SPIRE CAPITAL

2023 IMAP Sydney – Opportunities for private markets in Managed Accounts

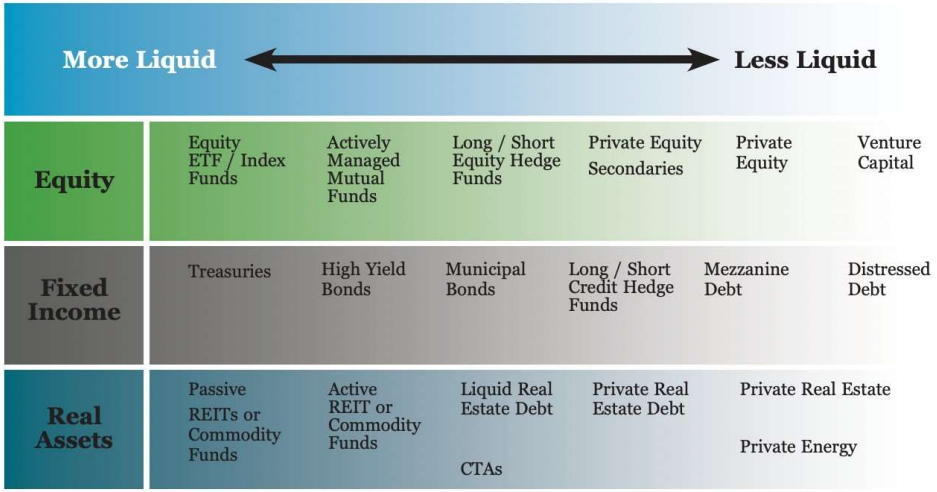
Portfolio Management to deliver consistent and reliable planning outcomes

Same asset classes – just different degrees of liquidity!
– the good news is evolving products provide access to real assets, private assets

- Liquid alternatives via listed market
- Semi-liquid alternatives via unlisted market
- Traditional private market unlisted and illiquid strategies

Display 10

Simplifying Private Market Investing: Allocating across the Liquidity Spectrum



For Illustrative Purposes Only

Diversification Across Private Markets and Public Markets Essential for Future Real Returns – Inflation + 2%, 4%, 6%

Display 2

A Natural Complement: Private and Public Market Investments

Public Markets	Private Markets
▶ Frequent transactions	▶ Infrequent transactions
▶ Information widely and quickly shared	▶ Asymmetric information
▶ Performance generally in line with markets	▶ Performance premium to liquid markets

Note: For illustrative purposes only. There can be no assurance that an allocation to alternatives would provide higher real returns. Please consult your own third-party advisor before making any investment decisions based on this information.

[4] Michael C. Jensen, "Eclipse of the Public Corporation," Harvard Business Review (September-October 1989).
[5] "More than any other factor, these organizations' resolution of the owner-manager conflict explains how they can motivate the same people, managing the same resources, to perform so much more effectively under private ownership than in the publicly held corporate form."Jensen Ibid.

Patient Capital, Private Opportunity: The Benefits and Challenges of Illiquid Alternatives 3

The Future Fund as a Case Study –

Reduced Real Return Target to 4% in last 12 months and more broadly diversified to reliably achieve target.

We are all in the business of future funding – our clients' aspirations and plans – which requires a liability matching approach to client planning by trading off the tensions between risk, return, spending, saving and liquidity

Future Fund

Performance

Table 1: Future Fund returns, target benchmarks and volatility

	Return (% pa)	Target return[1] (% pa)	Volatility[2] (%)
From inception (May 2006)	8.3	6.6	4.4
10 years	10.8	6.2	4.3
Seven years	9.3	6.0	4.7
Five years	9.8	6.0	4.8
Three years	11.5	6.1	5.6
One year	19.1	7.5	6.0

Note: The Future Fund returned 2.2% over the quarter to 31 December 2021 and 3.4% for the financial year to date.

1. From 1 July 2017 the Fund's Investment Mandate target return was reduced from CPI + 4.5% to 5.5% pa to CPI + 4% to 5% pa over the long term, with an acceptable but not excessive level of risk.
2. Industry measure showing the level of realised volatility in the portfolio.

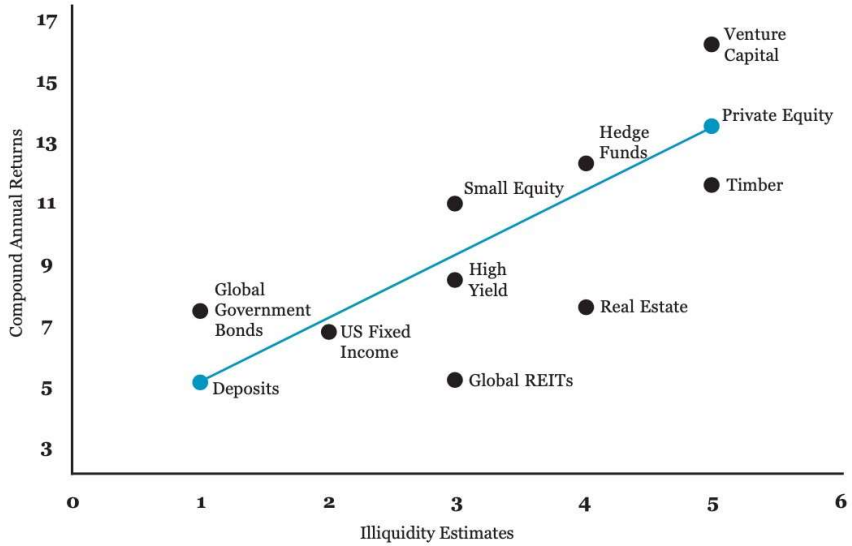
Asset allocation

Table 2: Future Fund asset allocation

Asset class	$m	% of Fund
Australian equities	15,449	7.6%
Global equities		
Developed markets	31,871	15.7
Emerging markets	15,656	7.7
Private equity	34,255	16.8
Property	13,149	6.5
Infrastructure & Timberland	16,309	8.0
Debt securities	14,250	7.0
Alternatives	28,405	14.0
Cash	34,239	16.8
TOTAL	**203,583**	**100.0**

Trade Offs – Risk, Return, Liquidity

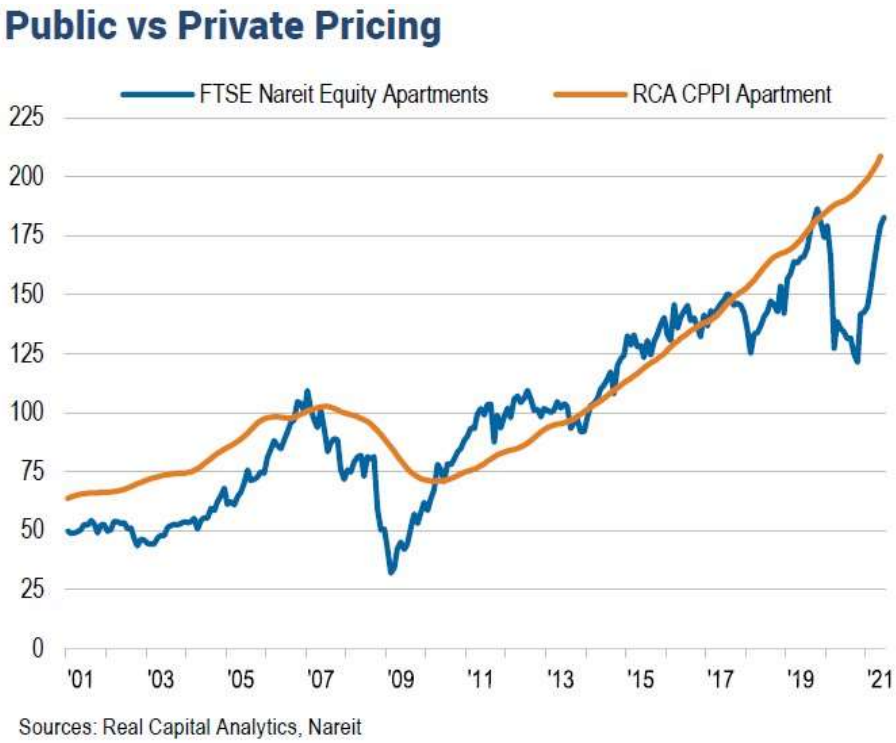
Investment Returns Generally Increase with Degree of Illiquidity



From: "Expected Returns," by Antti Illmanen, 2011. Scatterplotting average asset returns 1990-2009 on (subjective) illiquidity estimates. Sources: Bloomberg, MSCI Barra, Ken French's website, Citigroup, Barclays Capital, JP Morgan, Bank of America Merrill Lynch, S&P GSCI, MIT-CRE, FTSE, Global Property Research, UBS, NCREIF, Hedge Fund Research, Cambridge Associates.

[84]"Waiting to Exhale" 2014 Global Hedge Fund Investor Trends and Allocation Outlook. January 2014, Page 15.

And Volatility of Capital – the public v private debate!



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