide further diversification across managers.
- Ensure there is a high-quality team overseeing the product solution with direct investing experience.

Thank you

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