

## MLC – Private Equity

MLC's Private Equity program commenced in 1997 with a global investment strategy. It is one of the oldest and largest private equity investors in Australia. The 11 person team is based in Sydney, Australia.

Consistent with other asset classes, MLC uses a multi-manager approach to manage global private equity assets. As at 31 December 2010, MLC Private Equity manages over \$4 billion in commitments.

### Why MLC Private Equity?

The MLC Private Equity team focuses on identifying superior private equity managers globally. The program currently has relationships with 48 managers spanning across 110 individual funds. The team is committed to an investment philosophy, which is focussed on providing best of breed global private equity 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.



David Krasnostein  
Head of MLC Private Equity

### 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 managers, regions, investment subclasses, vintage years and currencies. By investing in funds, funds of funds and co-investments, MLC has exposure to thousands of underlying companies around the world.

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, a commitment to excellent due diligence, a long-term orientation and an ability to manage illiquidity through economic cycles. MLC has unwaveringly supported this approach over its 14 year investing history.

### Investment process

The MLC Private Equity program involves investment through funds in private (unlisted) markets. The mainstream sectors of private equity 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.

There is a large dispersion of returns in private markets with the median manager achieving a similar return to public markets. In seeking to outperform public markets, MLC Private Equity focuses on finding 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.

Unlike other sectors, private equity is not a level playing field. As a result, 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. MLC has been successful in gaining access to managers of this calibre.

### **Accessing the Best Management Groups**

The MLC Private Equity team has spent over 14 years identifying the best managers around the world. Top quartile managers often 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.
- As a major participant in managing part of Australia's \$1.3 trillion pool of retirement funds (superannuation), MLC has access to significant funds flow.
- 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.

## **Senior Team**

### **David Krasnostein, Head of Team**

David, who was formerly NAB's Chief Group General Counsel, joined the MLC Private Equity team in 2008. David brings to the role nearly 30 years' commercial and legal experience from Australia and the US. 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.

David has two law degrees from the University of Western Australia, and a Masters of Law from the University of Virginia. He has also attended INSEAD.

### **Alicia Gregory, Portfolio Manager**

Alicia has worked at MLC since 2002. Prior to joining the MLC Private Equity team in 2005, Alicia worked in the ThreeSixty Investment Strategy & Research Team at MLC. 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. Prior to that Alicia worked at the Commonwealth Bank of Australia as a Credit Analyst.

Alicia has a business degree from the University of Technology and is a Chartered Financial Analyst.



### **Richard Baker, Portfolio Manager**

Richard joined the MLC Private Equity team in 2006. His 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 from the University of New South Wales and Sydney University.

### **Natalie Meyenn, Portfolio Manager**

Natalie joined the MLC Private Equity team in 2007 and her background is a mixture of investment banking, project/infrastructure finance, and economic and development policy. Natalie worked in M&A for Goldman Sachs in New York and Sydney. She 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. Prior to this she worked for a Cabinet Minister in Australia.

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

### **Emmanuel Gounakis, Chief Operating Officer**

Emmanuel has five years experience with MLC Private Equity and over 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 Practising Accountant and has completed two of three stages in the Chartered Financial Analyst program.

## **Performance**

Over the ten years to 30 September 2010, the currency hedged private equity portfolio has delivered a return of 8.8% per annum and outperformed its global public markets benchmark by 6.8% p.a.

#### **Disclaimer:**

The information contained in this material has been provided to you by MLC Limited (ABN 90 000 000 402) and MLC Investments Limited (ABN 30 002 641 661) and is intended as general information only for residents of Australia. It is not intended to be a solicitation from MLC Private Equity to invest in any of its products directly, or to engage MLC Private Equity directly. The information is current as at 22 March 2011, except for the amount managed which is updated as 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.

