

Marketing Alternatives to Australian Institutions

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22 November 2011



Investment design & fund raising specialists



- Brookvine's Perspective
- Australian Institutions and Asset Exposures
- Emergence of Self Managed Super
- Fees and Other Tensions
- What Do Institutional Investors Look For?



Pan Asia Private Equity Fund of Fund
Manager
www.axiomasia.com

MANAGER NOT ABLE
TO BE DISCLOSED *

Australian private debt



Australian Share – Long Only and Long
Short Equities
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Blue Sky Water Partners
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Catastrophe Bonds & Other Insurance
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Global Fund of Hedge Fund Manager
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Pan-European Infrastructure Manager
www.rreef.com



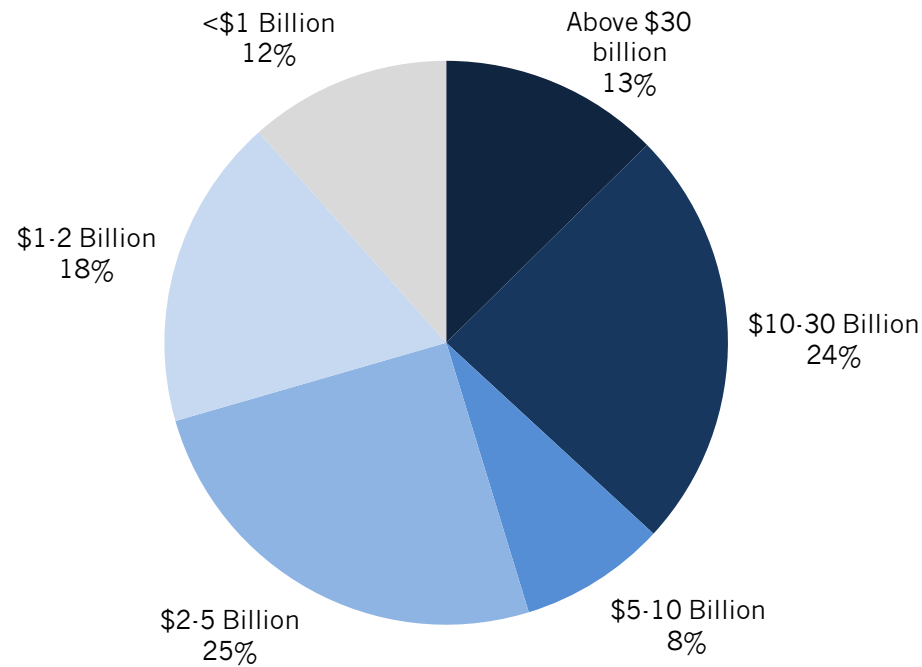
US and Global Venture Capital Fund of Fund
www.truebridgecapital.com



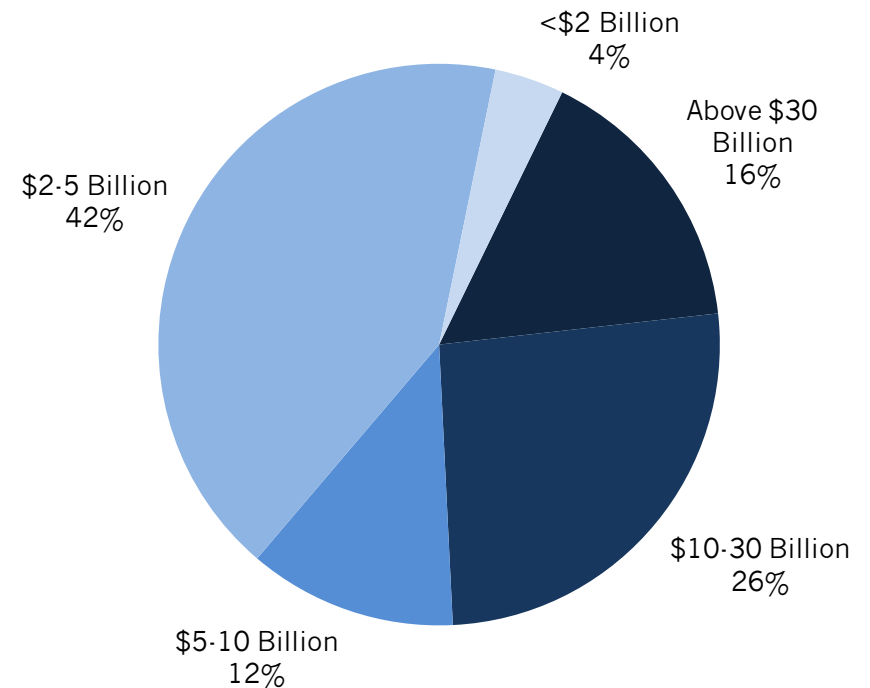
Australian Small-Middle Market Buy Out
Manager
www.wolseley.com.au

* Brookvine is a shareholder

All Institutions¹

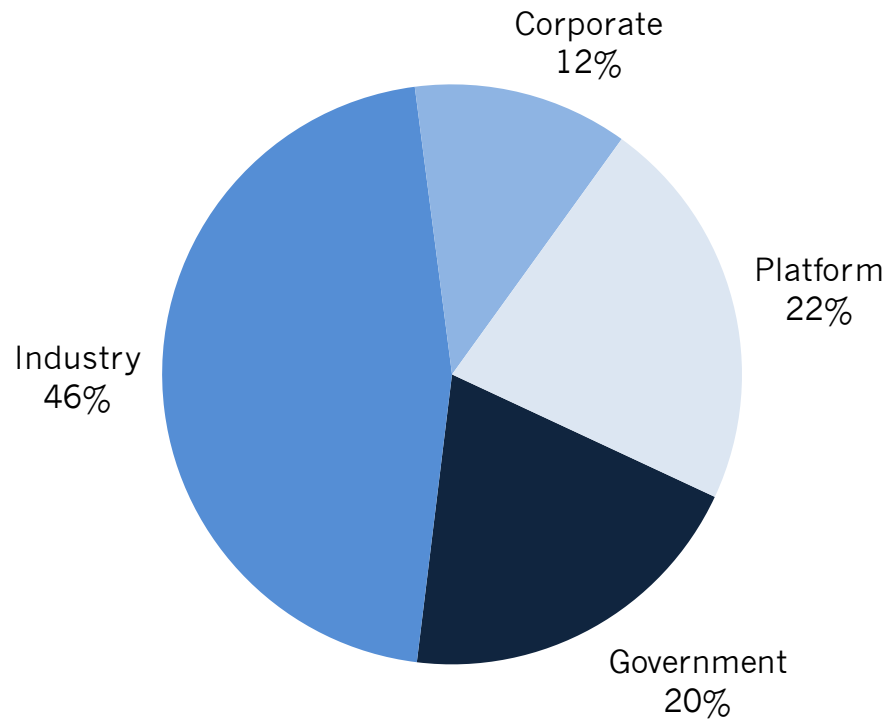


Top 50 Super Funds Only²

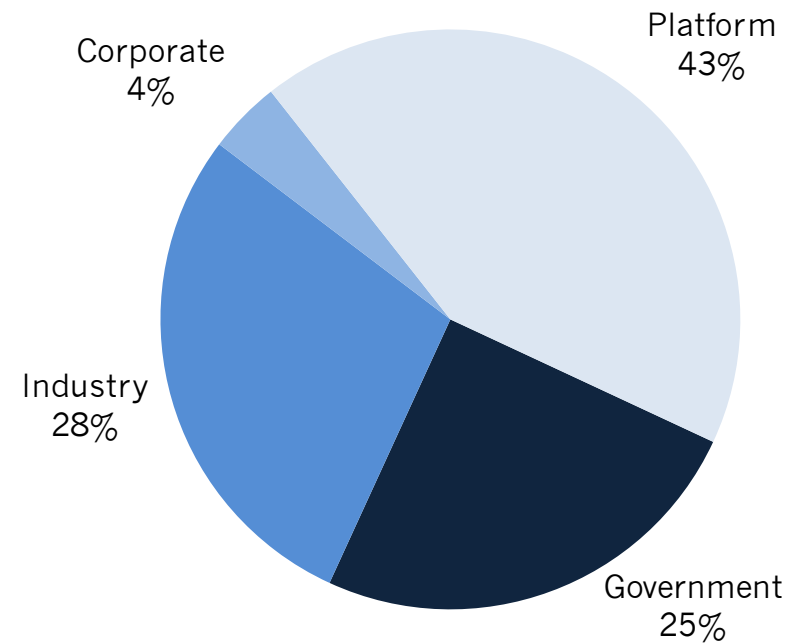


1. As per Brookvine's database of the top ~100 superannuation, endowments and government investments funds in Australia and New Zealand with alternative investment exposure.
2. Source: Rainmaker Roundup June Quarter 2011
3. Source: Brookvine Database

Number of Funds¹

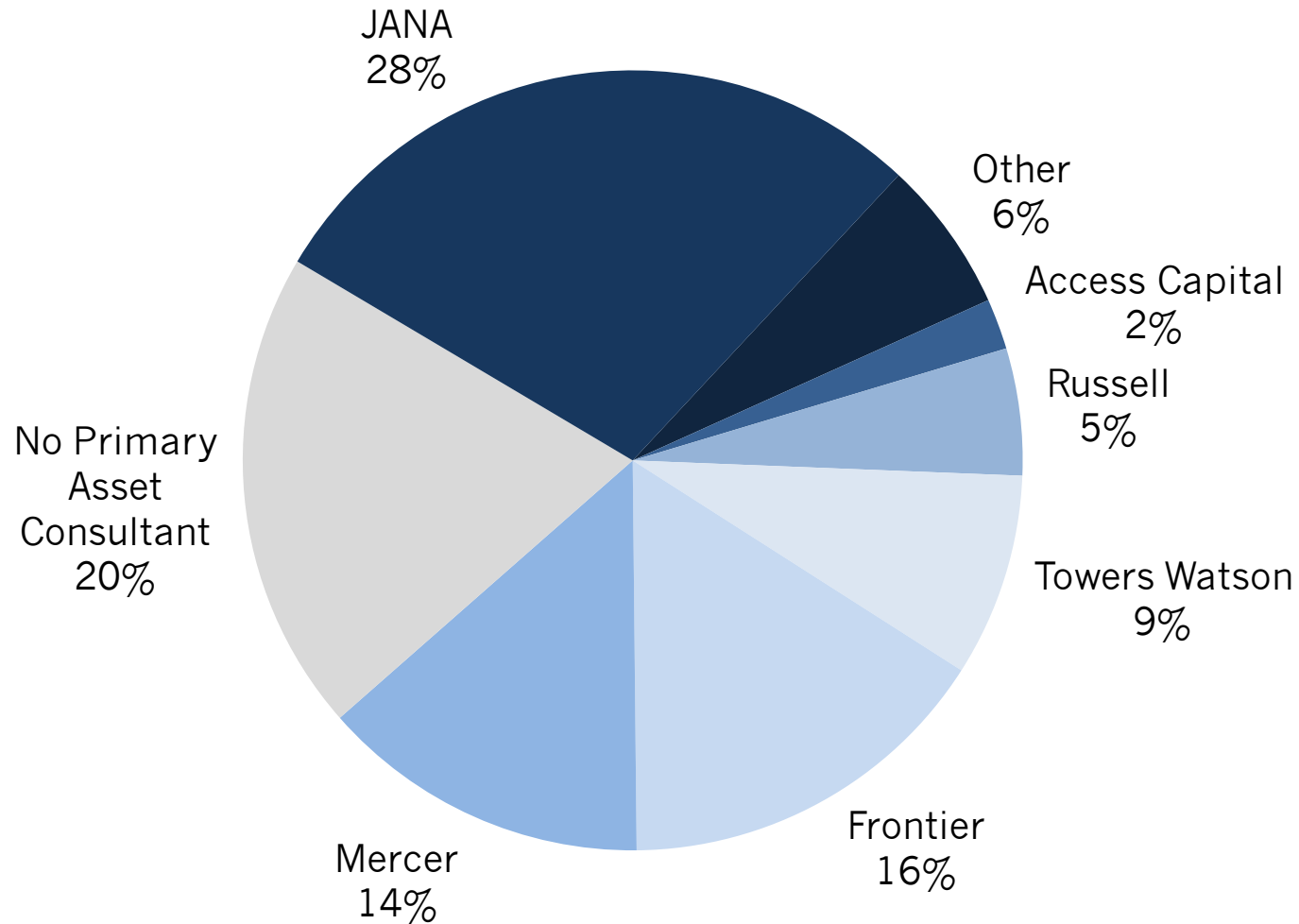


Funds Under Management¹



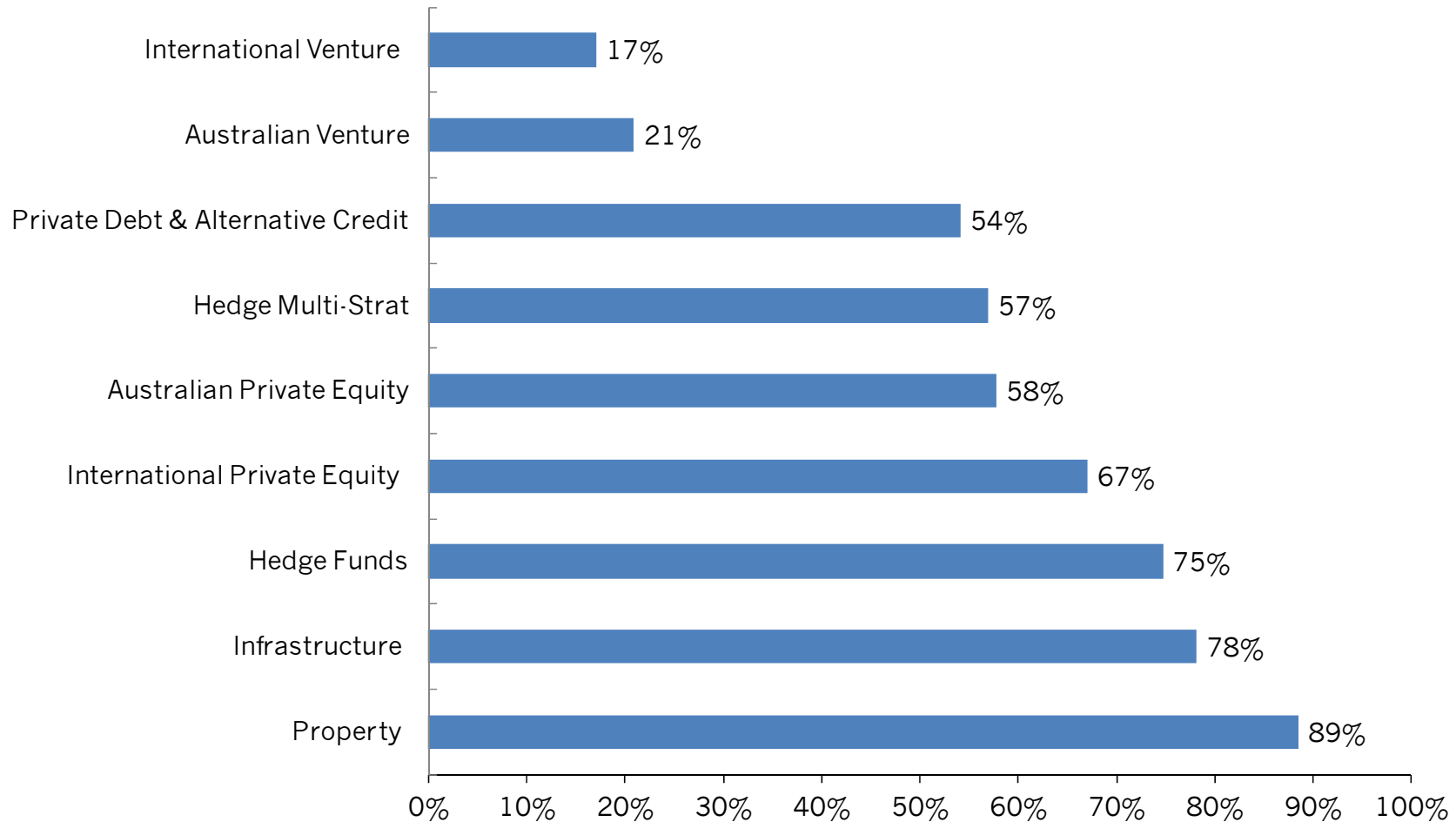
1. Source: Rainmaker Roundup June Quarter 2011

Primary Asset Consultant by Number of Clients



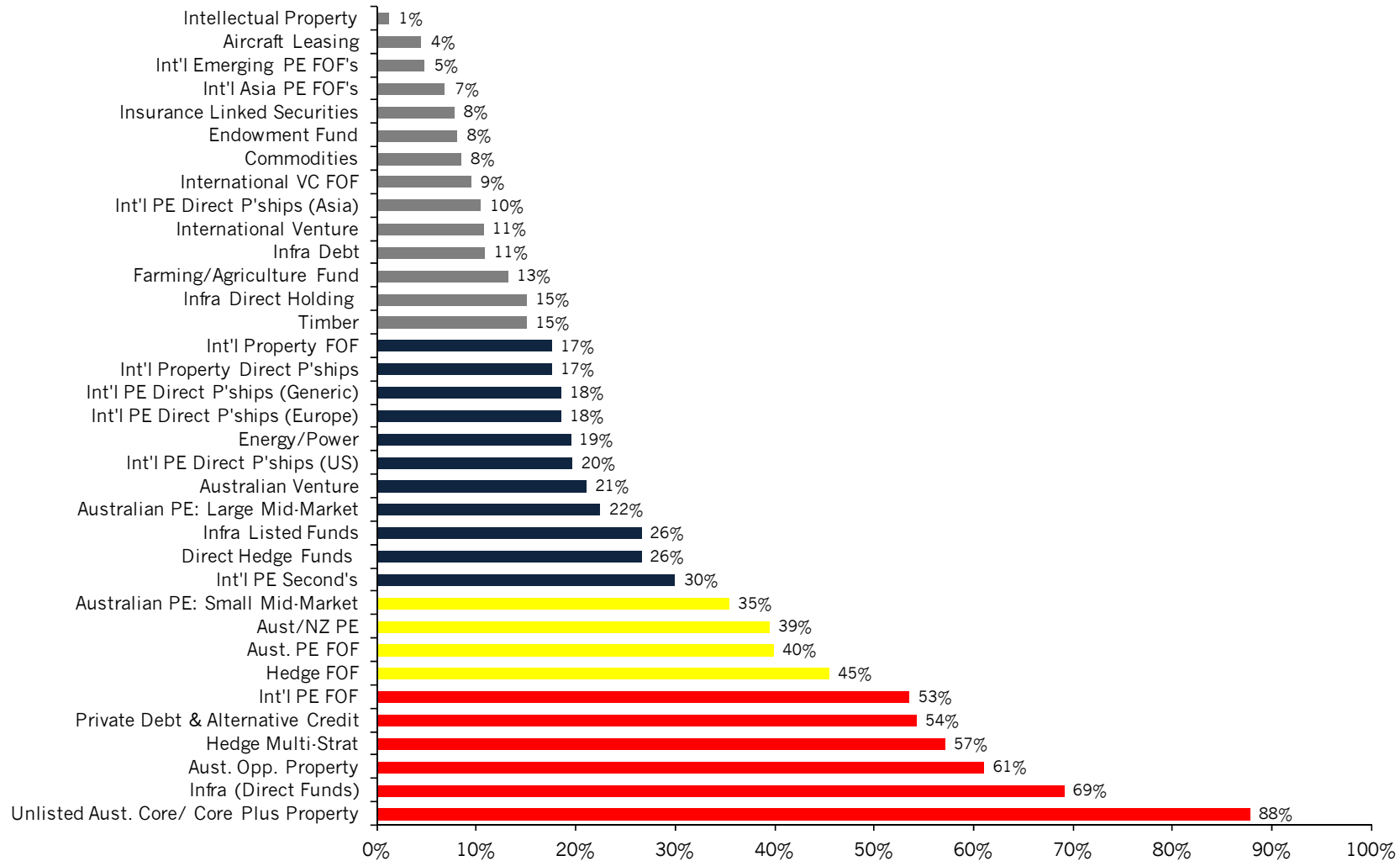
1. Note: Brookvine's database consists of superannuation, endowments and government investments funds in Australia and New Zealand with alternative investment exposure.
2. Source: Brookvine Database

Exposure to Key Alternative Asset Categories



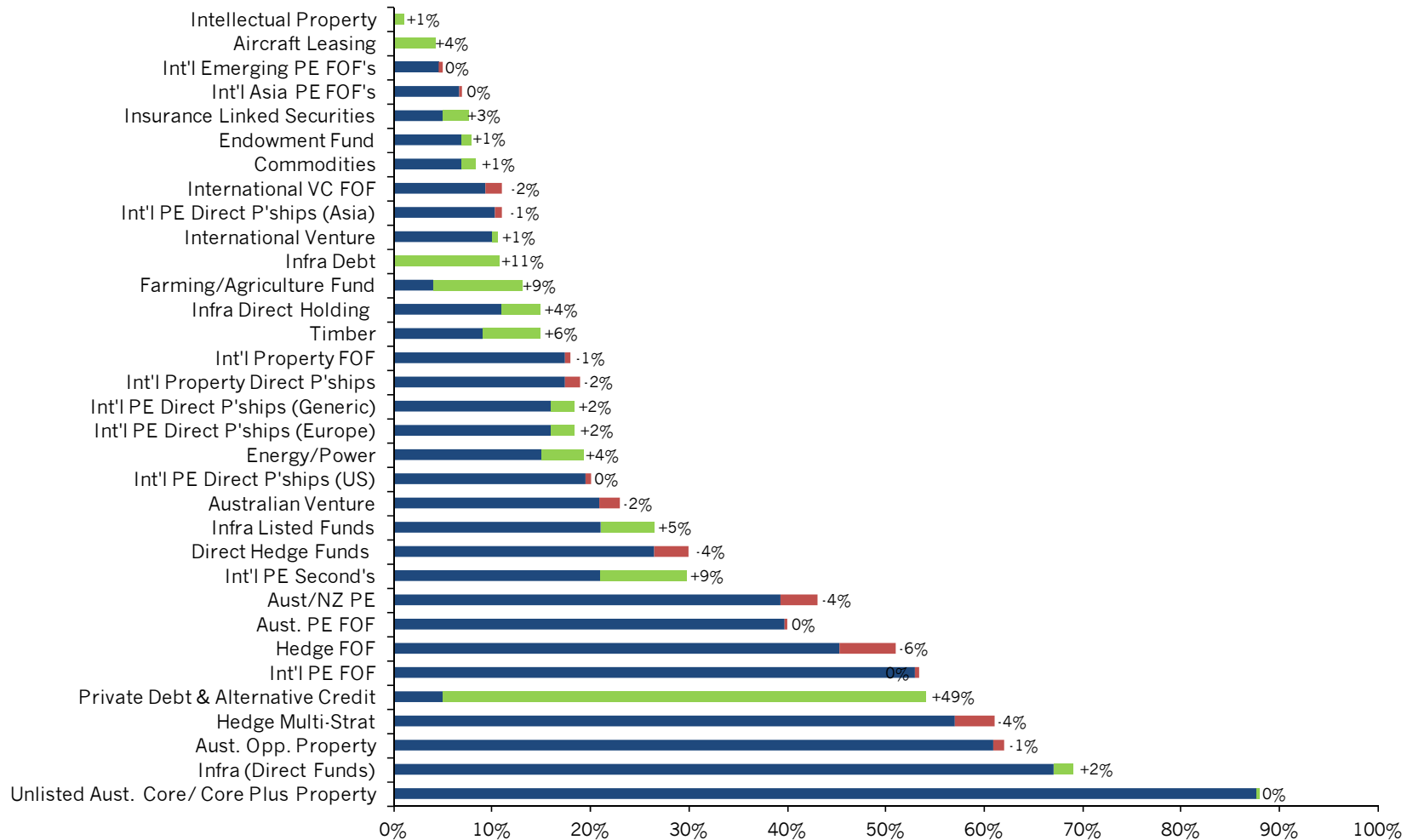
1. Note: Chart shows percent of large institutional investors with exposure to key alternative asset categories. Brookvine's database consists of superannuation, endowments and government investments funds in Australia and New Zealand with alternative investment exposure.
2. Source: Brookvine Database

Exposure to Main Sub-Categories



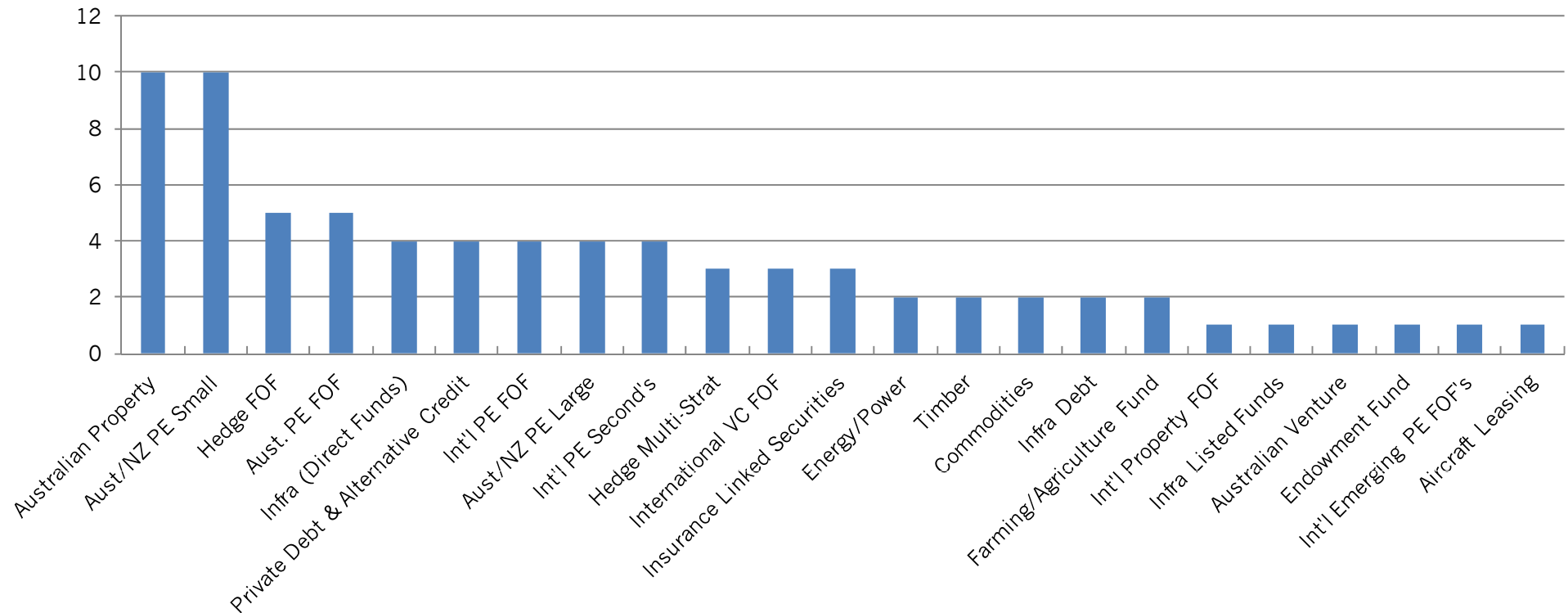
- Note: Note: Chart shows percent of large institutional investors with exposure to main alternative asset sub-categories. Brookvine's database consists of superannuation, endowments and government investments funds in Australia and New Zealand with alternative investment exposure.
- Source: Brookvine Database

What Has Changed? Jan 2009 to Nov 2011



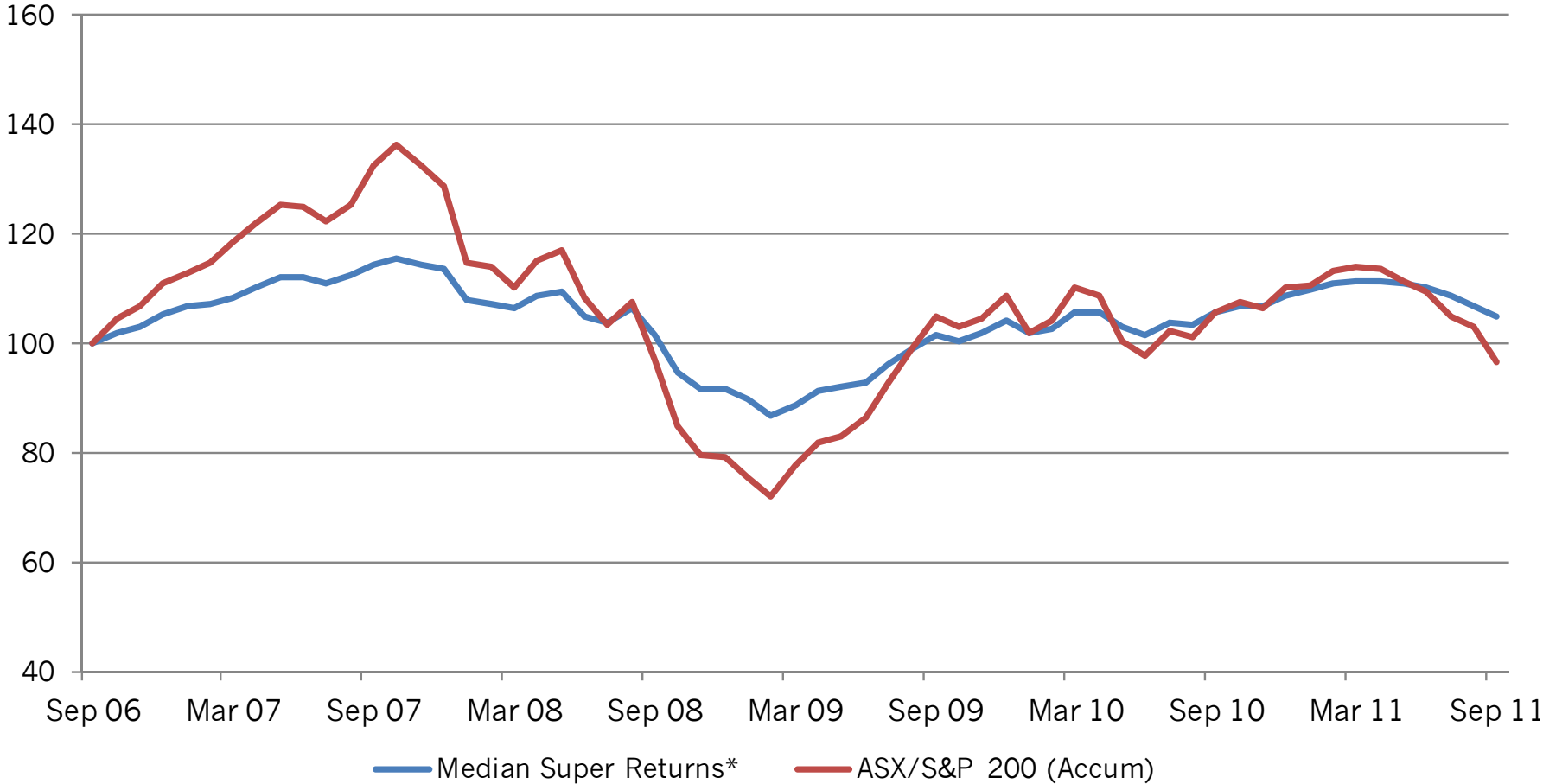
1. Note: Brookvine's database consists of superannuation, endowments and government investments funds in Australia and New Zealand with alternative investment exposure.
2. Note: In the chart above, the green bars represent an increase in asset class exposure while red indicates a reduction in exposure.
3. Source: Brookvine Database

■ Number of “Category Killers” within Established Categories



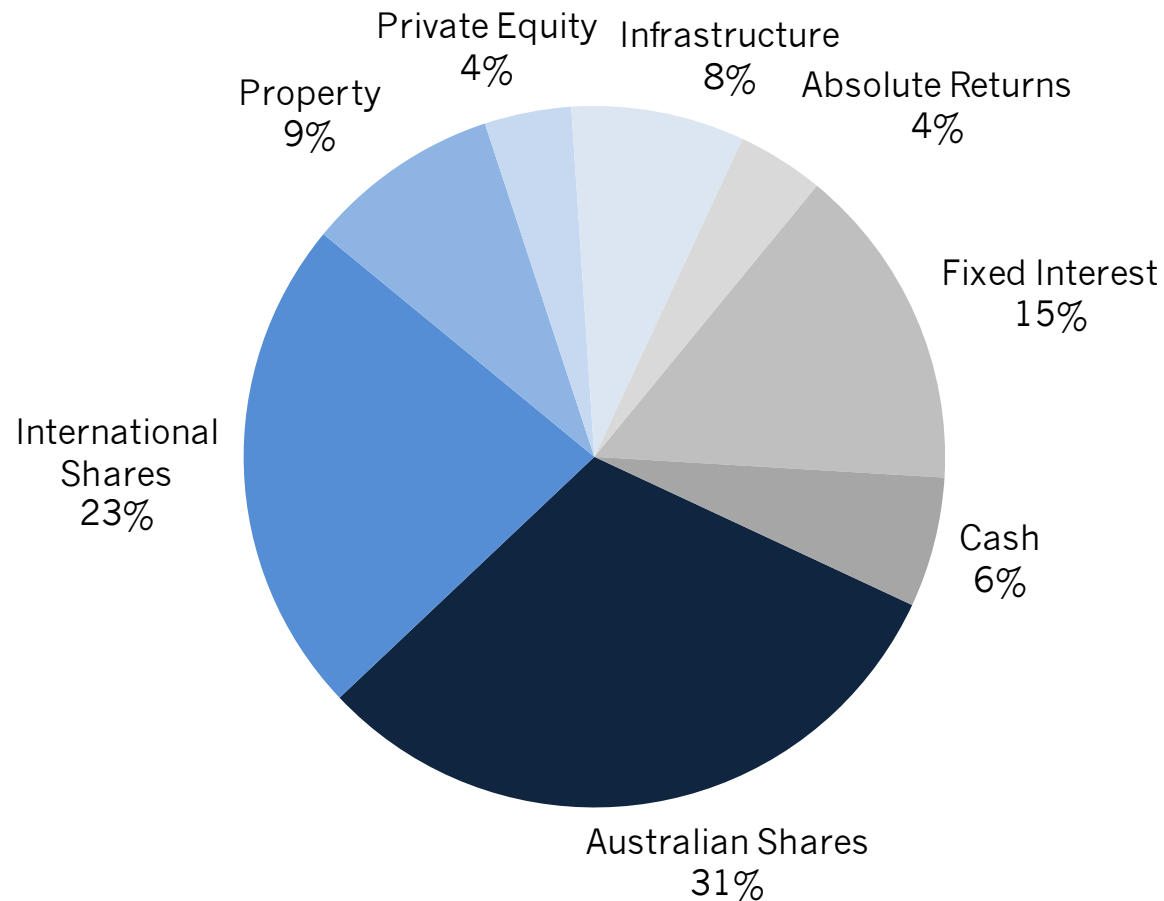
1. Note: “Category Killers” are managers with a dominant share of mandates and/or FUM from Australian institutions
2. Source: Brookvine Database

Cumulative Returns

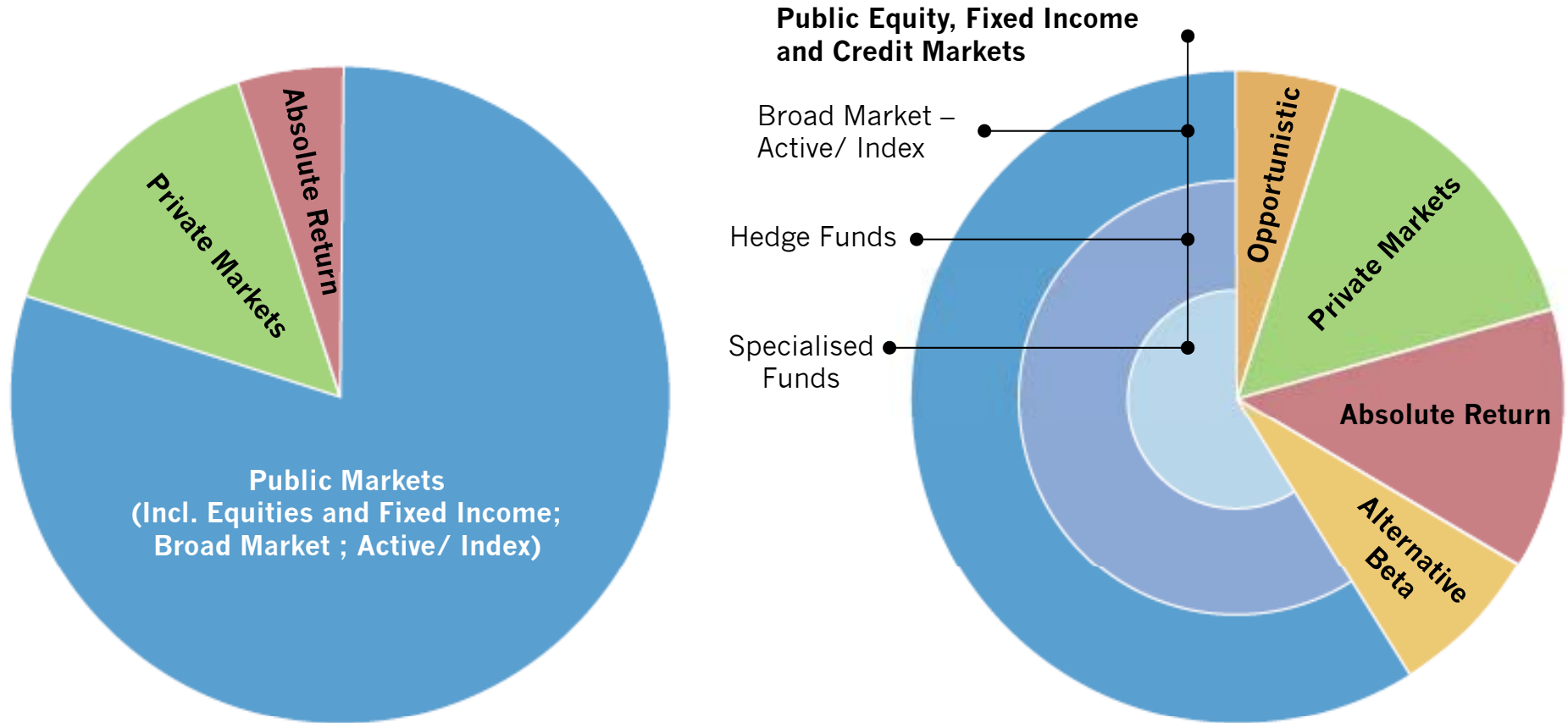


1. Source: Superratings, SR50 Balanced Median Fund Return

Average Allocation of the Top 10 Not-for-Profit Super Funds

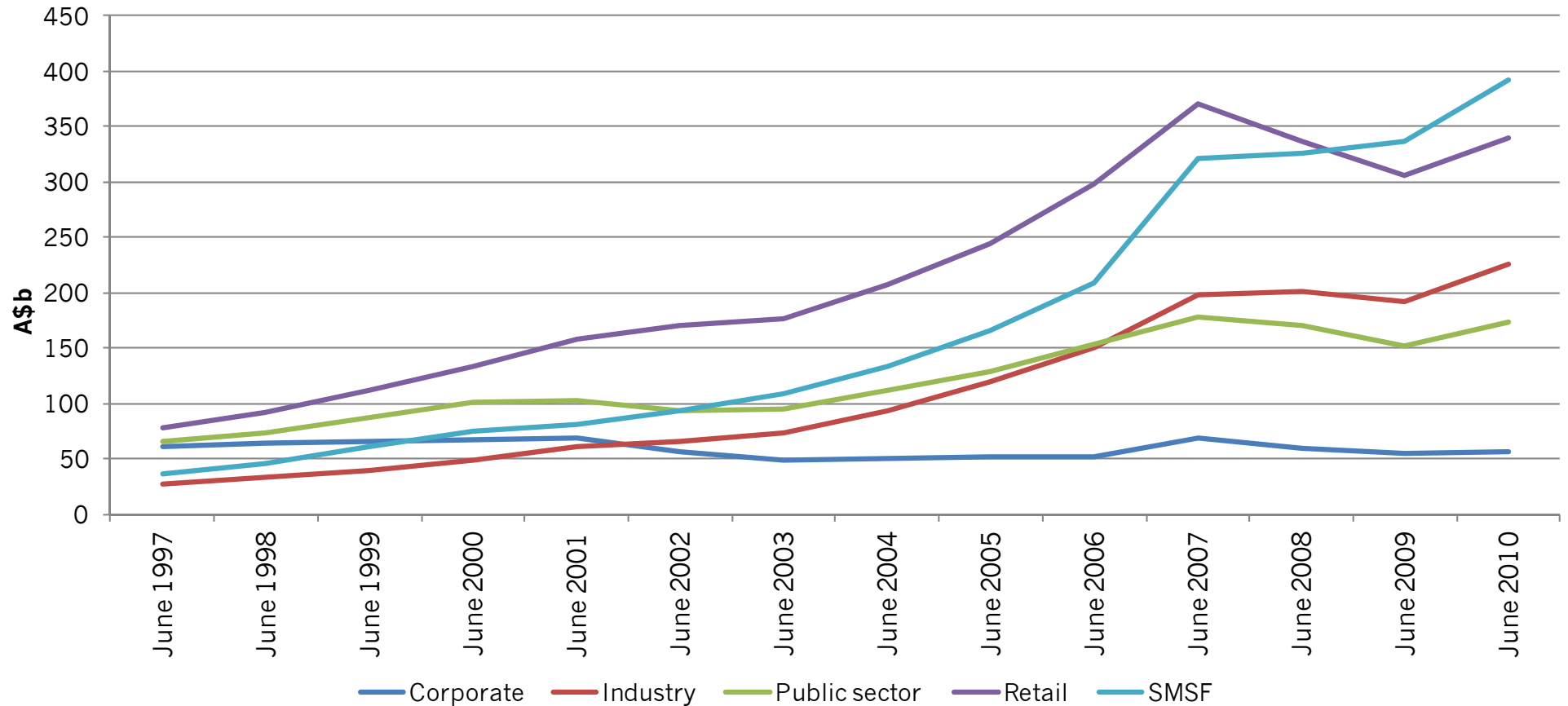


1. Source: Brookvine Database and Super Fund Annual Reports 2010 & 2011



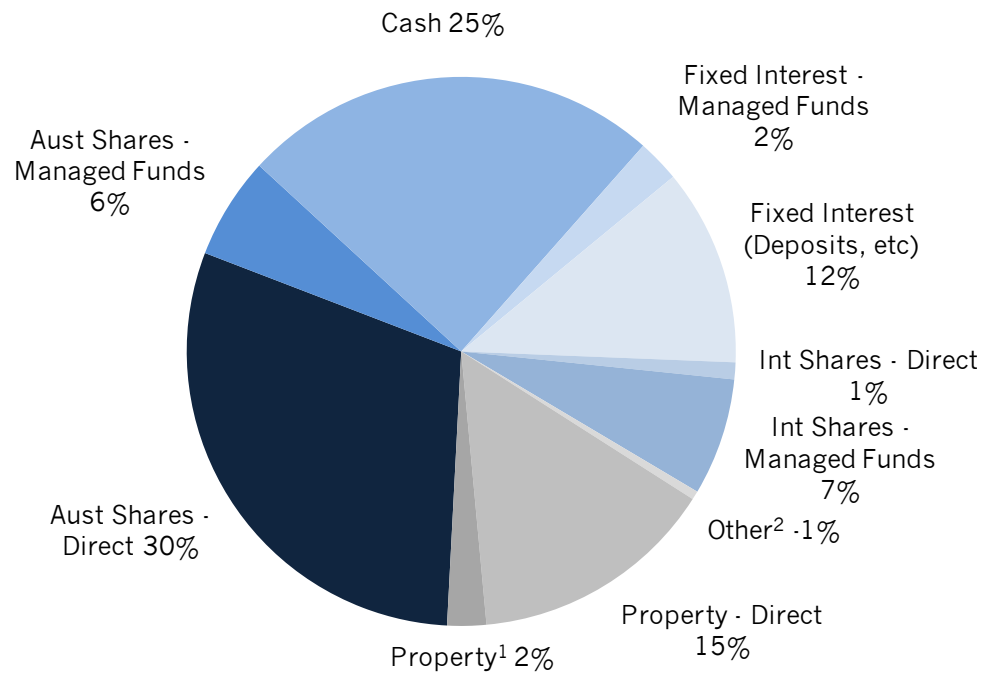
Note: Stylised charts intended to illustrate the how a superannuation fund portfolio might evolve over coming years on the presumption that investors need more diversity, more scope to derive active returns and better protection against significant market downturns. For a detailed discussion of this evolution see: <http://www.brookvine.com.au/58/Recent-Presentations-Papers> and select "Rethinking the Role and Implementation of Hedge Funds" .

SMSFs – The Largest Super Sector

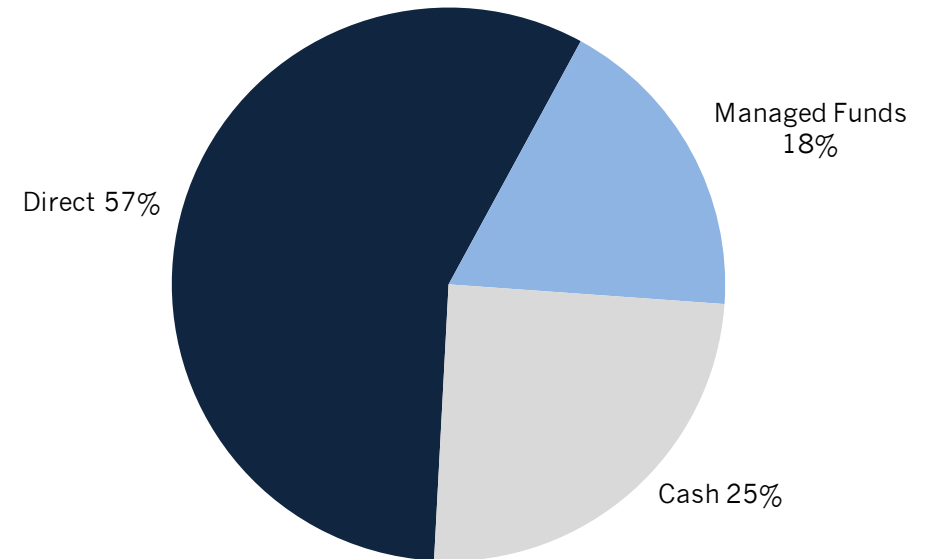


1. SMSFs are Self Managed Superannuation Funds. Individuals can set up their own private super fund and manage it themselves, but only under strict rules regulated by the Australian Taxation Office (ATO). An SMSF can have one to four members and each member is a trustee.
2. Source: Annual Superannuation Bulletin – June 2010 APRA

Asset Allocation



Direct v. Indirect



1. Other Property includes Listed, Managed Funds & Syndicates.
2. Other includes hedge funds, agricultural funds and private equity.
3. Source: The Multiport SMSF Investment Patterns Survey - September 2011

Let's Talk Fees ...

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- Mergers, consolidation
- Instability – staff turnover, organisational restructuring, wavering commitment to programs
- In-house decision making and asset management
- Disintermediation of fund-of-funds, evolution of specialist advice
- Caps on exposure to illiquid assets
- Direct investment and managed accounts
- Greater specialisation and diversity
- Globalisation of programs
- Low cost core exposures and “beta plays”

1. Compelling and timely investment opportunity
2. Substantial points of differentiation
3. Skillful, intelligent risk taking
4. Simple business model – value drivers easily understood
5. Track record – individually and as a team
6. Alignment of interests, no conflicts – all parties driven by investment returns
7. Endorsed by an aligned group of leading investors
8. Capitalisation, cohesiveness, governance, infrastructure
9. Customisable program, available as a separate account
10. Fair terms – fees, liquidity, investor protections, transparency

- “Brand perception” needs to be a sophisticated, professionally run asset management company:
 - Excellent team
 - High performing
 - With a compelling investment proposition
 - Broad capabilities
 - Integrity
 - Trustworthy and aligned
 - Strongly supported

- The investor to have kept the same team in place
- Each fund's advisers to have the requisite specialist knowledge
- Firm guidance on levels of interest, early engagement on issues of concern etc
- Desire to have a periodic meeting program
- An inclination to take a call and engage
- Active follow-up post meeting
- Engagement according to your timetable

Structuring

Diagnostic assessment

- › Compelling attributes
- › Market competitiveness

Structure the offer

- › Branding and status
- › Product design, structure & features
- › Terms and conditions

Develop fund raising strategy

- › Fund raising strategy
- › Detailed marketing plan
- › Strategies to protect terms and conditions

Prepare offering materials

- › Develop IM, pitch packs, FAQs, due diligence packs etc
- › Electronic data room
- › Materials that differentiate the offer

Fund raising

Position manager and offer

- › Position manager/ offer
- › Pre-brief investors/ advisors

Raise investment capital

- › Pre-qualify & rank prospective investors
- › Devise marketing & negotiating tactics
- › Investor/ advisor profiling
- › Brief & prepare the key personnel for meetings
- › Manage due diligence & research processes
- › Negotiate with investors
- › Procure & finalise commitments/ investment capital

Reporting

- › Response tracking & co-ordination
- › Book-build monitoring

Investor relations

Co-ordinate communications

- › Written & verbal comms

Organise regular meetings

- › Clear calendar plan
- › Quarterly conference calls
- › Onsite meetings
- › Annual investor briefings

Engage with investors, prospects & advisors

- › Regular call program
- › Follow-up support after engagement
- › Responses to investors' requests

PR & brand awareness

- › Media engagement
- › Conference engagements
- › Advertising
- › Sponsorship

Deal Team

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NOTE ON DATA SOURCE: Based on publicly available information on a sample of approximately 100 superannuation, endowments and government investment funds in Australia & New Zealand with alternative investment exposure, subject to inaccuracies, errors in interpretation, incomplete disclosure and mistakes.

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