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ASSET MANAGEMENT

Global private equity

Investment update to 31 December 2025

MLC gives investors access to private equity (also known as private assets) all around the world. The MLC Private Equity team in MLC Asset Management has managed private equity through different market conditions, since 1997.

Private equity isn't traded on listed exchanges and involves buying shares in private companies. The MLC Private Equity team uses a combined multi-manager and co-investment approach to private equity investing. This means they invest into a range of external private equity fund managers, as well as alongside these managers, investing directly into some of their most attractive private companies.

MLC's diversified funds' target allocations to global private equity are shown in Table 1.

Table 1: MLC diversified funds with allocations to global private equity as at 31 December 2025

Fund Series	% of portfolio invested in global private equity	Fund Series	% of portfolio invested in global private equity
MLC MultiActive^	4 – 8%	MLC Simple Choice	1 – 7%
MLC Wholesale Horizon^	2 – 5%	MLC Flexible	4 – 7%
MLC Real Return	3 - 4%	MLC MySuper	4 – 5%

Source: MLC Asset Management Services Limited. The allocations shown in Table 1 are based on the fund's target allocations. The amounts allocated to private equity differ based on each fund's investment objective and strategy, risk profile and strategic asset allocation (SAA). Refer to the 'Important Information' section of this report for details about the funds. ^ Excludes MultiActive Capital Stable and Wholesale Horizon 1.

What is private equity?

Private equity involves the purchase of shares in private companies. Companies may be:

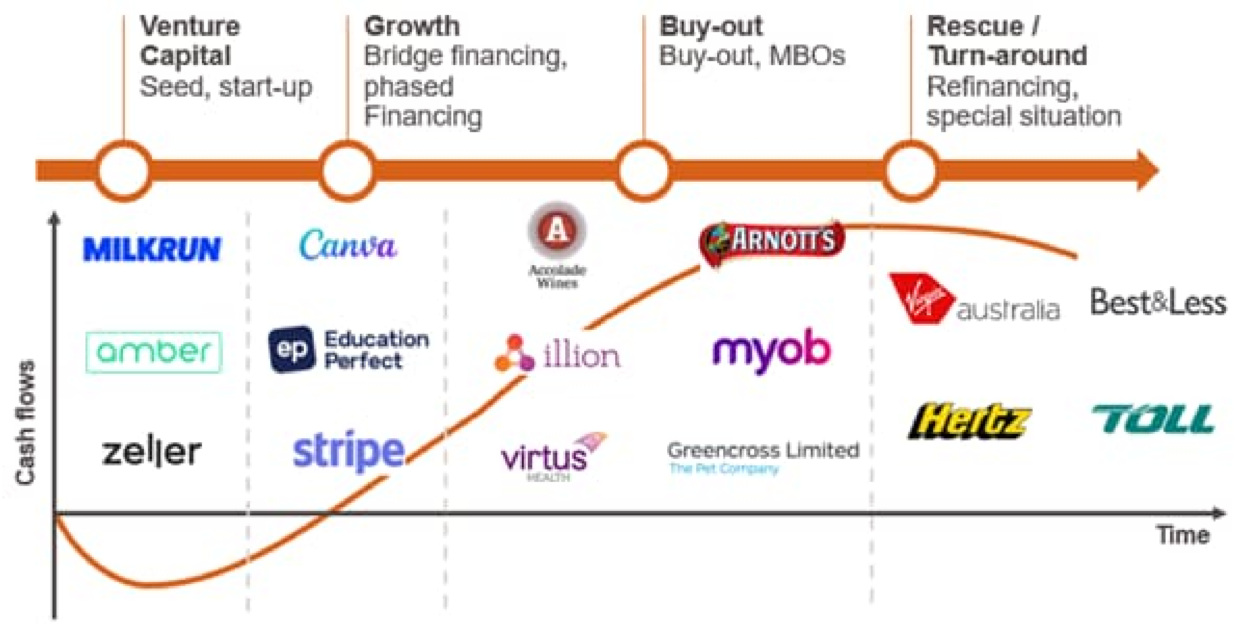
- businesses – at any stage of the business lifecycle, from start-ups to mature businesses – that are able to benefit from the infusion of capital or expertise to grow, merge or restructure, and
- public companies which are taken private by private equity firms.

Many of these investments can't be accessed directly by investors because they are often open only to select institutions or because the average investor simply doesn't have the amount of money or expertise needed to invest directly in them.

While there's no denying private equity is a riskier asset class as it provides less liquidity and valuation certainty compared to assets traded on public markets, its ability to deliver strong long-term returns is well known and widely proven. When managed well, it can provide excellent diversification and return potential for investors because returns aren't directly linked with the performance of listed global shares or fixed income.

A good way of looking at the private equity investment universe is by breaking it into four categories: venture capital, growth, buy-outs, and rescue/turn-arounds/distressed companies. This is illustrated in Chart 1.

Chart 1: The private equity investment spectrum



Source: MLC Asset Management Services Limited. These companies have been chosen for illustrative purposes only. MLC may not invest in any of these companies.

Venture capital

These are companies in their early stages – they're looking for seed capital and they're in the start-up phase. You're investing in an idea or a business plan, for example, the early days of Mark Zuckerberg demonstrating his first prototype of Facebook, with a few parties willing to invest and provide advice to help the company expand and grow.

It's an exciting investment category with lots of buzz, especially in places like Silicon Valley. But while the potential rewards can be significant, it's important to remember it's very easy to lose capital. The '2022 Preqin Global Venture Capital Report' shows this volatility of returns, with early-stage venture capital nearing double the volatility of non-venture capital private equity.

Growth

Growth investing is similar to venture capital, but investing at a later stage. The company will tend to have revenue streams and profits but needs finance to help grow further.

With both venture capital and growth investments, you tend to take a minority stake in the business. An important role of private equity managers is to provide advice and guidance to help the company grow, navigate new markets, or create new product lines. The best managers tend to be entrepreneurs themselves, they're people who accept failure, understand risk, and want to be alongside the company for the ride and help them make good decisions.

As an example, the Australian based Five V Capital invested in Education Perfect, a provider of digital teaching and learning toolkits for schools, in 2017 for an undisclosed amount. Five V supported the ongoing growth of the business as it doubled its number of employees, grew revenue >400% and grew earnings 600%. Kohlberg Kravis Roberts & Co (KKR) subsequently took a majority stake in Education Perfect in June 2021. [1, 2]

Buy-outs

Unlike venture capital and growth investments, with buy-out investments private equity funds typically acquire a controlling stake in a company and are in a position to shape a company's business plan and strategy through Board and management appointments. They'll usually have an idea about how they can optimise the business and make back a significant return on their investment in a relatively short period of time (three to five years). These managers will tend to use debt and leverage to optimise the business and capital structure. For example, buy-out manager TPG Capital acquired Australia's largest pet care company, Greencross, in a public-to-private for $970m in 2019. Since then, operational improvements have been made including growing Greencross' company-owned product range and investing in new IT systems. The business also benefited from the pandemic tailwinds of increased pet ownership and pet spend. In 2022, Greencross was valued at $3.5b, with a 45% stake being sold to external pension fund investors. [3, 4, 5]

Rescues or turn-arounds

These are investments in a failing company and/or involve a complex transaction that a regular investor would avoid. The private equity fund manager often needs to take control, roll-up their sleeves and really help the company transform. Like venture capital, the potential loss rates are high. There are only a handful of private equity fund managers who have proven they can invest successfully in this field. For example, Australian turn-around specialist Allegro Funds acquired the indebted retailer of clothing and household linens Best & Less Group in late 2019. Best & Less was seen as having a tired brand and needing a revamp, with Allegro refocusing the business on kids and babies clothing before listing it on the ASX in 2021 with a market capitalisation of $271m. [6, 7, 8]

How are returns generated?

Private equity returns are based on valuations of the companies, return of capital from the private equity managers, and realisation of the investment when the remaining capital (and profit) is paid to investors. Valuing private companies is difficult and, unlike listed companies, it isn't done daily but typically on a quarterly basis. As a result, valuations of private equity investments may involve a considerable time lag.

We usually expect to realise the final return on our investments after a period of at least three to seven years, when we exit from the private company and the remaining investment capital and profit is returned to our funds. When we're considering making private equity investments, potential exit strategies is one of the aspects we research carefully, as we aim to maximise the return for investors.

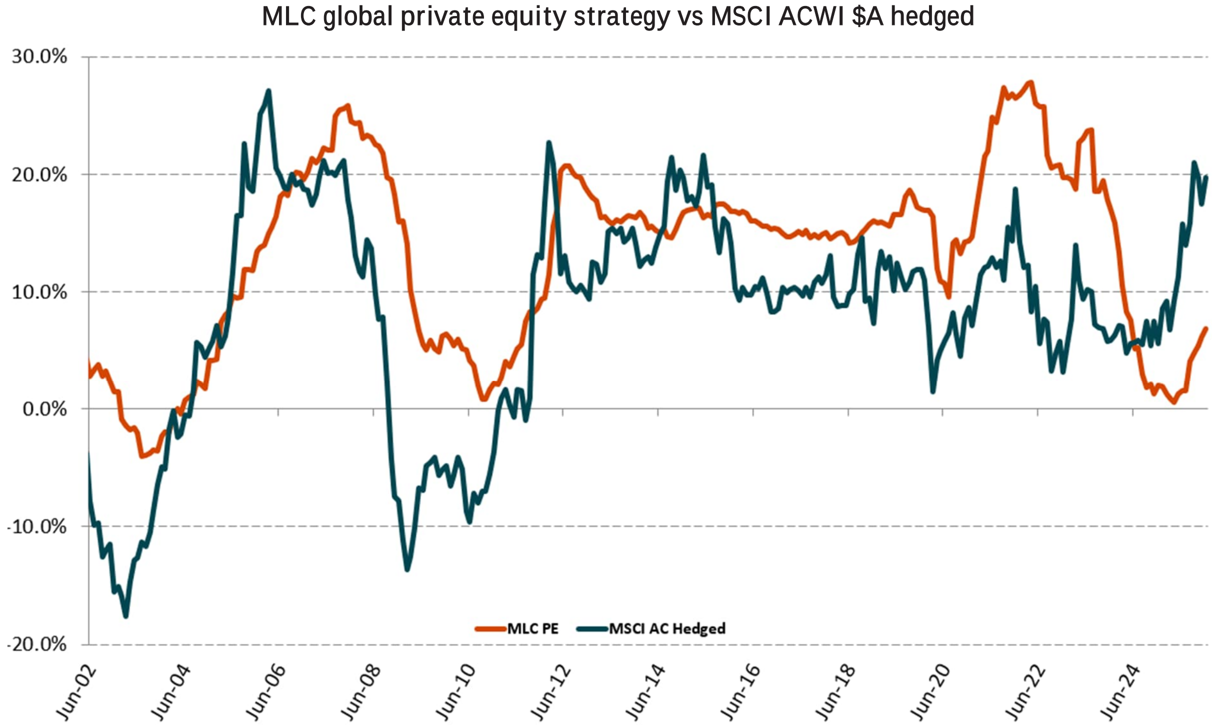
Common strategies for exiting private equity investments are:

- **Initial public offering** – the private equity manager floats or lists the company on the share market.
- **Trade sale** – the private equity manager sells its shares in a company to a trade buyer that operates in the same industry as the company.
- **Secondary buy-out** – the private equity manager sells the company to another private equity manager.
- **Leveraged recapitalisation** – the company borrows funds to pay out equity in the company to the private equity investor ie substitutes some of the company's equity with debt.

Private equity valuations and its return profile

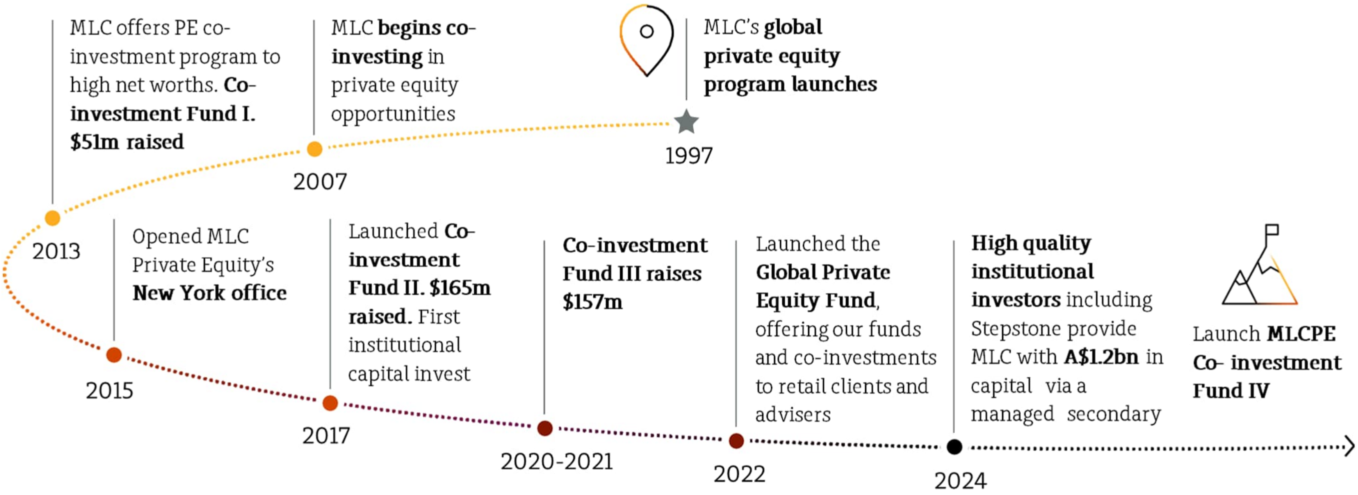
Private equity investments are valued less frequently than listed market investments. This can impact returns in two ways. Firstly, the returns of private equity investments tend to lag the returns of listed markets. Secondly, private equity investments generally exhibit a smoother return profile than listed markets over time. This is particularly helpful in weak share markets. On the flip slide, private equity may underperform listed markets if share markets are rising strongly. Chart 2 demonstrates these traits well by comparing the returns from our private equity program within the MLC Simple Choice, Flexible and MySuper funds compared to global listed markets. It shows that private equity provided a significant cushion to performance during the GFC. It then continued to offer returns significantly higher than listed markets for nearly five years, until the rally in global shares in subsequent years. Similarly, over the March 2020 quarter where global share markets experienced extreme volatility due to the COVID-19 pandemic, the private equity strategy outperformed.

Chart 2: Rolling three year returns (% p.a.) compared to global share markets to 31 December 2025



Source: MLC Asset Management Services Limited. Past performance isn't a reliable indicator of future performance. Refer to footnotes on Page 6 for important disclosure relating to the past performance information in the above chart.

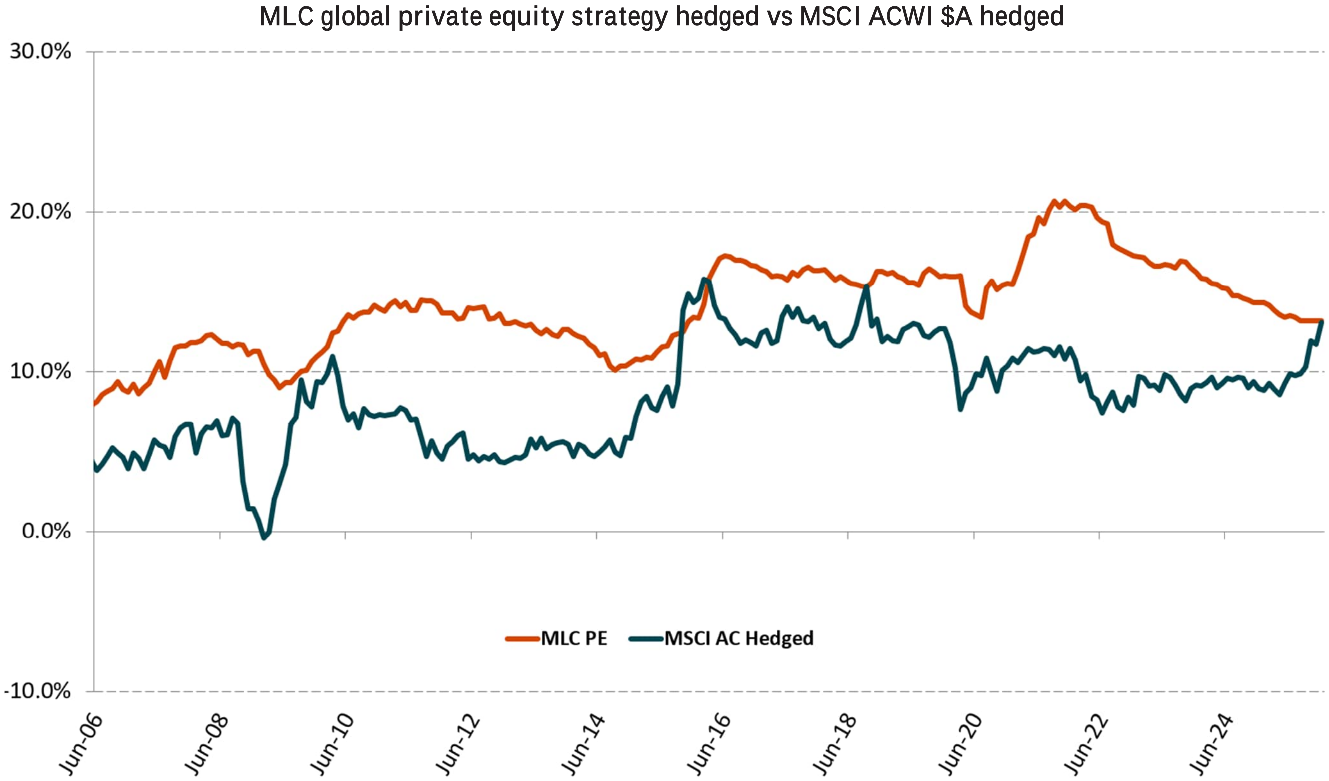
MLC Asset Management's history in private equity investing



MLC Simple Choice, Flexible & MySuper private equity strategy

The private equity strategy within the MLC Simple Choice, Flexible and MySuper funds has been running since 1997 and is MLC's longest running private equity strategy. Chart 3 and Table 2 demonstrate the success of this strategy, highlighting the long-term outperformance over its listed market benchmark.

Chart 3: Rolling seven-year returns compared to the listed benchmark at 31 December 2025



Source: MLC Asset Management Services Limited. Past performance isn't a reliable indicator of future performance. Refer to footnotes on Page 6 for important disclosure relating to the past performance information in the above chart.

Table 2: MLC Simple Choice, Flexible & MySuper private equity strategy returns to 31 December 2025 (net of GP fees, gross of MLC fees and costs)

	1 year %	3 years % pa	5 years % pa	7 years % pa	10 years % pa	15 years % pa	20 years % pa
MLC global private equity strategy (hedged)	10.4	6.9	13.5	13.2	14.0	15.0	14.1
MSCI All Country World Index (hedged)	19.7	19.7	11.2	13.1	11.3	11.4	9.2
Excess return	-9.3	-12.8	2.3	0.1	2.7	3.6	4.9

Source: MLC Asset Management Services Limited. Past performance isn't a reliable indicator of future performance. Refer to footnotes on Page 6 for important disclosure relating to the past performance information in the above table.

MLC MultiActive High Growth & Geared, Wholesale Horizon and Real Return private equity strategy

This section of the report discusses the private equity strategy for the MLC MultiActive High Growth, MultiActive Geared, Wholesale Horizon (except Horizon 1, which doesn't have an allocation to private equity) and Real Return funds. The private equity strategy for these funds is accessed via the MLC Global Private Equity Fund (GPEF). This fund was launched in 2022 and it is run by MLC's Private Equity Team, the same team that run the private equity strategy for MLC's Simple Choice, Flexible and MySuper funds.

There are common holdings between the Simple Choice, Flexible and MySuper private equity strategy and the MLC GPEF, however not all assets are the same. As such, the performance of the two strategies will differ.

The performance of the private equity strategy for the MLC Wholesale Horizon and Real Return funds, ie MLC GPEF Class C, is shown below in Table 3. Note: This is a short-term view of performance given the MLC GPEF was launched in 2022 and private equity is a long-term investment.

Table 3: MLC Wholesale Horizon and Real Return, private equity strategy returns to 31 December 2025 (net of MLC GPEF fees and costs, gross of other MLC fees and costs)

	3 months %	6 months %	1 year %	3 years % pa	Since inception % pa
MLC Global Private Equity Fund – Class C (unhedged)	4.0	6.2	6.3	10.8	8.8
MSCI All Country World Index (unhedged)	2.7	9.2	13.6	21.3	
Excess return	1.3	-3.0	-7.3	-10.5	

Source: MLC Asset Management Services Limited. Past performance isn't a reliable indicator of future performance. Refer to footnotes on Page 6 for important disclosure relating to the past performance information in the above table.

MLC MultiActive Conservative, Moderate, Balanced and Growth private equity strategy

This section of the report discusses the private equity strategy for the MLC MultiActive Conservative, Moderate, Balanced and Growth funds. These MLC funds also invest in a private equity strategy that leverages the expertise of the MLC's Private Equity Team. The alternative assets strategy for these funds has been running since 2008. In 2021, the combination of the heritage IOOF and MLC investment teams created an opportunity to align and improve investment strategies in continuing our pursuit of high performance for each fund. The private equity allocations for these funds became its own standalone strategy at the end of 2023, gaining exposure to private equity via the MultiMix Wholesale Alternative Equity Trust.

This strategy holds some common assets with both the Simple Choice, Flexible and MySuper private equity strategy and the strategy for the other MLC MultiActive, Wholesale Horizon and Real Return funds, however not all assets are the same. As such, the performance of this strategy will differ to these strategies.

Performance for the strategy is shown in Table 4. Performance is shown from 1 January 2024 onwards, reflecting the performance of the standalone private equity strategy. Note: This is a short-term view of performance and private equity is a long-term investment.

Table 4: MLC MultiActive private equity strategy returns to 31 December 2025 (net of MultiMix Wholesale Alternative Equity Trust fees and costs, gross of other MLC fees and costs)

	3 months %	6 months %	1 year %
MultiMix Wholesale Alternative Equity Trust (unhedged)	2.2	9.9	11.4
MSCI All Country World Index (unhedged)	2	6.2	10.6
Excess return	0.2	3.7	0.8

Source: MLC Asset Management Services Limited. Past performance isn't a reliable indicator of future performance. Refer to footnotes on Page 7 for important disclosure relating to the past performance information in the above table.

Footnotes

1. KKR to Invest in Leading ANZ Edtech Company Education Perfect, Business Wire, June 2021.
2. Global investor KKR takes majority stake in Education Perfect, Australian Financial Review, June 2021.
3. Greencross board agrees to $970m buyout from TPG, Business News Australia, November 2018.
4. TPG sells 45 per cent Greencross stake to pension funds in $3.5b deal, Australian Financial Review, March 2022.
5. TPG, Greencross step up deliberations on potential vets spin-off, Australian Financial Review, August 2022.
6. Best & Less Group, Allegro Funds.
7. Allegro hires Macquarie Capital for Best & Less, Australian Financial Review, November 2020.
8. Best & Less set to float with a $271.2 million market valuation, The Australian, May 2021.

Footnotes - Chart 2, Chart 3 & Table 2

The performance shown is the past performance of the private equity investments ("MLC MasterKey Superannuation PE Program") made through the relevant investment options in MLC MasterKey Super Fundamentals and MLC MasterKey Business Super (incl. any earlier versions of these products) ("MLC MasterKey Superannuation"). The returns shown are net of private equity general partners fees (incl. any performance fee) and gross of all other fees and costs. The asset allocation to private equity is relatively small compared to the total assets of MLC MasterKey Superannuation and are set to serve the investment objectives of the relevant investment options. In this report, the MLC MasterKey Superannuation PE Program is also referred to as the MLC Simple Choice, Flexible and MySuper private equity strategy. This strategy is different to the other strategies discussed in this report. The strategies in this report are managed in separate structures with different investment objectives, underlying assets, risk and return profiles, fees and costs. The returns shown demonstrates MLC Private Equity's capability over periods of time in history. These historical returns shouldn't be relied upon as any indication of the future and ongoing performance of any particular program, strategy or fund.

Footnotes - Table 3

The returns shown above are of the units issued in Class C of the MLC Global Private Equity Fund ("MLC GPEF") and are net of the management fees and costs of MLC GPEF. The returns are gross of other fees and costs charged by the MLC MultiActive High Growth, MultiActive Geared, Wholesale Horizon and Real Return funds. These returns provide a short-term view of performance given the MLC GPEF was launched in 2022. Private equity is a long-term investment. The minimum suggested investment timeframe for the MLC GPEF is 7-10 years. The asset allocation to private equity in MLC MultiActive High Growth, MultiActive Geared, Wholesale Horizon and Real Return is relatively small compared to the total assets of those funds and are set to serve the investment objectives of the funds. This strategy is different to the other strategies discussed in this report. The strategies in this report are managed in separate structures with different investment objectives, underlying assets, risk and return profiles, fees and costs. These historical returns shouldn't be relied upon as any indication of the future and ongoing performance of any particular program, strategy or fund. Figures are rounded to one decimal place.

Footnotes - Table 4

The returns shown above are net of the management fees and costs of the MultiMix Wholesale Alternative Equity Trust. The returns are gross of other fees and costs charged by the MLC MultiActive Conservative, Moderate, Balanced and Growth funds. These returns provide a short-term view of performance given the private equity allocation from these funds became a standalone strategy 2023. Private equity is a long-term investment. The asset allocation to private equity in MLC MultiActive Conservative, Moderate, Balanced and Growth is relatively small compared to the total assets of those funds and are set to serve the investment objectives of the funds. This strategy is different to the other strategies discussed in this report. The strategies in this report are managed in separate structures with different investment objectives, underlying assets, risk and return profiles, fees and costs. These historical returns shouldn't be relied upon as any indication of the future and ongoing performance of any particular program, strategy or fund. Figures are rounded to one decimal place.