

Australian Alternative Investment Preferences

Presentation to Australian Investment Management Summit

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Steven Hall

Managing Director

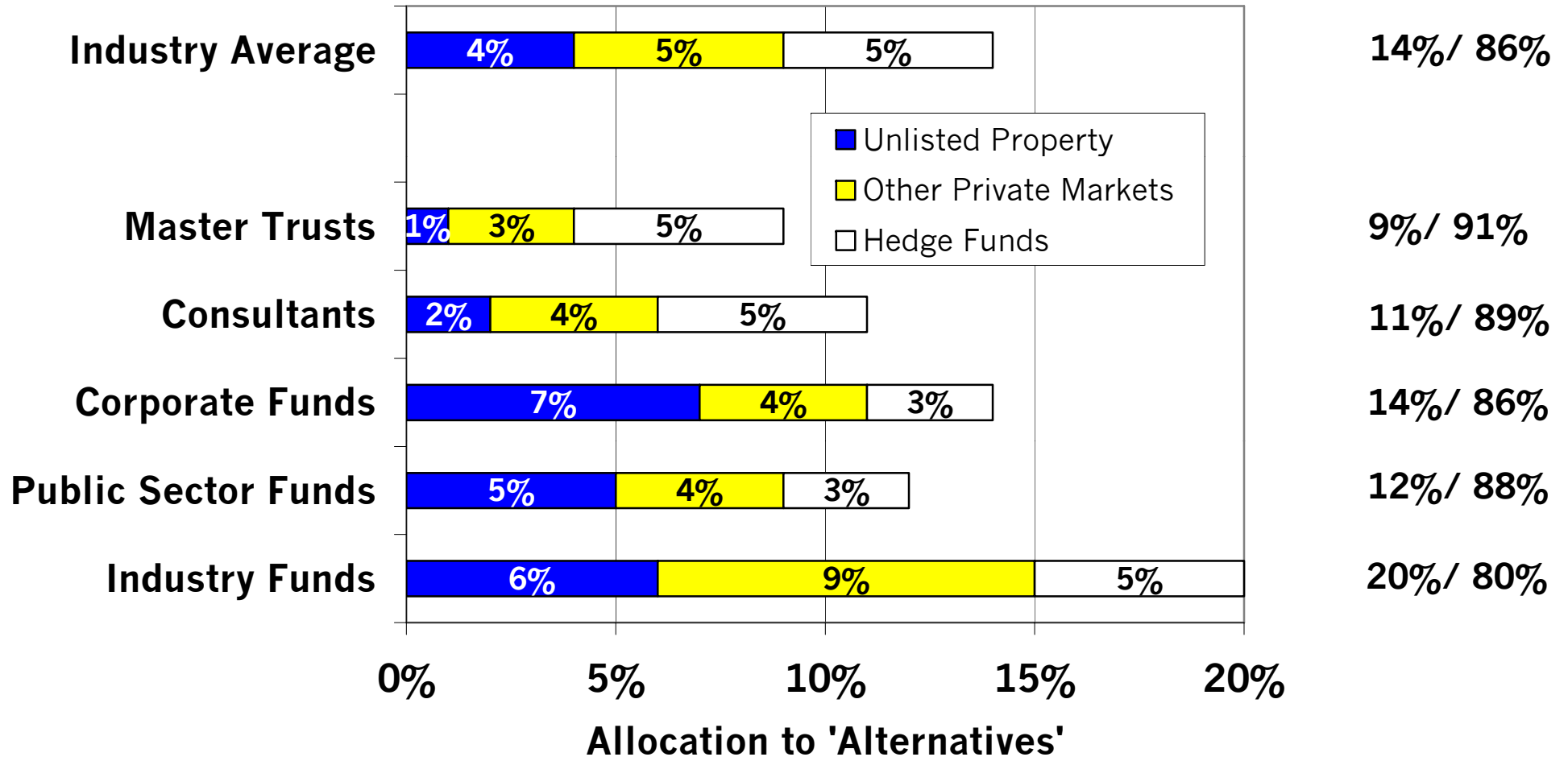
Brookvine Pty Limited



specialists in alternative investments



Superannuation fund asset allocations¹

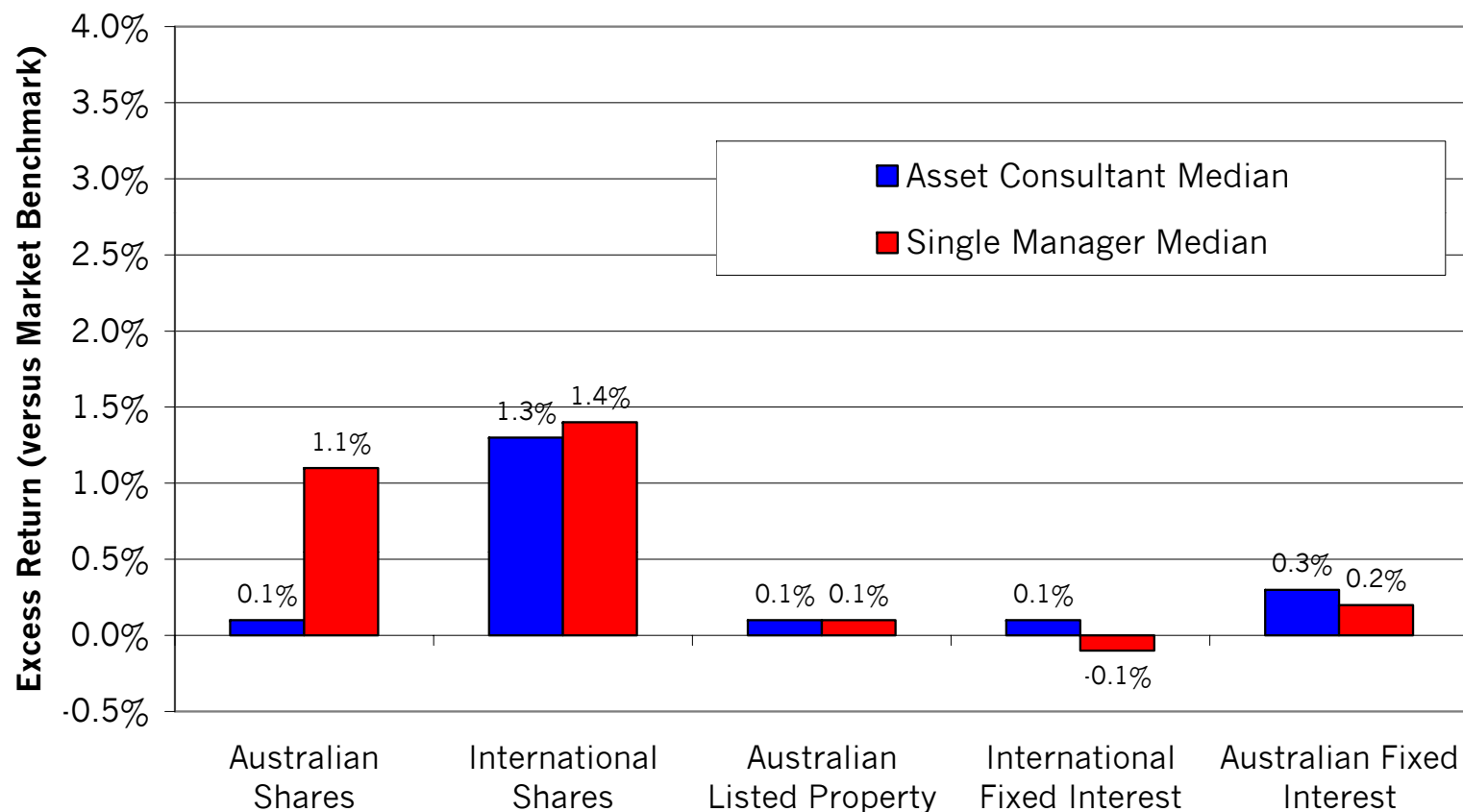


Note 1: Based on a survey of the SAAs of 50+ major superannuation fund “growth options”, with 61% to 80% growth assets; includes core and core plus property

Source: Chant West, Multi-Manager Survey, December 2007, Vol. 5, No. 4.

Track record in traditional asset classes

Pre-tax, pre-fees returns in excess of benchmark



Source: Counterpoint Implemented Consulting Survey, December 2007

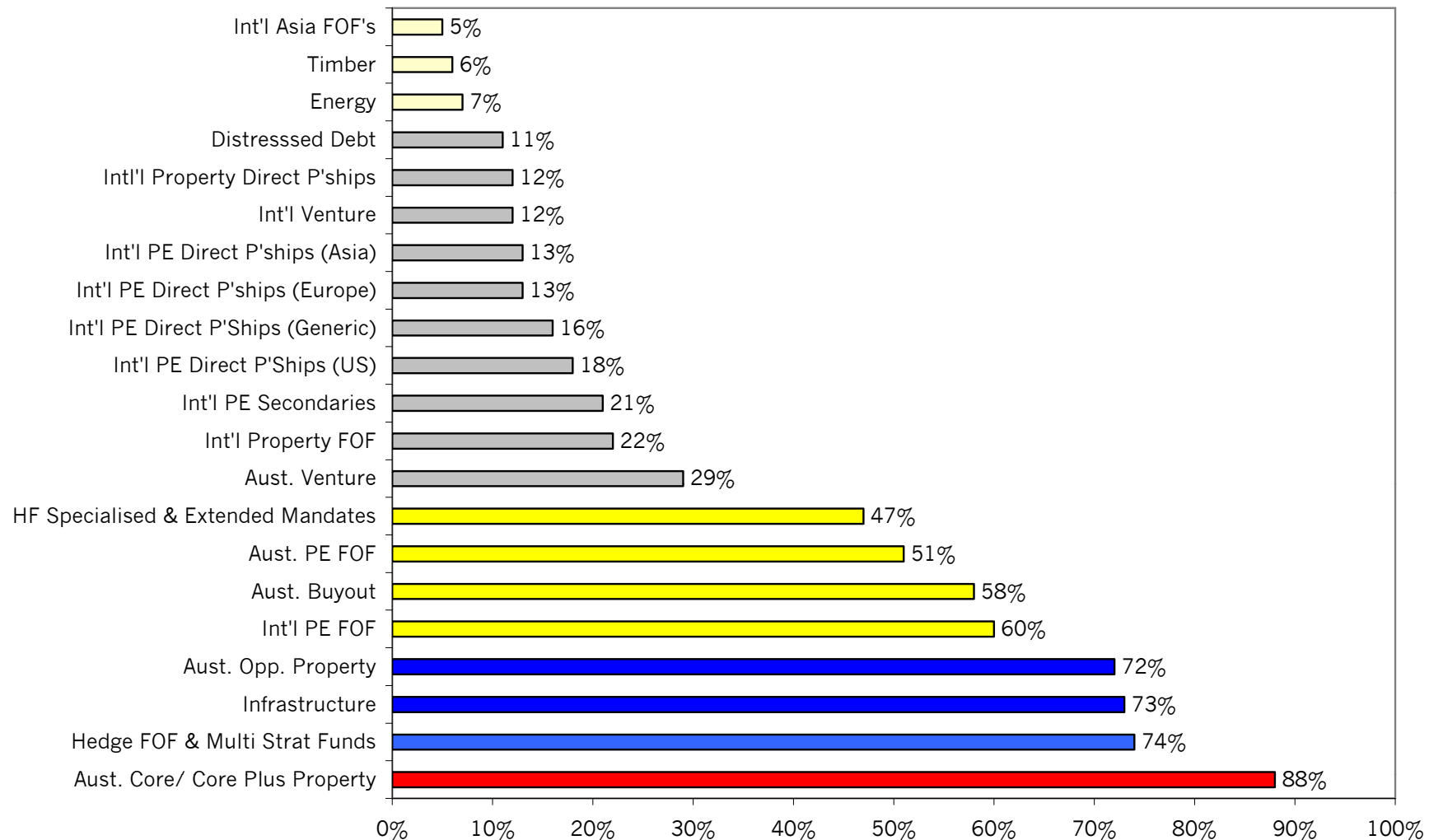
Note 1: Returns are expressed before tax and ongoing fees

Note 2: Asset Consultant Average = Average of Australia's 'Implemented Consultants' i.e. leading asset consultants incl. InTech, ipac, JANA, Mercer, MLC and Russell, who advise a large proportion of Australian superannuation funds and invest a large proportion of master trust assets

Note 3: Benchmarks = S&P/ASX 300 Accumulation Index, MSCI World ex-Australia \$A, S&P/ASX 300 Property Trust Accum Index, UBSA Composite bond Index, Citigroup World ex-Australia Index \$A Hedged

Note 4: Single Manager Median is the median from the InTech Survey for Sector Funds, December 2007

Percentage of Larger Australian Superannuation Funds invested by key category (as at Dec-07; by AUM)¹



Note 1: Based on a publicly available information on a sample of the approx. 60+ superannuation funds in Aust. & NZ with alternative investment exposure, subject to inaccuracies, errors in interpretation, incomplete disclosure and mistakes

Source: Brookvine database, December 2007

- Great increase over the last 1 – 3 years
- Shared appetite for private equity, property and fund of hedge funds, but:
 - Different/ narrower set of names
 - Brand more important
 - Preference for Australian institutions & assets
 - Australian registered product
 - \$A hedging offshore exposures
- Broader strategy preferences have differed from superannuation funds

Source: Comments based on anecdotal feedback for advised and direct clients, publicly available surveys and other publicly available information

Top 10 features of alternative investment managers desired by Australian institutional investors

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1. Compelling investment case — broad strategy plus a process of skillful and intelligent risk taking
2. Firm evidence of success as a team — fund raising is made easier with realised IRRs
3. Clear attribution of success — validates each key component of stated “value add”
4. Backed by leading LPs
5. Strong alignment of interests — “soft” and “hard” aspects — and principled management of capacity
6. Institutional grade operating infrastructure and governance
7. Terms and conditions are fair
8. 1st generation, top-heavy team — with an entrepreneurial approach
9. Preparedness to help the LP become a better investor — value add in addition to fund investments
10. Commitment to the Australian market

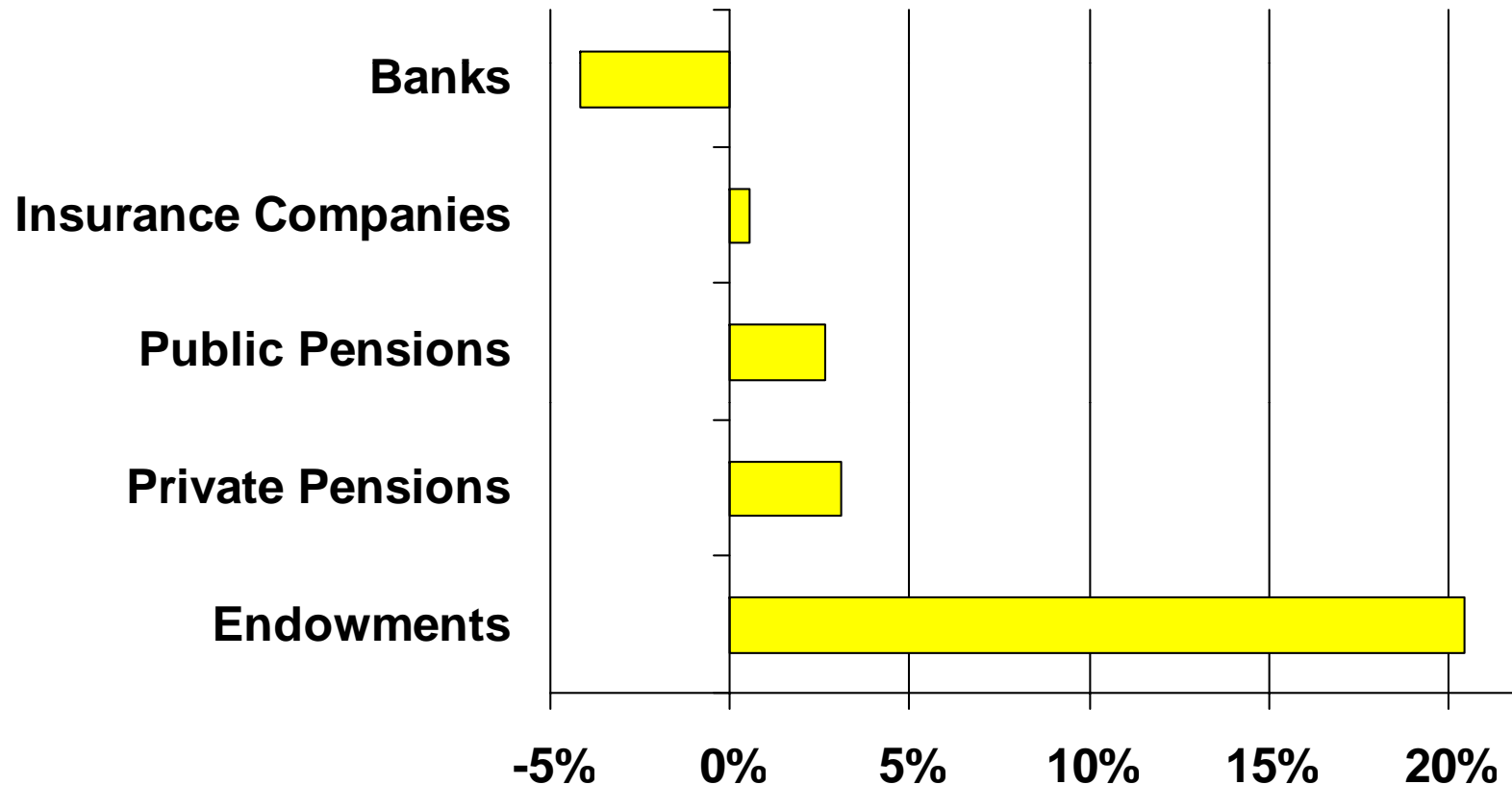
Elements of a successful approach by institutional investors – what has impressed Brookvine

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- Pragmatic about illiquidity
- Steadily broadened exposure and built up allocations — and relationships and in-house expertise
- “Leveraged” relationships across-the-board
- Accepting of performance variation
- Handled succession and departures well — and always “in the market”
- Open and constructive relationship with managers
- Sceptical of anyone’s ability to add value

Check point: US private equity experience suggests good outcomes are narrowly concentrated

IRR Performance of US Limited Partner Private Equity Programs by Investor Group 1991 – 2001 Vintage Years



Source: Chart from Lerner, J. "Private Equity Boom or Bust?", 2004 AVCAL Presentation, based on data from Josh Lerner, Antoinette Schoar and Wan Wong (2005), "Smart Institutions, Foolish Choices?: The Limited Partner Performance Puzzle", Harvard University, NBER.

- Top heavy and highly delegated
- Large % of the resource load dedicated to alternatives
- More limited use of consulting relationships, if at all
- A very supportive fiduciary & affiliate structure
- But losing the war on talent — investment team retention a problem

- Long term policy benchmarks, but active contrarian portfolio management
- Allocation to alternatives — high, with great vertical and horizontal breadth
- Favour niche specialists over generalists — and higher conviction managers
- > Specialised mandates and indexing in traditional asset classes
- > Allocation to Asia & other select emerging markets
- Favour more specialised fund of funds, if at all
- Emphasis on being a trusted and valued partner for GPs:
 - Limit manager number & overlaps
 - Leverage best relationships for co-investment & preferred access
- Leverage “non-public” information, stakeholders & peer group to make decisions
- Co-investment preferred to direct investment
- Mix of proven and emerging managers — “toe hold” concept
- Allocate with conviction
- “On the road, wearing out the shoe leather”

- Commitment to the Australian market
- Investors desire timely & relevant information, delivered efficiently:
 - Ad hoc communication about significant events is as important as standard reporting
 - Investors expect more upfront information on underperforming investments
- Investors value a personal relationship with the senior investment execs within a funds manager
- Investor relations is too often sporadic and unstructured

An end-to-end solution starting with concept design right through to fund raising and investor relations:

- Bring 1st rate managers to Australia and take 1st rate Australian managers offshore — and support the development of emerging Australian managers
- Gain access to otherwise inaccessible managers & “out-of-the-box” opportunities
- Re-shape the presentation of the investment offer and other aspects of the offer to better suit Australian investors
- Elevate aspects of the offer to best local practice
- Lower the risk of a capital raise — and limit time wasting for all parties
- Invest side by side with other LPs

Brookvine was established in 2001 as an independent marketing specialist in alternative investments. We work with a small number of exceptional Fund managers each year to help them raise institutional investment capital and build strong business franchises.

Our services range from the development of an initial fund proposition, through to raising investment capital and the management on-going investor relationships. The latter is critical as it allows managers to spend maximum time on investing and facilitates communication.

To date, we have raised over \$6 billion for our investment partners.

Contact Brookvine's Senior Deal Team Members

Steven Hall
w: +61 2 9328 6445
m: +61 401 232 422
e: stevenhall@brookvine.com.au

Kerstin Sallows
UK-based
m: +44 7976 590 114
e: kerstinsallows@brookvine.com.au

Jack Gray
w: +61 2 9328 6445
m: +61 437 699 684
e: jackgray@brookvine.com.au

Robert Estcourt
w: +61 2 9328 6445
m: +61 412 216 934
e: robertestcourt@brookvine.com.au

Ed Day
w: +61 2 9328 6445
m: +61 418 277 583
e: edday@brookvine.com.au

Kristen Westwood
w: +61 2 9328 6445
m: +61 400 474 829
e: kristenwestwood@brookvine.com.au

Brookvine Pty Limited
ACN 108 967 746
Suite 2, 60 Moncur Street
Woollahra NSW 2025 Australia
Telephone: +61 2 9328 6445
Fax: +61 2 9326 1311

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