IMAP Webinar Series
Investing Outside the Mainstream

Private Markets

Russel Pillemer, Pengana Capital
Zivan Wong, MLC Asset Management
Moderated by
Paul Saliba, SQM Research

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Upcoming webinars

Wednesday 1st May
How do we assess the quality of investment management and the role in portfolios?
Lachlan Brumby, Russell Investments
Jason Petras, Resonant Asset Management
Moderated by Chetan Trehan, SQM Research

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Advice in Action Conference 2024
23rd July – Melbourne
25th July – Sydney

Risk Management Roundtable
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How to ask a Question

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ASSET MANAGEMENT

MLC Asset Management
Private Equity

30 April 2024

Zivan Wong, Portfolio Manager – MLC Private Equity

MLC Private Equity Program

Mid-market focused

Access to 'best-in-class' private equity managers globally

26-year private equity investment history, now managing over A$5bn in private equity assets

Consistent track record, delivering 15.5% per annum over 20 years, outperforming MSCI ACWI Index-Hedged by 9.3% per annum[2]

1997
MLC launches one of the first Australian PE programs with a global remit fund of funds focus

2007
MLC's first Co-Investment

2013
Launch of MLC Private Equity Co-Invest Fund I

2015
MLC sets up office and portfolio manager in New York

2017
Launch of MLC Private Equity Co-Invest Fund II

2020
Launch of MLC Private Equity Co-Invest Fund III

2022
Launch of MLC Global Private Equity Fund

2024
Proposed Launch MLC Private Equity Co-Invest Fund IV

[1] Total value creation since inception is over $8.5bn as at end June 2023. Note: this includes realised investments of $10.3bn plus unrealised investments of $4.5bn less $8.3bn of capital invested.
[2] As of 30 September 2023 for MLC's complete PE program.

What do we look for in a private equity opportunity?

MLCPE pursues co-investments with strong, well-established managers with extensive industry experience and an active approach to value creation

Specialist PE partners

- We only partner with top tier individuals and teams who have exceptional track records in their specific sector.

High potential business

- Operating within secular themes that will deliver good returns even during market volatility or slowing economic growth.

Aligned management teams

- We look for teams that are aligned, motivated and hungry for success.
- Businesses where the founders have their personal wealth at stake.

The mid-cap advantage

Taking businesses from good to great

Small caps

$0 to $0.2bn
Venture capital,
seed, start-up

Mid caps

$0.2bn to $2bn
Growth,
buy out

Large caps

$2bn+
Buy out,
rescue,
turnaround

Why we think mid-caps are the 'sweet spot'

- Big enough to have proof of concept...
- ... but not so big that doubling or tripling in size is out of the question.
- More opportunities to influence to grow business revenue / value.
- Off-market transactions more common.

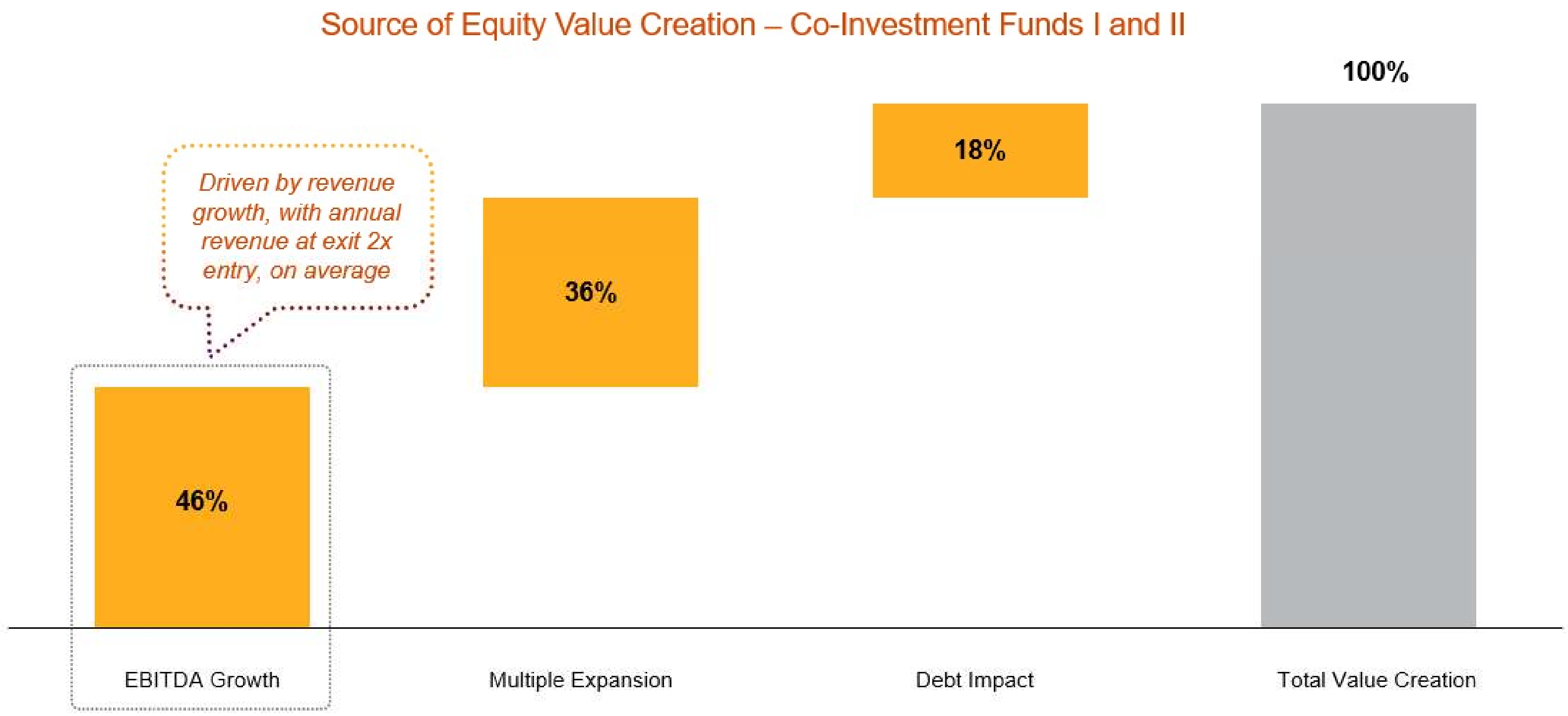
Specialist PE partners

- Taking market share.
- Buy-and-build strategies.
- Expanding into new markets/geographies.
- Cross sell new products.
- Strategic repositioning.

MLC Private Equity

Equity value creation across Co-Investment Funds I & II

Driven by operational initiatives (EBITDA growth), with some multiple expansion at exit and limited debt impact



Source: MLC Asset Management Services Limited. Weighted average of all investments made by Co-Investment Funds I and II valued on EBITDA multiples where value creation has occurred As at 30 September 2023.

MLC Private Equity solutions

	MLC Private Equity program	MLC Co-investment program	MLC Global Private Equity Fund
Inception	1997	2013 / 2017 / 2020	2022
How to invest	Component of MLC MasterKey Super Fundamentals multi-asset portfolios	Offer documents	PDS
Minimum investment	N/A	$250,000	$20,000
Liquidity	N/A	None	Limited monthly
Types of investment	Private Equity Funds Co-investments	Co-investments	Private Equity Funds Co-Investments Listed Private Equity ETF Cash
Allocation Targets	Private Equity Funds: 50% Co-investments:50%	Co-investments: 100%	Private Equity Funds: 40-70% Co-Investments: 20-50% Listed PE ETF / Cash: 5-40%

Source: MLC Asset Management Services Limited. Weighted average of all investments made by Co-Investment Funds I and II valued on EBITDA multiples where value creation has occurred As at 30 September 2023.

PENGANA CAPITAL GROUP

GLOBAL PRIVATE MARKET STRATEGIES A GAME-CHANGER FOR PORTFOLIOS

Russel Pillemer
Chief Executive Officer

OVERVIEW

- **Private Equity and Private Credit are now mainstream asset classes for Institutional Portfolios**

- **Risk-Return outcomes are significantly superior**
  - Necessary to optimize portfolio construction
  - Portfolios that exclude them will inevitably underperform

- **Historically, individual investors have had difficulties investing in these assets**
  - But finally, they have the opportunity - and this is a game-changer
  - Easily investable by individuals, platforms, IMAs and SMA's
  - Opportunity to totally re-think portfolio construction

PRIVATE EQUITY

- **Background to the PE opportunity**
  - Listed markets are shrinking
  - PE growing rapidly
  - Opportunity to truly diversify
  - Mid-market PE opportunity is the best

- **Superior Risk-Return outcomes**
  - Higher returns in unlisted environment
  - Slower mark-to-market results in lower volatility

PRIVATE CREDIT

- **Background to the PC opportunity**
    - Regulatory interference with banks since GFC
    - Demand for non-bank lending significantly exceeds supply
    - Best opportunity is in bilateral loans to the mid-market

- **Superior Risk-Return outcomes**
    - Large excess spreads: ~5.5-6.0% above base rates
    - Low loss rates
    - Low volatility of non-traded loans

SOLVING INDIVIDUAL INVESTOR CHALLENGES

PENGANA
CAPITAL

- The challenges
  - Diversification across managers, strategies, sectors and geographies
  - Access to the best PE and PC fund managers
  - Liquidity, liquidity, liquidity
  - Daily pricing

- The Pengana Solutions
  - Fund of fund structures to get diversification
  - JV with major global allocators provides access to the best managers
  - **Continuous liquidity and pricing**
    - PE1: listed on ASX in 2019 (~$460m)
    - PCX: IPO opens on 20 May (targeting $250m)
  - **PCX to have "Quarterly Redemption" feature that should result in PCX traded price at close to NAV**

- Individual investors are no longer disadvantaged relative to Insto's
- Easily investable by individuals, platforms, IMAs and SMA's
- Opportunity to re-think portfolio construction for optimal outcome

QUESTIONS

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