

MLC – Private Equity

MLC's Private Equity team is based in Sydney Australia. The private equity investment programme commenced in 1997 following research by MLC which showed that global private equity had the potential to add significant value over public markets over the long term.

Consistent with other asset classes, MLC uses a multi-manager approach to manage global private equity assets. As at 30 September 2008, MLC Private Equity had committed \$3.6 billion to 37 investment managers investing funds across the United States, Europe, Asia and Australia; with \$1.9 billion of commitments drawn.

Why MLC Private Equity?

The MLC Private Equity team focuses on identifying superior private equity managers globally. The team is committed to an investment philosophy, which is focussed on providing best of breed global private markets exposure for MLC's investors. The mandate is return-seeking and responds to the potential offered by private equity for returns significantly in excess of those provided by the public markets.

Philosophy on investing

The team uses a global manager of manager's approach. The focus of the MLC Private Equity team is return seeking. While return, rather than diversification, is the primary driver of MLC's private equity portfolio construction, the outcome is a very well diversified portfolio; one that is diversified by region, investment subclass, vintage year and, importantly, strategy implementation at the company level. By investing in funds, funds of funds and co-investments, MLC has exposure to thousands of underlying companies.

Since the majority of private equity investment opportunities lie outside Australia a global strategy provides for the greatest diversification and value added potential. The strategy seeks to access the diversification benefits of the greater range and quality of opportunities available in the global market, rather than relying solely on the domestic market

Private equity investing requires patience, discipline and a long-term orientation. The team's focus is on quality and access, which cannot be sacrificed in the interests of speed.

Investment process

The MLC Private Equity program comprises investment through managed funds, in private (unlisted) markets, opportunistic property and infrastructure, but principally in private equity. The mainstream sectors of private equity invested in are:

1. Venture capital - a traditional sector of private equity investing that focuses on business formation around a technology or business model, taking a company into its early life.
2. Expansion/growth capital – growth capital that focuses on taking a company to the next stage of its life, typically involving rapid growth.
3. Buy-out/corporate capital – for the next stage of a company's development, involving a now larger and more developed company, which is further developed through organic growth, merger and acquisition, strategic or operational improvement.

The dispersion of returns in private markets is enormous with the median manager achieving a similar return to public markets. In seeking to outperform public markets MLC Private Equity focus on established first quartile performers. Typically, the best and most established management groups tend to have persistently strong performance, more so than managers in public markets. A key reason is that the best-regarded managers have access to the best deals, which produce the best returns thereby enhancing the managers reputation and so a virtuous circle is formed. Unlike other sectors, private equity is not a level playing field. As a result in private equity a manager's performance does have some predictive power. This is different to the way MLC assesses managers in the listed markets, where past performance



has clearly been shown to be a poor indicator of the future. In the private equity sector franchise and experience effects actually allow managers to get better as their successive funds come to market. They can improve their performance or sustain their outperformance for at least a decade. We have been successful in gaining access to managers of this calibre.

Accessing the Best Management Groups

The MLC Private Equity team has spent over 10 years identifying the best managers around the world. Top quartile managers have a record of high performing funds, resulting in existing investors quickly seizing any available capacity that may arise through a new fund offering. This means the best managers are often closed to new investors, or accept them on an invitation only basis.

The MLC Private Equity team positions itself as an investor of choice to these first quartile managers. Elements of MLC's differentiation include:

- MLC is a sophisticated investor. First quartile managers prefer to have sophisticated investors who understand the process and unusual features of private equity investing. MLC is experienced in this kind of investing and uses a team, drawn from direct investing backgrounds, who comprehensively review managers from that specialist perspective. We have also focused on having an efficient and pro-active review and approval process.
- MLC is regionally well located. Managers see advantages in having strong regional players as investors. This diversifies their investor base and allows the manager to have relationships in each region that they can access if needed. With one of the largest programs in the Asia-Pacific region, MLC is well positioned to partner with the managers and add value in the local region where possible.
- MLC offers credibility, scale and continuity. These factors and MLC's disciplined strategic approach to asset allocation, is attractive to managers who value longer-term relationships and continuity.

Investment people

David Krasnostein

David, who was formerly NAB's Chief Group General Counsel, was appointed Head of MLC Private Equity in 2008. David brings to the role nearly 30 years' commercial and legal experience from Australian and US roles. Before joining NAB, he worked for the Wall St law firm Sullivan & Cromwell, was a partner of Chicago law firm Sidley Austin, and was Telstra's first General Counsel and Head of Strategic Planning and Corporate Planning.

Since joining the MLC Private Equity Team, David has assumed coverage responsibilities for the Australian market.

Alicia Gregory

Alicia has over 8 years experience working in the finance industry and has primary responsibility for European private equity investments within the MLC Private Equity team.

Alicia's current responsibilities include undertaking manager research for the analysis and selection of investments, specific research projects, and developing investment strategy.

Prior to this Alicia was employed within MLC in the ThreeSixty Investment Strategy & Research Team as a Research Analyst. Her primary responsibilities included investment manager research, assisting with the development and maintenance of portfolio construction solutions for clients, preparation of educational material and maintenance of an approved list of investments. During her time at ThreeSixty, Alicia researched investment managers from a wide range of asset classes.

Prior to that role, Alicia worked for over three years with the Commonwealth Bank of Australia as a Credit Analyst, and also spent time working as a Business Analyst for credit and investment related projects.



Alicia holds a Bachelor of Business (majoring in Accounting and Finance) from the University of Technology, Sydney and is a Chartered Financial Analyst.

Richard Baker

Richard has over 5 years experience working in the finance industry and has primary responsibility for North American equity investments within the MLC Private Equity team.

Richard's current responsibilities include undertaking manager research for the analysis and selection of investments, specific research projects, and developing investment strategy.

Richard's background is a mixture of investment banking and company management. Richard has worked for a UK investment bank, Fieldstone Private Capital Group, specialising in project finance and mergers & acquisitions in the energy sector. During this time he advised a number of large multinationals on the development and acquisition of electricity assets. Following this, Richard founded and ran a successful European software company. Richard has degrees in Commerce and Law.

Natalie Meyenn

Natalie has over 8 years experience in the finance industry, including over 5 years experience in investment banking in the US and Australia and has primary responsibility for Asian private equity investments

Natalie's current responsibilities include undertaking manager research for the analysis and selection of investments, specific research projects, and developing investment strategy.

Natalie's background is a mixture of investment banking, project and development finance, and macroeconomic policy. Natalie worked in M&A for Goldman Sachs in New York and Sydney and Bear Stearns in New York. She worked over on \$50bn of deals across all sectors. Selected transactions include: the acquisition of MCI by Verizon; the acquisition of Overnite Corporation by UPS; the acquisition of Promina by Suncorp; and the acquisition of GASnet by Australian Pipeline Limited,

Natalie has also spent time working at the World Bank on macroeconomic and debt policy in Asia, infrastructure investments in West Africa and telecom investments in Asia.

Natalie has degrees in economics, history and business from the Australian National University and Harvard University.

Emmanuel Gounakis

Emmanuel has worked ten years in the finance industry. He has responsibility for managing the investment operations, research and communications activities of the MLC Private Equity Group. Prior to that, he focussed on strategic operations across the Asset Management business and also spent three years in investment operations gaining experience across listed and unlisted asset classes, including private equity.

Emmanuel has a Commerce degree from the University of NSW. He is a Certified Practicing Accountant and has completed two of three stages in the Chartered Financial Analyst program.

Over the seven years to 30 June 2008 the currency hedged private equity portfolio has outperformed global public markets by 6.6% p.a.

The information contained in this material has been prepared by MLC Limited (ABN 90 000 000 402) and MLC Investments Limited (ABN 30 002 641 661) and is intended as general information only and is current as at 31 May 2008, except where otherwise stated. It has not been prepared to take into account individual investment objectives, financial situation or investment needs. Prior to making an investment decision, you should assess whether the information in this material is appropriate to your particular investment objectives, financial situation or investment needs. It is recommended that you obtain financial advice specific to your situation before making any financial



investment or insurance decision. Past performance is not indicative of future performance. The future value of your investment may rise and fall with changes in the market.

An investment with MLC Limited or MLC Investments Limited does not represent a deposit with, or a liability of National Australia Bank Limited (ABN 12 004 044 937) or other member company of the National group of companies and is subject to investment risk including possible delays in repayment and loss of income and capital invested.

None of MLC Limited or MLC Investments Limited or other member companies in the National Group of companies, or appointed managers guarantee the capital value or performance of any specific investments selected by investors except where specified in the current disclosure document.

