

PRIVATE EQUITY ESSENTIALS

March 2024



Marketing material for professional investors and advisers only

Schroders
capital

INTRODUCTION

Schroders has been involved in private assets for over 160 years. We have a team of specialist investment professionals around the world with deep knowledge in their specific area of the private assets landscape.

This brochure has been designed to help explain private equity and how the Schroder Specialist Private Equity Fund (SSPEF) can be used by investors. We will introduce and explain the following:

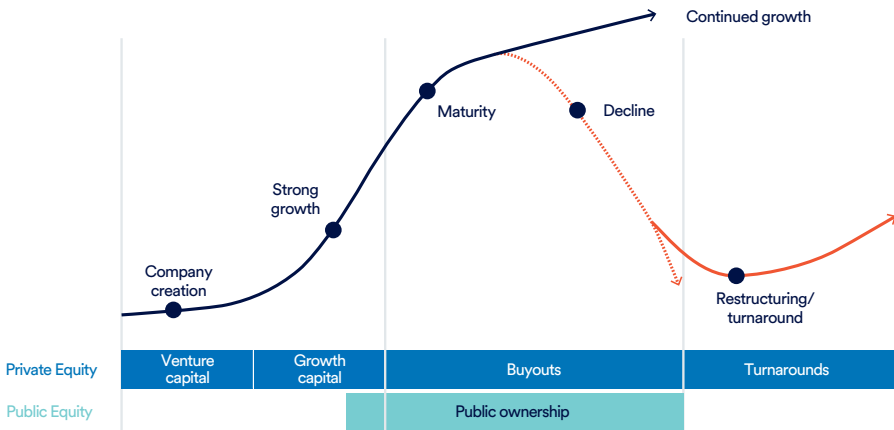
- How private equity creates value
- Private equity strategy selection and investment types
- Some key differences between public and private equity
- The Schroder Specialist Private Equity Fund
- The role private equity can play in portfolios
- A private equity case study



HOW PRIVATE EQUITY CREATES VALUE

Access to companies throughout their lifecycle.

Private equity investment offers access to companies that are diverse in their stage of maturity and in their size. This access to growth and transformation transactions across the company lifecycle can boost private equity performance when compared to listed market indices as public markets typically only cater for larger company sizes which can afford to deal with the complications of listing on a stock exchange.



Source: Schroders Capital, 2023

PRIVATE EQUITY STRATEGY SELECTION

Private equity investment strategies are typically structured around one of four strategies.



Venture strategies

Focus on providing funding to start-up or early stage companies. These are companies at the beginning of their journey, and the funding provided helps them to commercialise their products and services.



Growth strategies

Focus on investment in companies that are more advanced in the commercialisation of their products and services but that still require high levels of investment to achieve their full potential.



Buy-out strategies

Involve implementing a change in the ownership of an established company, usually to facilitate a change in management, a new strategic direction, a change in capital structure or to drive improved operational performance.



Turnaround strategies

Usually involve investing in companies that have run into operating difficulties, and typically aim to implement significant changes to management and the company's corporate structure to help the operation become profitable.

Investment types

The current opportunity in the private equity space takes in primary investments, secondary investments and co-investments, and they have differing outlooks in the current environment.

Primaries

A primary investment involves accessing several portfolio companies through a single fund.

Secondaries

A secondary investment involves either buying a pre-existing primary fund investment, or rolling a company into a new continuation vehicle.

Direct/Co-investments

Participants directly invest into portfolio companies alongside other investors.

SOME KEY ATTRIBUTES OF PRIVATE EQUITY

Some key differences between private equity and public equity are summarised below.

	Private Equity	Public Equity
Access to information	Information is confidential and is usually only disclosed to investors under confidentiality agreements.	All material, price-sensitive information is publicly disclosed.
Investor involvement	Investors often have direct control over key decisions and strategic direction.	Passive shareholders.
Ownership structure	Private, often concentrated ownership.	Broad public ownership which can change from day to day.
Management focus	Multi-year strategic planning.	Typically, a quarterly earnings reporting cycle.
Employee retention	Ability to retain and attract talent by offering employees direct equity ownership in the company, enabling a strong alignment between employee and company performance.	Traditional staff incentive structures (options, share schemes etc.) which are simpler to issue.
Liquidity	Less liquid than public equity as there is no active listed secondary market for the assets, meaning that in the event that a private equity investor wishes to exit the investment, a buyer may not be readily available. Additionally, there are often restrictions on the sale of shares by investors other than in specific exit scenarios.	Shares are publicly tradeable on a stock market.
Company purchase price	Typically trade at lower purchase multiples.	Often trade a high multiples.
Volatility	Typically lower than listed counterparts due to less frequent valuations and bespoke valuation methodologies.	Daily valuations and trading can mean high volatility.

THE SCHRODER SPECIALIST PRIVATE EQUITY FUND

The Schroder Specialist Private Equity Fund offers access to the expertise of Schroders Capital's dedicated private equity team.

Key features



Specialist Private Equity strategy

- Building on over 25 years of relationships in private equity
- 100% private equity with a global focus
- Differentiated to other semi-liquid PE funds with a focus on SME and growth companies



Semi-liquid

- Focus on buyouts using secondaries and co-investments
- Liquidity tools incorporated in fund design: monthly subscriptions, quarterly redemptions with a cap of 5% NAV
- Seeks to provide fund liquidity without compromising returns



Increased access and flexibility

- Available on multiple wrap platforms
- Australian feeder fund into Luxembourg domicile Schroders Capital Semi-Liquid Global Private Equity Fund

The investment team

Schroders Capital's private equity team has over 50 investment and risk management professionals. The fund is managed by Benjamin Alt who joined Schroders in 2008 and David Bajada who joined Schroders in 2011.

Schroders at a glance*

WE MANAGE
AUD **\$1,402.3b**

on behalf of our clients

AUD **\$141.4b**

in Private Assets

INCLUDING
AUD **\$27.5b**

In private equity managed by Schroders Capital.



THE ROLE PRIVATE EQUITY CAN PLAY IN PORTFOLIOS

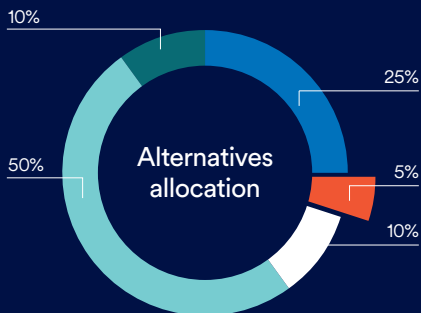
How private equity can be used in a portfolio

A component of a growth allocation



■ Defensive ■ SSPEF ■ Growth (ex SSPEF)

A component of an alternatives allocation



■ Fixed income ■ SSPEF ■ Alts (ex SSPEF)
■ Equities ■ Property



CASE STUDY -]INIT[

European direct/co-investment

]init[, founded in 1995, is a leading German digital transformation agency with a focus on the public sector. The company plans and implements digital transformation strategies and operates their customers' digital platforms.]init[is one of a few end-to-end IT service providers with a great reputation and benefits from strong market trends (>13% CAGR).

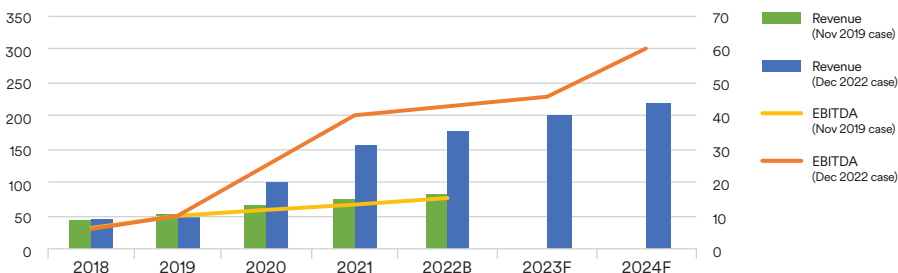
Co-investment details

Schroders Capital co-invested in the company alongside our specialist buyout manager Emeram in late 2019. A minority stake was sold to Rivean Capital in early 2022, with the remaining stake rolled into a continuation vehicle and Emeram Fund II. Given our knowledge of the asset and the GP, we led the continuation vehicle transaction and provided a small commitment to Fund II.

How we have created value

]init[significantly outperformed their business plan, driven by strong demand, the company's reputation and a high-calibre management team. The transaction equipped]init[with capital, which can be used to make complementary business acquisitions.

Revenue and EBITDA (in € million)¹



Buy/sell right

1x

EBITDA Multiple expansion

Transform

230%

EBITDA Growth

Sell up-market

€1.4b

fund size
Gilde, Buy Out, Partners

6.2x¹

MoIC

€81m proceeds

Past performance is not a guide to future performance. Source:]init[, Emeram, Schroders Capital, 2023.

¹Includes an earn out component. The companies shown are for illustrative purposes only. A full list of all investments can be provided upon request. Logos shown are the property of their respective entity.



ABOUT SCHRODERS

For over 200 years and more than seven generations Schroders has grown and developed our expertise in tandem with that of our clients' needs. Today we manage AUD\$1,402.3 billion* on behalf of our clients, who trust us to deliver sustainable returns.

Schroders manages AUD\$141.4 billion* in Private Assets, including AUD\$27.5 billion* in private equity managed by Schroders Capital. The team has a solid track record of absolute and relative performance across investments strategies and vintages. It has global market coverage with the local, on-the-ground presence of an experienced and stable investment team, who work to find opportunities, long-term trends and themes to complement traditional equity and bond portfolios. In addition, ESG is an integrated part of our investment process and Schroders Capital Private Equity is rated 5 stars[^] by the UNPRI.

Schroders was established in Australia in 1964 and has a broad offering for clients across Australian equities, fixed income, multi-asset and global equities. The Schroder Specialist Private Equity Fund is our first private equity fund in this market and seeks to help clients build more diversified and robust portfolios.

For more information about the Schroder Specialist Private Equity Fund, visit schroders.com.au/SSPEF

*AuM includes non-fee earning dry powder, includes Greencoat AuM as of December 2023 (acquisition completed 11 April 2022)

[^]Rating as of 2023

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