



Why Allocate to Private Equity

March 2025

Why Invest in Private Equity

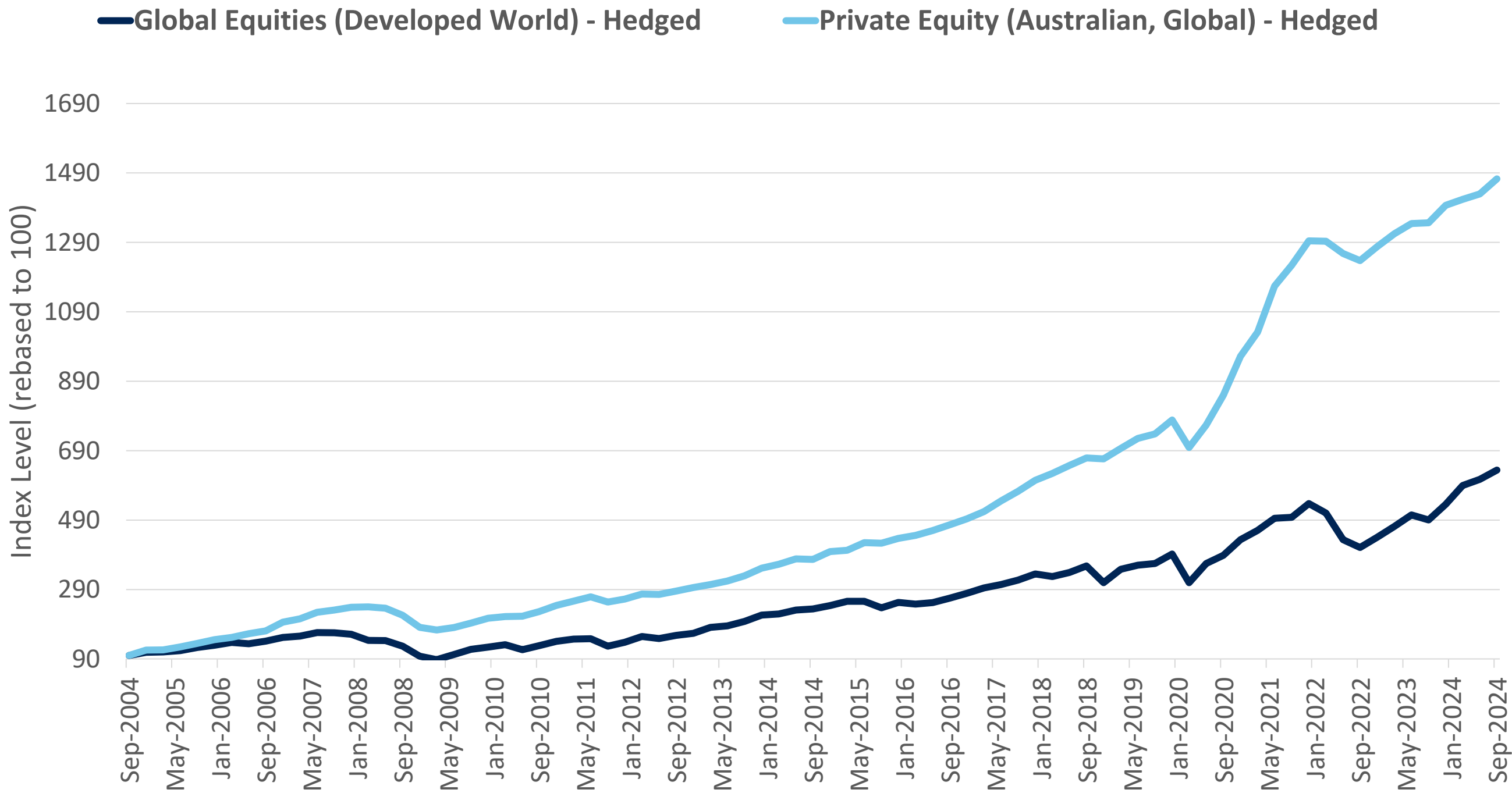
Private equity investments seek to generate strong returns through operational value-add and market growth.

Key objectives for investing in Private Equity are the expectation that it will, over the long term, deliver significant upside return potential and diversification benefits.

Significant return potential

Over the long-term private equity and venture capital have outperformed public markets, over market cycles and net of fees.

Historical Performance of Private Equity versus Global Equities



	Global Equities (Developed World) - Hedged	Private Equity (Australian, Global) - Hedged
Annual Return	9.7%	14.4%
Annual Volatility	15.7%	9.7%
5% CVaR	-18.3%	-10.2%
GFC Drawdown	-46.9%	-24.9%

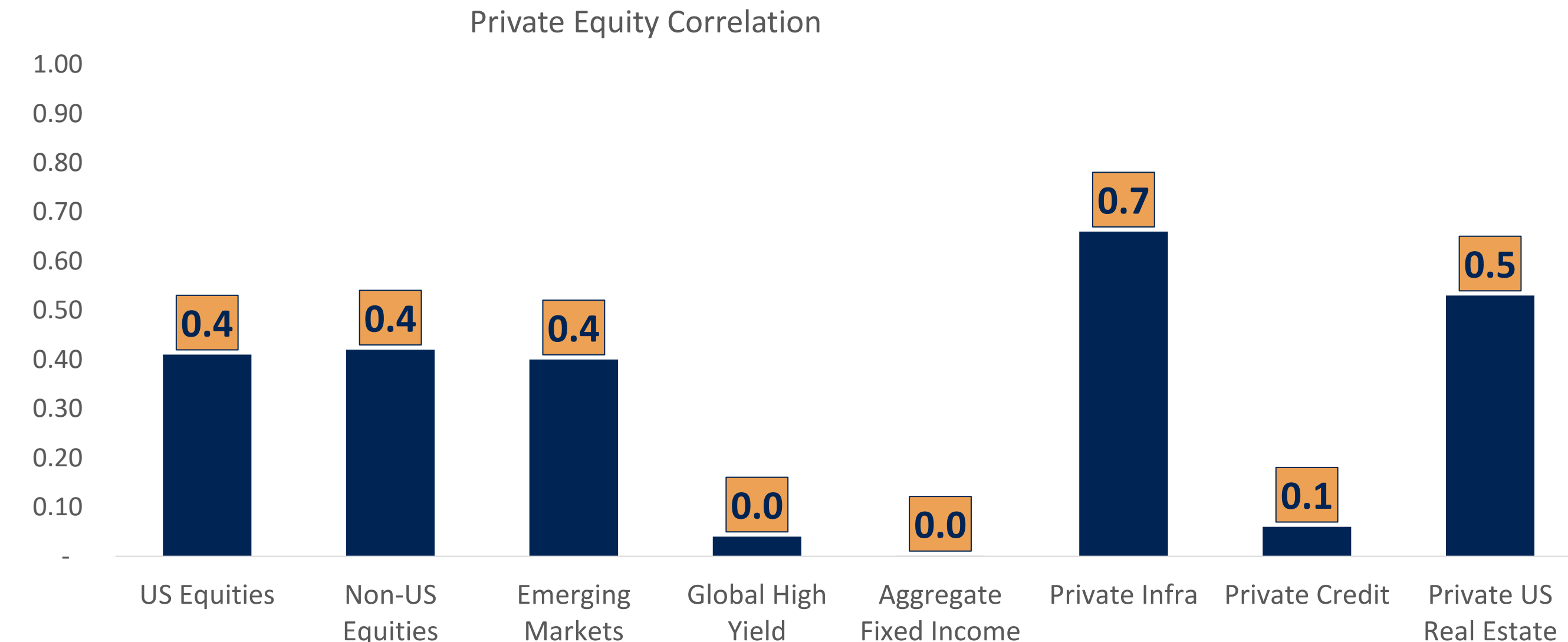
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Diversification benefits

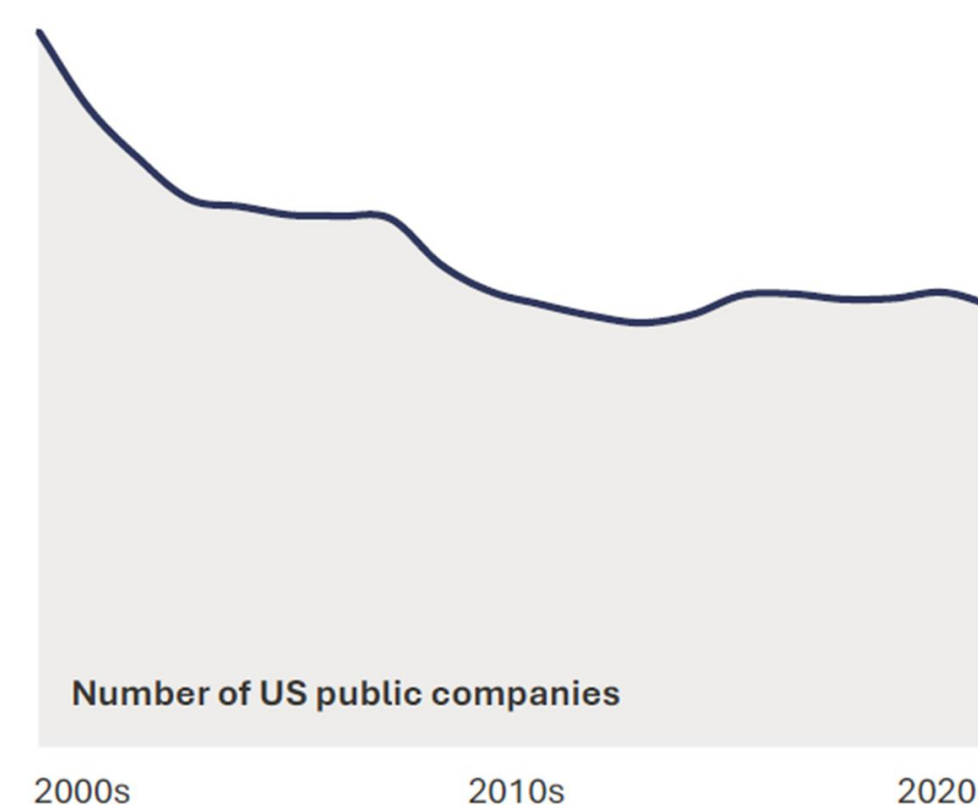
Lower volatility and uncorrelated



Large Opportunity Set: Companies are staying private for longer

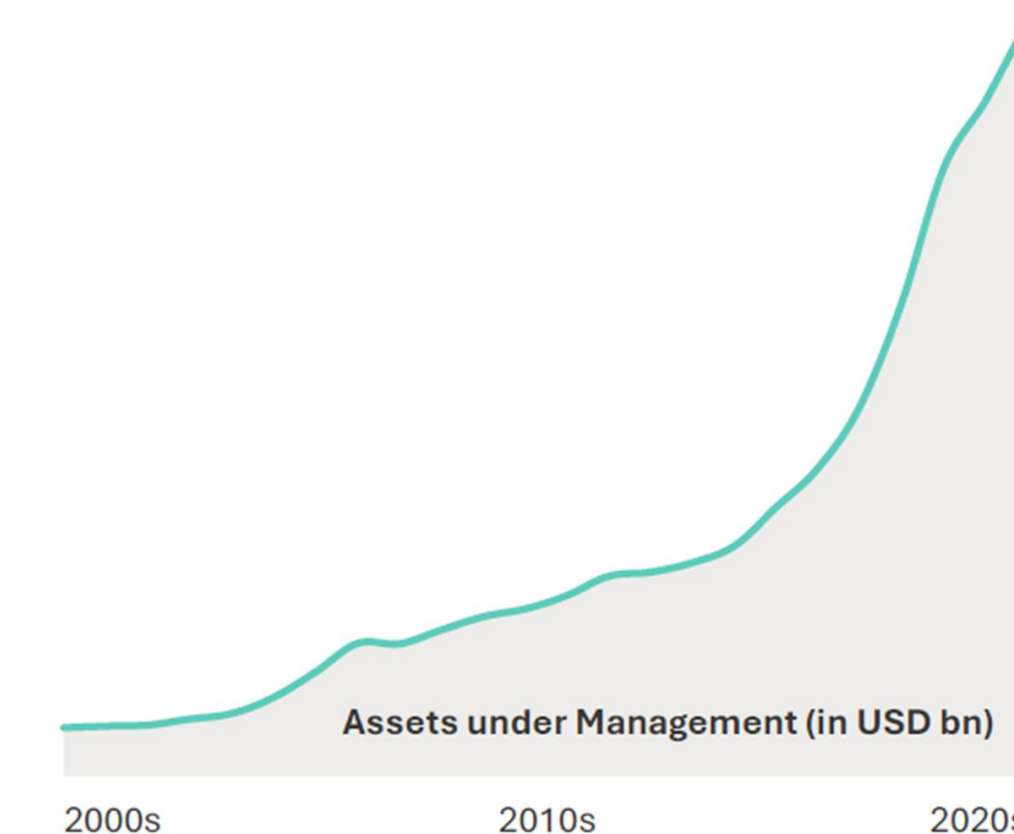
Number of listed US companies is declining

~4,500 ▼
public companies



... while PE market sees exponential growth

>USD 10 trillion ▲
100,000+ private companies



OpenAI

databricks

Revolut

FLEET

PsiQuantum

Canva

Why Invest in Private Equity

Better return outcomes and lower volatility based on historical returns.

Better returns for same level of risk based on forward looking modelling.

Historical Returns – 20 Years (2004 – 2024)

	Equities/Bonds/ Cash	10% PE Allocation
Annual Return	8.1%	8.7%
Annual Volatility	10.0%	9.4%
5% CVaR	-11.2%	-10.4%
GFC Drawdown	-29.9%	-28.2%

Forward Looking Modelled Returns

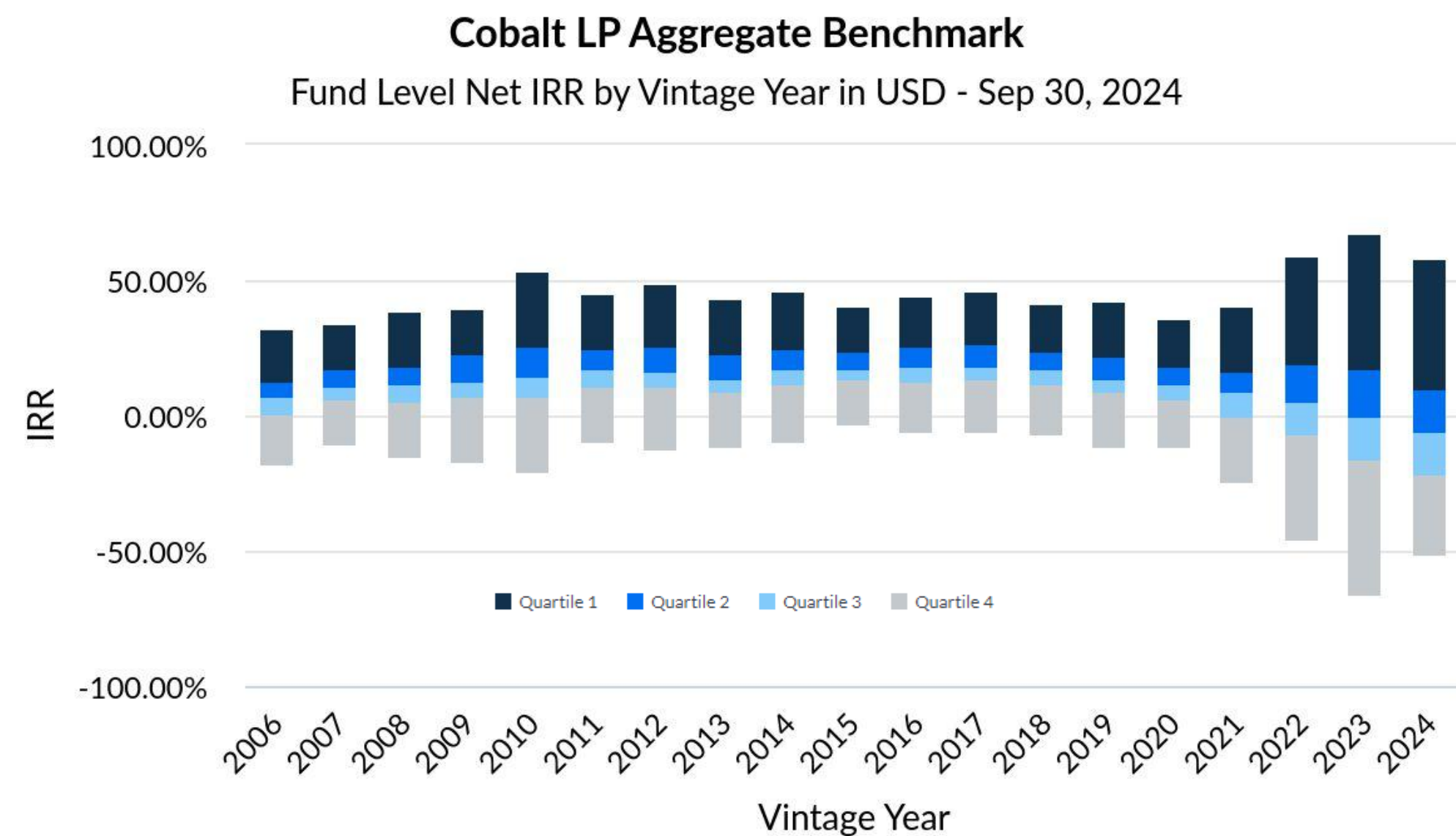
	Equities/Bonds/ Cash	10% PE Allocation
Annual Return	5.9%	6.3%
Annual Volatility	10.8%	10.8%
Probability of achieving CPI + 3% objective over 10 years	56%	63%

Note the listed portfolio is 75% growth assets (30% AE and 45% GE 50% hedged, 15% bonds and 10% Cash. The 10% PE version reduces AE and GE by 5% each. Modelled returns utilise JANA Solve, and refer to JANA's medium term 'market aware' assumptions as at December 31, which reflect the current valuation environment. .

Manager Selection is Very Important in PE

Wide dispersion in performance of managers / funds. Manager selection is crucial.

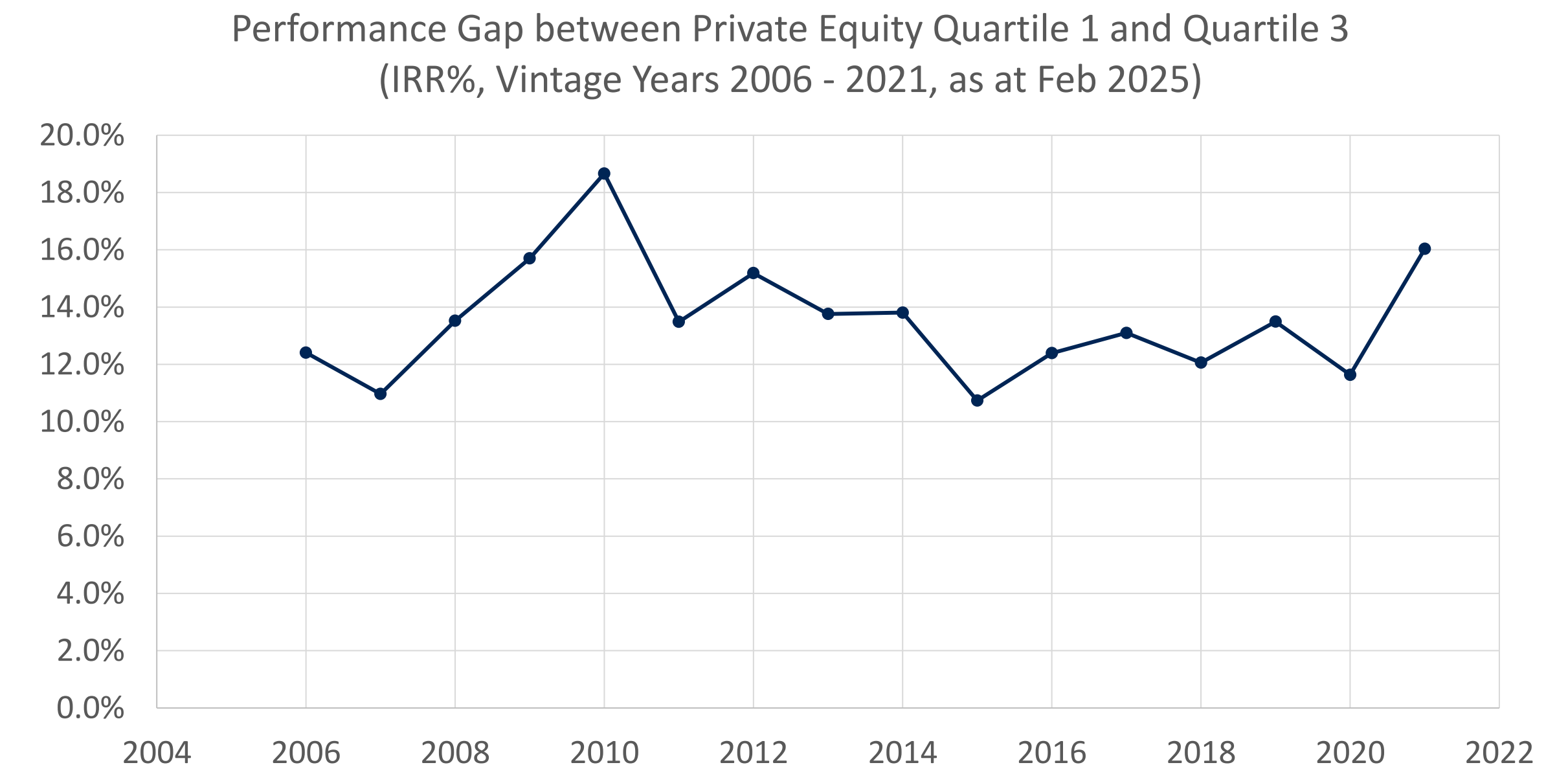
Private Equity Net IRR Performance by Quartile



Source: Hamilton Lane, PitchBook, FactSet

Asset Class / Strategy includes Private Equity. Style/Focus includes Venture Capital, Growth Equity, Buyout, Fund of Funds, Secondaries, Co-Investment. Geography includes Global, North America, Europe - Western, Asia - Developed. Vintage Year includes 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, None.

PE IRR Performance – Quartile Dispersion



The performance dispersion between a 1st and 3rd quartile private equity fund is, on average, ~13%. This exceeds the performance gap in active global listed equity managers

Private Equity Characteristics

High return potential, diversification and lower volatility; however, there are liquidity, access and fee considerations



Key Drivers

High returns

Premium to Listed Equities

Diversification

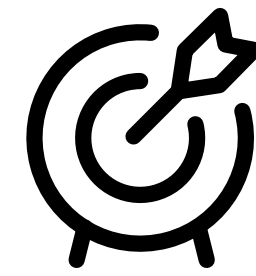
Improves portfolio risk metrics

Low volatility

Not subject to daily price swings.
However, this does not mean lower risk.

Unique access

Less efficient market with pricing discrepancies



Considerations

Illiquidity

Need to lock up capital within illiquid vehicles.

J-curve effect

Takes time before returns and cashflows are received by investors.

High fee structure

Higher fee structure; typically, 1.5-2.0% management and 20% performance fee.

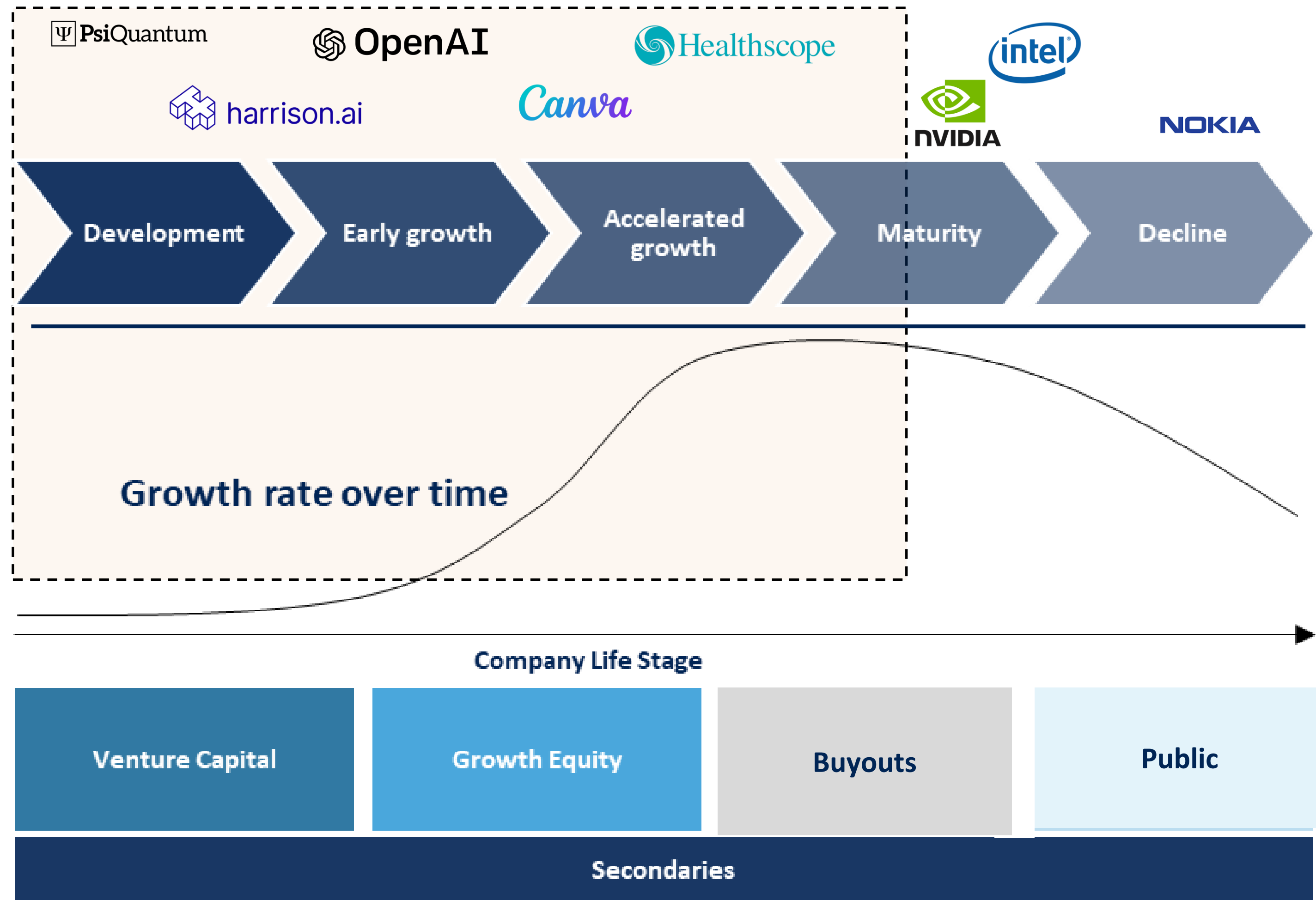
Barriers to entry

Large minimum commitment sizes.

More complexity involved than listed markets.

Opportunities Across The Private Equity Lifecycle

Large Opportunity Set From Start-ups to Mature Companies



- + **Venture Capital** – High risk, high reward. “Invest in where the world is going”.
- + **Growth Equity** – Successful VC companies ready for expansion.
- + **Buyouts** – Established business. ‘Traditional’ PE – often family owned and ready to take the next step, or public companies being taken private.
- + **Secondaries** – Sale of interests from one investor to another.

Accessing PE – Different Vehicle Structures

Three main types of vehicles to build a PE program.

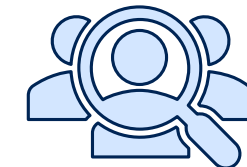
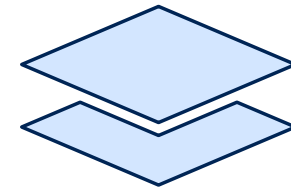
- Fund of Funds (closed-ended)
- Direct PE Funds (closed-ended)
- Open-ended PE Funds

A combination of these structures can be used to build a Private Equity program.

Main investment structures to access private equity investments

	Fund of Funds (closed-end)	Direct PE Funds (closed-end)	Open-ended PE Fund (evergreen)
Approach	• Fully outsourced model – investment and implementation. • Well-diversified portfolio. • Long drawn capital deployment (4-8 years) due to the nature of fund of funds structure. • Must continually allocate to new funds due to closed-ended nature.	• More concentrated exposure. • Investor has more control over portfolio allocations. • Capital is draw down over the investment period (~4 years). • Must continually allocate to new funds.	• Provides diversification • Capital is fully drawn and invested immediately. • Opened-ended PE funds provides limited liquidity to investors; hence can be used as PE proxy or funding source.

Accessing PE – Different Vehicle Structures



	Fund of Funds (closed-end)	Direct PE Funds (closed-end)	Open-ended PE Fund (evergreen)
Pros	– Greater diversification – Fully outsourced investment model	– Better risk-adjusted returns – Relatively lower fees – Greater flexibility and control – Fee free co-investments option	– Minimal J-curve and blind pool risk – Immediate exposure to PE – Semi liquid strategy – Minimal operational and administrative burden – Fully outsourced investment and operation model
Cons	– Higher fees given fund of funds fees – Over-diversification may reduce alpha – Needs ongoing commitments to new funds – Blind pool risk and significant J-curve effect – Prolonged time to get fully invested in PE – Illiquid	– Need a lot of capital to build a diversified portfolio – Prolonged time (+5 years) to get fully invested in PE – Needs ongoing commitments to new funds – Blind pool risk and J-curve effect – Significant operational / admin burden – Illiquid	– Higher fees given fund of funds fees – Over-diversification may reduce alpha
Comments	– Suitable for smaller investors – Key challenges with this model are the relatively high fees, significant J-curve, illiquidity	– Suitable for larger investors – Key challenges with this model are relatively large capital commitments, and need for internal resources for investment, operation and administration tasks	– Suitable for smaller investors – Key challenges with this model are the relatively high fees

Where Do JANA See the Opportunities in PE?

GP led (Direct) secondaries

- Involves PE managers buying company equity from other PE managers.
- The segment has appeared attractive due to limited liquidity and exit activity.
- This environment allows investors to negotiate better terms and pricing.

Small to mid-market buyouts

- Better pricing in the small to mid-market buyout segment is due less competition, greater scope for operational improvements and multiple exit routes. This segment offers a greater runway to achieve returns.
- With a subdued market over the last 2 years, there are more attractive valuations to take advantage of.

Venture – follow-on and secondaries/ Pre-IPO

- Attractive VC opportunities, especially in late-stage and growth stages, allow investments in quality VC companies at reasonable pricing.
- Expect more opportunities at attractive valuations in the coming quarters as companies running out of cash will seek additional funding.
- VC secondaries are available at substantial discounts, though stale pricing may obscure the true discount for some assets, requiring greater scrutiny on valuation and discounts. A stabilized macro environment could potentially support IPO's.

Key Takeaways

- **Private Equity can enhance portfolios and play an important role for clients.**
- **Access opportunities you can't find elsewhere.**
- **Invest from start-ups to mature businesses.**
- **Many ways to access the market, fund of funds, direct strategies and more recently evergreen funds.**
- **Small to mid-market opportunities and Pre-IPO are the most attractive pockets of opportunities in JANA's view**



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