



**ASSET
MANAGEMENT**

An introduction to

PRIVATE EQUITY



Contents

Private equity's early 20th century origins	4
How private equity (PE) differs from public equities	5
What is private equity?	6
Why PE matters today	8
The private equity lifecycle	9
How value and performance is created in private equity	10
The private equity landscape	11
The mid-market sweet spot	14
Where the deal and alignment meet	15
The role of private equity in a portfolio	16
Big differences between the best performing and less well-performing PE managers	18
Features of top performing PE managers	19
Illiquidity and other risks	20
Private equity in the 2020's	21
Why Partner with MLC Asset Management for Private Equity	22
Glossary of terms	26



Scan this QR code to
Unlock the potential of
Private Equity. Its a
great resource for
advisers and investors.

Get started today.

Private equity's early 20th century origins

The history of private equity (PE is a way of investing in companies that are not listed on stock exchanges) can be traced back to 1901, when J P Morgan, one of the great bankers of his era, bought Carnegie Steel Company for US\$480 million from Andrew Carnegie and Henry Phipps, the first transaction in what would become the private market as known today.¹

Phipps went on to found the Bessemer Trust, a family office established to invest his proceeds into private businesses and other exclusive holdings.²

Private equity expanded rapidly in the 1980s due to deregulation, financial innovation and a supportive economic environment. Financial innovation was particularly important, enabling PE firms to acquire privately held companies and unlock value through more sophisticated deal structures.

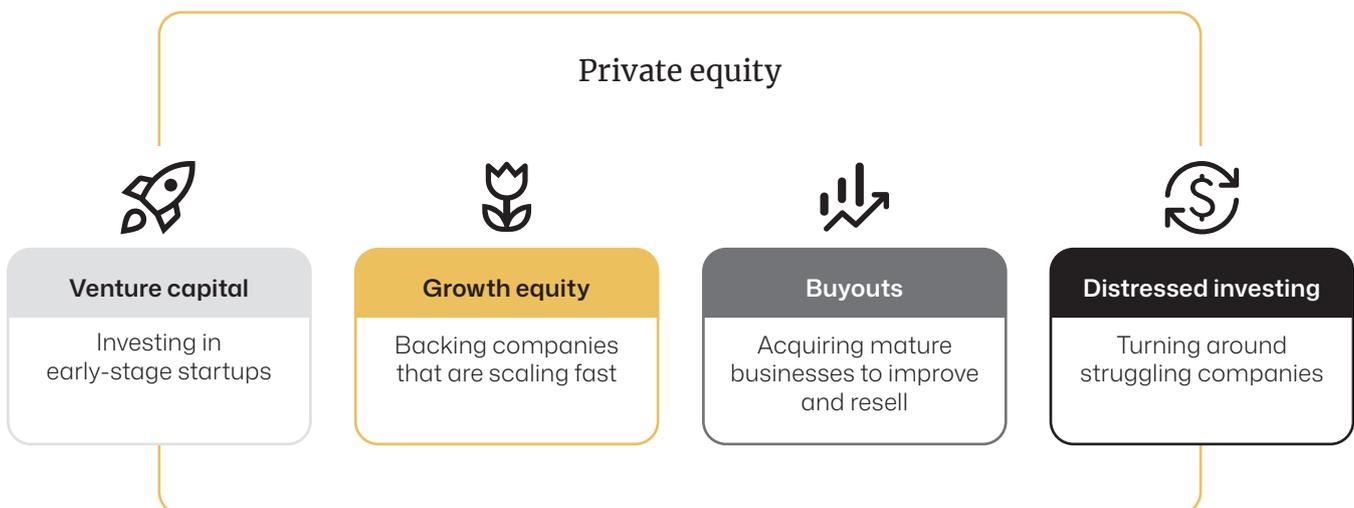
Institutional investors, including large pension funds, insurers and endowments seeking higher returns, began allocating more capital to private equity, helping establish it as a mainstream asset class.

Since then, private equity has become a powerful force in business and investment strategy, and evolved into a broader ecosystem that includes:

- Venture capital
- Growth equity
- Buyouts
- Distressed investing

Scaling means a company is growing rapidly and efficiently – especially in terms of revenue, customer base, or market reach – without a proportional increase in costs. In other words, the business is expanding its operations and impact while maintaining or improving profitability.

In recent years, some of Australia's largest super funds have increased their allocations to private equity because PE offers long-term growth potential and access to opportunities that aren't typically available through public markets investing.³



1 What's past is prologue: Gilded Age fortunes in VC and PE. PitchBook, Kevin Dowd, 17 October 2016.

2 As above

3 Top Australia super funds to add private investments in 2025 - Pensions & Investments

How private equity (PE) differs from public equities

	Public equities	Private equity
Ownership and access	Shares of publicly traded companies are open to all investors , and they have access to a great amount of public information on companies' performance	Investments in private companies are limited to select investors with access to exclusive information
Liquidity	High liquidity as the shares of companies listed on stock exchanges can usually be traded easily	Private equity is a long-term investment that's usually illiquid (hard to sell)
Control of investment	Limited control as even the largest shareholders usually only own relatively small percentages of the shares of publicly traded companies. Shareholders can influence company boards of directors and senior management through ongoing engagement as well as votes at annual general meetings	High degree of influence , even outright control, as privately held companies are usually owned by a handful of investors, and sometimes just one investor/shareholder
Transparency	High transparency as regulations require companies to provide regular public disclosures and updates	Low transparency as there are fewer regulatory requirements for privately owned companies to publicly release information
Investment strategy	Passive or active investing in companies listed on stock exchanges	Active management evidenced by significant shareholder involvement to add value through initiatives such as restructuring operations to make businesses more efficient, investing in new technology, product development, and geographic expansion
Risk and return	High: Risks are stock specific as well as those related to general share market volatility	High: Risks are centered on the business and financial performance of companies within a private equity fund. However, the value of privately owned companies tends to fluctuate less than those of publicly owned companies trading on stock exchanges. This is because privately owned companies are usually valued every three months, rather than the 'always on' valuations associated with publicly traded companies.
Examples	Apple, Telstra, Wesfarmers	High-profile private equity firms include KKR, Bain Capital, and Blackstone

What is private equity?

Private equity involves investing in companies that aren't listed on stock exchanges. Instead of buying shares in companies trading on stock exchanges like Telstra and BHP (in Australia), or Apple and Microsoft (in the United States), private equity investors put money into private businesses with the aim of helping them restructure, grow, and innovate.

PE was once out of reach for everyday investors, but that's been changing. With support from financial advisers, access through super funds, and managed retail investment funds, PE is becoming more accessible than ever.

In terms of "asset classes,"⁴ PE is part of a category of investments known as "private assets". They are "private" because they don't publicly trade through facilities like stock exchanges where vast numbers of buyers and sellers interact.

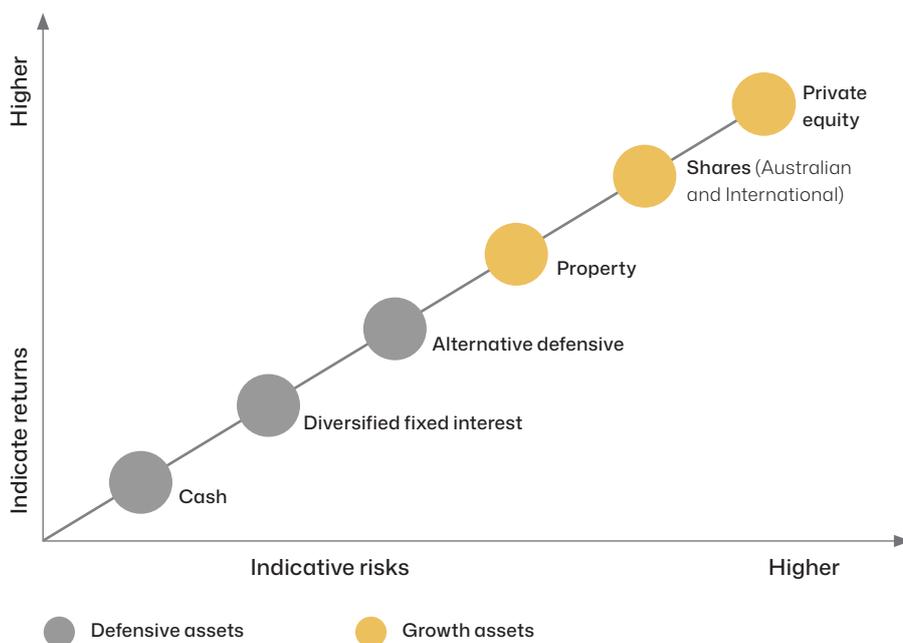
Private assets like private equity are typically owned by a small group of investors, who buy and sell them through direct, private negotiations rather than public markets.

Each asset class has its own characteristics and carries a different level of risk and return to suit a range of investor types. PE investments are regarded as being at the higher end of the risk and return spectrum (**Chart 1**). Usually, PE would be part of a diversified portfolio made up of investments over multiple asset classes and spread across countries and regions.

Through diversification, an investment portfolio can accumulate returns from many sources, rather than just being over-reliant on a small handful of assets for returns.

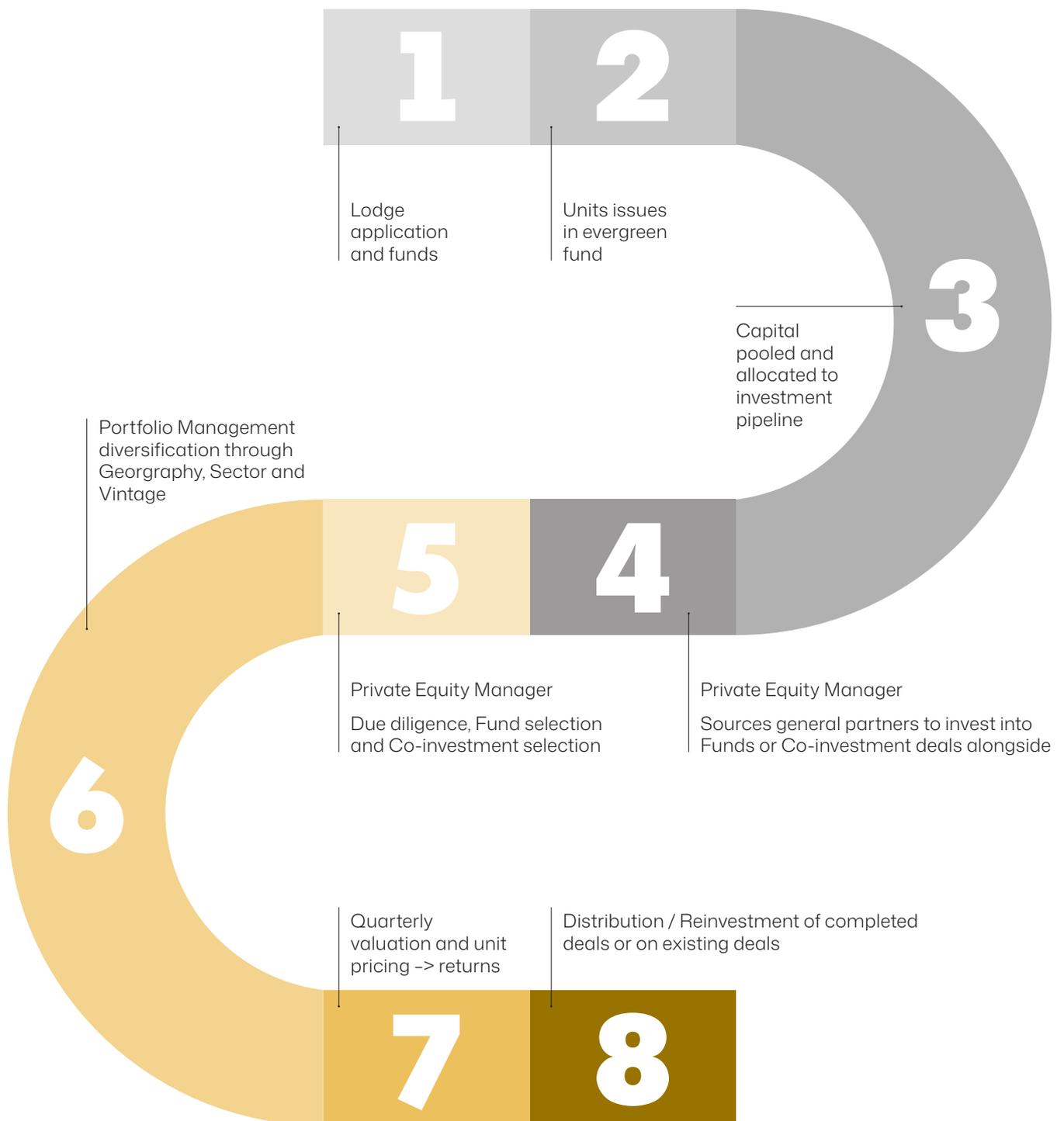
⁴ Asset classes are groups of investments that behave in similar ways. Think of them like different "buckets" where you can put your money, each with its own level of risk and potential reward.

Chart 1: Indicative returns and risks over a market cycle



Different types of investments, as shown in the stylised chart, have different levels of risk.

Source: MLC Asset Management



Private Equity Fund

A private equity fund pools money from investors to buy and grow private companies, aiming to sell them later at a profit. Professional managers work closely with each business to improve performance and create value over a multi year period. Investors commit capital for the life of the fund (usually 7-10 years) and receive returns as companies are sold.

Co-investment

A private equity co-investment is a direct investment made alongside a controlling private equity manager, typically one with an existing relationship. These opportunities offer portfolio diversification, are fee and carry free, and have historically outperformed traditional fund commitments. When selected through a disciplined investment process, co-investments can deliver strong returns and lower loss ratios.

Why PE matters today

Strong long-term returns

PE has historically delivered higher returns than public markets, like the share market, over the long term,⁵ and is more likely to be suitable for investors willing to play the long game, rather than expecting short-term returns. We unpack the PE performance issue in more detail, later in this brochure.

Diversification

It can offer exposure to industries and companies that may be in short supply on a stock exchange, helping spread risk. In fact, companies listed on stock exchanges only make up a small fraction of the many businesses which are privately owned.

In the United States, for example, there are an estimated 6,063 companies with revenues over US\$1 billion, of which around 77% or 4,658 are privately owned, while just 23% trade on stock exchanges.⁶

Innovation and growth

PE often backs fast-growing companies, tech disruptors and businesses undergoing transformation. Previously, going public by listing on a stock exchange was seen as the best way for a company to realise its potential. However, the modern corporate environment sees many private companies reaching the valuation, scale, and revenue figures of their publicly listed counterparts. Consequently, investors now have greater chances to participate in the growth of a company before it ever lists on a stock exchange.⁷



There is a growing trend of companies choosing to remain privately owned rather than going public on stock exchanges.⁷

⁵ Private equity outlook 2025: Is a recovery starting to take shape? Bain & Company, Hugh MacArthur, Rebecca Burack, Graham Rose, Alexander Schmitz, Kiki Yang, and Sebastien Lamy, 3 March 2025

⁶ United States companies with more than \$1b in revenue; and United States public companies with more than \$1b in revenue. Crunchbase

⁷ Discover why the next wave of growth investing could be in the private market. Forge, Shane Larkin, 9 October 2025

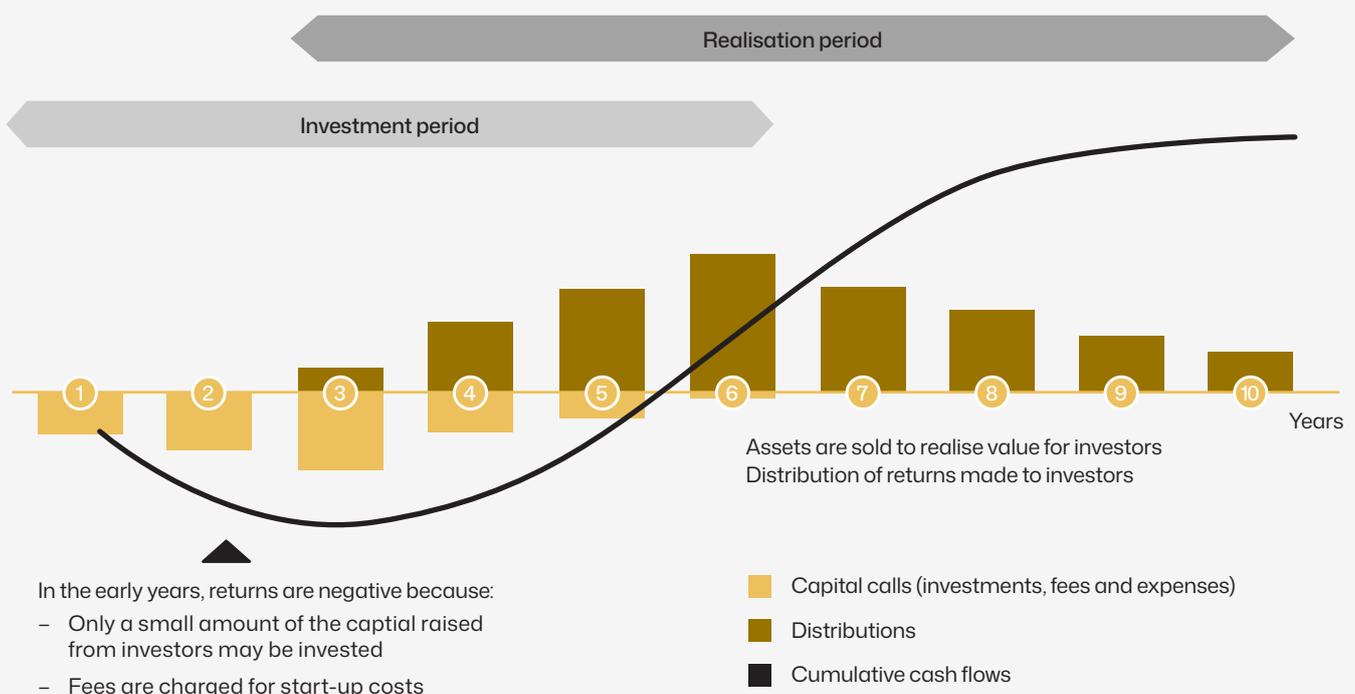
The private equity lifecycle

PE investments usually don't deliver quick returns. In fact, early on, a PE investment might look like it's losing money — this is called the J-Curve effect.

Imagine drawing the letter "J": it dips down before rising (Chart 2). That's what often happens with private equity. Initially, costs are high, and returns are low, or even negative, because private equity managers spend to acquire companies.

But over time, as the companies owned by PE managers grow and eventually get sold or get listed on stock exchanges (if things go according to plan), returns can rise sharply. PE is a long-term investment, often taking 5-7 years.

Chart 2: A typical J-curve: A dip in early years, following by sharply rising later-year returns



Source: Credit Suisse

In private equity, realisation (or the realisation period) is when a private equity firm starts selling its investments and returning money to investors. When investors make investments in a private equity fund, their money is used to buy stakes in private companies. Those investments are held for several years (5-7 years, and perhaps even more), while the private equity manager works to grow their value. Eventually, the PE manager will "realise" those investments by selling them to other companies, including other PE managers, or listing the company or a stock exchange, or another means of exiting and distribute the proceeds back to investors.

How value and performance is created in private equity

1

PE is sometimes presented as being all about buying companies financed by large borrowings, aggressive cost-cutting, and then flipping them for a quick profit. The reality is very different because value creation in PE is much more strategic, requiring patience and discipline.

2

PE managers typically invest in what they regard as businesses with strong potential and work closely with management teams to improve operations, expand into new markets, upgrade technology, and drive long-term growth. The focus is on building better businesses and unlocking value over multiple years, before eventually selling the company for a profit.

3

PE managers are a bit like expert renovators who buy a house to improve it, and then either continue to own it or sell to someone at a price reflecting the improvements made.

How value is created

PE managers don't just hold companies – they actively work to make them more valuable. Here's how:

- 1. Improving operations:** They streamline operations by reducing inefficiencies, improving supply chains, automating key processes, strengthening sales and marketing, and elevating leadership capability.
- 2. Growth by new geographies:** Looking for the best investment opportunities across geographies like the US, Europe, developed Asia and potentially emerging markets. In each of these areas, finding preferred partners and new product sets.
- 3. Growing through add-ons:** They might buy smaller companies to bolt onto the main one, creating a bigger business. For example, if they own a chain of pathology clinics, they could acquire another smaller pathology company to create an even bigger overall pathology company.

The private equity landscape

Private equity segments: Global overview

Segment	Size of companies acquired	Number of companies	Investment strategy
 Small market	Revenue under \$10 million ⁸	About 35 million small companies in the United States ⁹	Early-stage growth, innovation
 Mid-market	Revenue US\$10 million - US\$1 billion ¹⁰	In the US alone, the middle market is estimated to number around 200,000 businesses ¹¹ and thousands of PE firms are active in this space. ¹²	Operational improvement, strategic partnerships, management upgrades, and pursue value-adding opportunities to grow businesses
 Large market	Revenue over US \$1 billion ¹³	A smaller group of high-profile firms operate in this arena. The 300 largest PE companies are estimated to have raised around US\$3.3 trillion over the past five years. ¹⁴ These firms typically target large companies. ¹⁵	Public-to-private deals, global expansion

8 2026 small business revenue statistics. altLINE. The Southern Bank Company. Angela Petulla, 27 January 2026

9 As above

10 What is middle market private equity? A comprehensive guide to investments in mid-sized companies. DealRoom. Supriya Shankar Rao, 28 September 2025

11 Middle market companies tripled growth of large cap peers. Future Standard. Christopher Bole, 12 April 2024

12 US PE mid-market data. Buyouts

13 AI and private equity fuel surge in large M&A deals. PWC, 15 September 2025

14 PEI 300: The world's largest private equity firms. Private Equity International. 2 June 2025

15 As above

Some key facts:



Thousands of PE firms
operate globally
with the top 100 dominating deal volumes and flows from investors¹⁶



US\$2 trillion worth of
deals done
in 2024¹⁷



As of mid-2025,
US\$2.5 trillion
stands ready to be invested in PE¹⁸



Top sectors & industries
receiving PE investments include technology, healthcare, and software¹⁹



Among the biggest
PE investors
are global pension funds, Australian super funds, sovereign wealth funds, like Australia's Future Fund, and insurance companies



High-net-worth
individuals & wealth managers
are also increasingly contributing to PE²⁰

Key facts about PE in Australia



Australian-focused private equity funds alone manage about
A\$66 billion
nearly tripling since 2010²¹
Projected to grow to around A\$73 billion by 2034²²



There are around
60 Australian
private equity managers²³



Most PE funding
comes from superannuation funds, wealth managers, and high-net-worth individuals²⁴

¹⁶ Global private markets report 2025: Braced for shifting weather. McKinsey & Company, 20 May 2025

¹⁷ As above

¹⁸ Global private equity dry powder continues fall from 2023 peak. S&P Global, Dylan Thomas and Shambhavi Gupta, 4 July 2025

¹⁹ Renewed optimism: Private equity 2024 Year-in-review and 2025 industry outlook. Cherry Bekaert, Scott M Moss, 12 February 2025

²⁰ Global private markets report 2025: Braced for shifting weather. McKinsey & Company, 20 May 2025

²¹ The private equity market in Australia. Reserve Bank of Australia, Bulletin April 2024, Jacob Harris and Emma Chow

²² Australia private equity market size, share, trends and forecast by fund type and region, 2026-2034. Report ID: SR112026A31707, IMARC Group. Note that the projected figure in this report is USD48.5 billion by 2034 (equivalent to roughly A\$73 billion by 2034)

²³ Navigating private equity in Australia: The current landscape, deal flow, and investment process. FINSA, 28 November 2024

²⁴ The private equity market in Australia. Reserve Bank of Australia, Bulletin April 2024, Jacob Harris and Emma Chow

Global and Australian trends

1

Technology and Healthcare remain top priorities

- Technology and healthcare remain represent a large part of PE deal activity due to strong innovation, digital transformation, and rising demand for scalable solutions.
- In Australia, technology-driven enterprises, fintech, healthcare, and renewable energy sector, are a focus of investor attention.²⁵

2

Renewable energy and infrastructure are gaining momentum

- PE firms are increasingly investing in renewables, digital infrastructure, and transport, aligning with sustainability goals and long-term resilience.²⁶
- Large superannuation funds have committed hundreds of millions to infrastructure-focused PE strategies.²⁷

3

Super funds are deepening involvement in PE

- Australia's superannuation industry, which has around \$4 trillion²⁸ in assets under management, had a total investment of about \$118 billion in unlisted equity as of 30 September 2023.²⁹
- Super funds are now among the largest investors in Australian PE.³⁰

4

Australian regulators tightening oversight

- Regulatory scrutiny is intensifying, which is positive for investors as it means that the 'traffic cops' who keep their eye on businesses are on-the-case:
 - The Australian Competition & Consumer Commission (ACCC) is more active in reviewing PE-led company takeover and mergers, especially in healthcare, energy, and essential services.³¹
 - The Foreign Investment Review Board (FIRB) is adding tax transparency conditions for foreign PE funds operating in Australia.³²
 - The Australian Securities and Investments Commission (ASIC) has been giving more attention to practices around the valuations of private assets.^{33,34}

25 Australia private equity market size, share, trends and forecast by fund type and region, 2026-2034. Report ID: SR112026A31707, IMARC

26 Australia private equity market 2025-33: Growth, trend & investment opportunity. EIN PRESSWIRE, 9 October 2025

27 As above

28 APRA releases superannuation statistics for March 2025. APRA media release, 28 March 2025

29 APRA Quarterly Superannuation Performance Statistics Data File (December 2004 to June 2025) APRA, 26 November 2025

30 Australian private capital 2025 yearbook: A calm port in a wild storm. A collaboration between Preqin and the Australian Investment Council

31 PE horizons 2024. Key trends. Allens

32 As above

33 ASIC ups scrutiny of private market funds. Money Management. Laura Dew, 28 August 2024

34 Weight of super money, valuations prompt ASIC private markets review. Investment Magazine. Simon Hoyle, 26 February 2025

The mid-market sweet spot

The “mid-market sweet spot” refers to companies that are too large for traditional small business investors, but not quite big enough to be considered large enterprises.

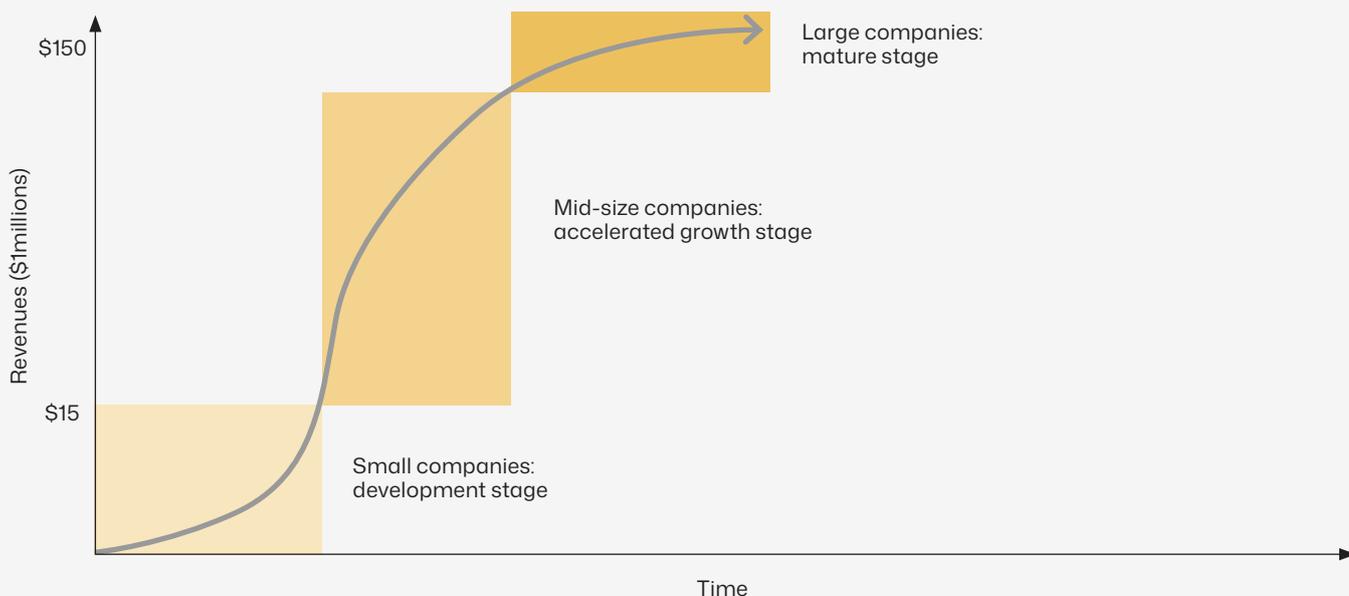
These companies are widely viewed by PE investors as having strong growth potential but often lacking the resources or expertise required to scale efficiently.

This market segment tends to offer a balance of risk and reward, making it attractive for private equity firms **(Chart 3)**. Mid-market companies are regarded as having more room for operational improvement, and the ability to benefit from strategic investments, all of which can drive potentially higher returns for investors.

Many mid-market businesses, often still led by their founders, reach a point where growth becomes harder to achieve. At this stage, they may seek a private equity partner for strategic guidance, operational expertise, and additional capital to break through to the next level. In other cases, founders who have spent years building their company are ready to step away. Selling to private equity can provide a way to turn their hard work into financial reward.

We believe the mid-market segment is especially attractive for PE investing and discuss the issue in more detail on page 22.

Chart 3: Many PE investors regard mid-market size companies as representing an investment sweet-spot



Source: MLC Asset Management

Where the deal and alignment meet

In private equity, getting access to the right deals is crucial. Successful firms are highly selective, focusing on companies that match their specific investment strategies and expertise. Often, the best opportunities come from building strong partnerships with other investors, advisors, and industry experts, who help identify and unlock value.

While finding the right deal is an important pre-condition for success, it isn't the "be-all and end-all." Alignment is key as alignment on goals and incentives enables investors and management to work together more effectively.

Ultimately, PE can be said to be about working together to create lasting value through strategic partnerships and a shared vision.

What is a primary investment and what is a secondary PE investment?

PE investments generally fall into two categories – primary and secondary.



Primary investments

Involve committing capital to new private equity funds or directly investing in companies alongside PE managers (called "co-investing").

PE firms, referred to as "General Partners," create private equity funds and invite investors to commit capital to these primary investments. The term "primary" derives from the fact that investors in these funds are "first" or "primary" investors.

Primary investments can be regarded as offering a balance of risks alongside the rewards of upside potential.

See page 25 "We prefer starting investments from the beginning" for a deeper dive on the issue.



Secondary investments by contrast

Involve purchasing existing stakes in PE funds or companies from current investors who are looking to exit. As these investments are generally made later in the lifecycle when more financial information is available, they tend to offer greater visibility and potentially lower risk.

The trade-off is that the return potential may be more modest compared to primary investments. As with any investment, investors should undertake their own due diligence before deciding to place their capital with a secondary PE investment.

Finally, if a private equity firm wants to hold onto an asset longer than the fund's original term, they sometimes use what's known as a **continuation vehicle**. This less common structure allows the private equity manager to keep the asset until they find a suitable buyer or are ready to sell.

The role of private equity in a portfolio

PE has proven to be a strong, long-term performer with one estimate, for example, revealing that \$1 invested in private equity in 2015 would have grown to \$3.96 by 2024 — outpacing the US share market, as measured by the S&P 500 Index at \$3.51, and the global share market, as measured by the MSCI World Index at \$2.61.³⁵

Furthermore, rolling 10-year returns illustrate that private equity outperformed public markets investing over most periods to the end of 2024 (**Chart 4**).

Chart 4: PE has outperformed some well-known public market benchmarks over the long run

10-year rolling time-weighted returns*



* "10-year rolling time-weighted returns" is a detailed way to see how an investment has consistently performed over various 10-year periods, regardless of when investors were putting in or taking out their money.

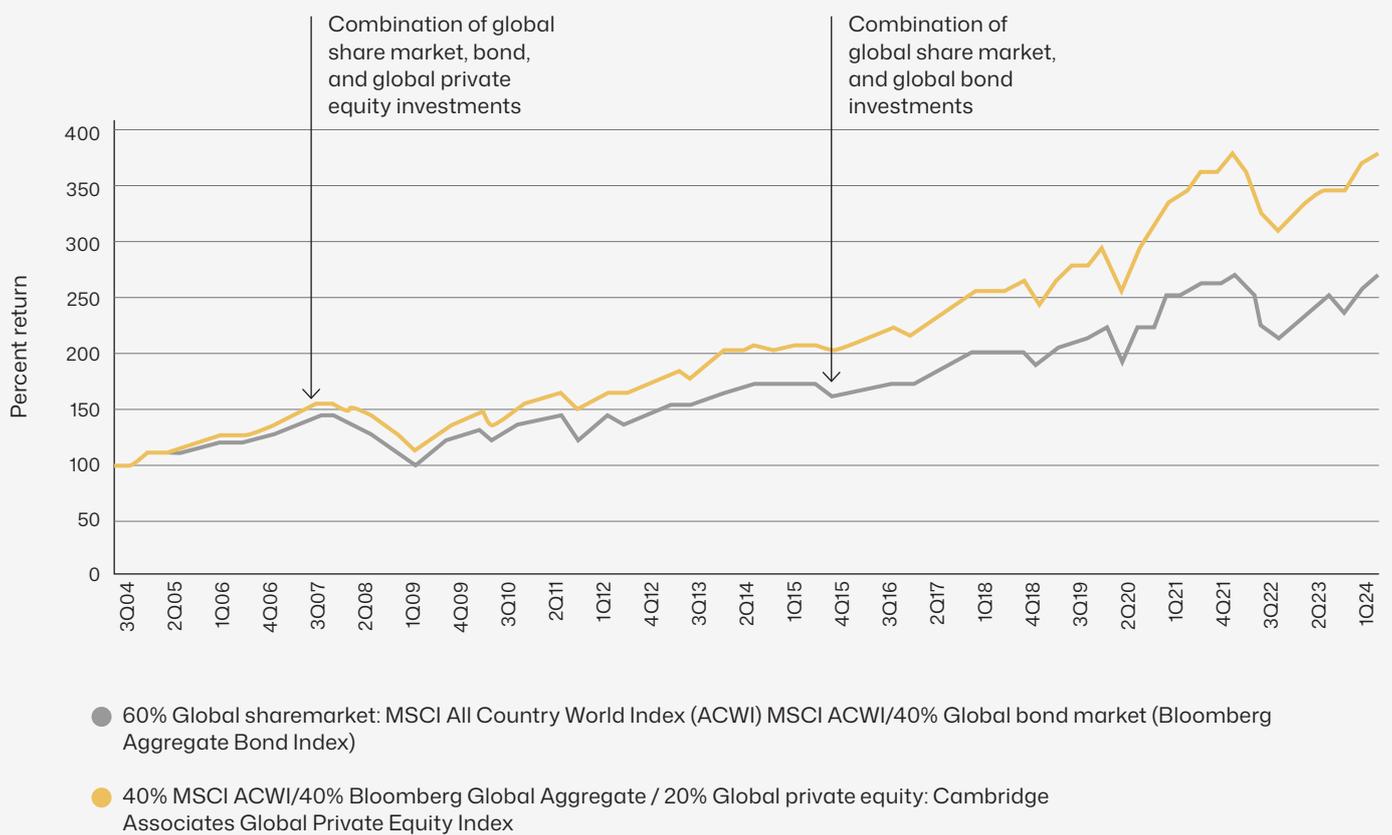
This comparison doesn't include the fees and costs an investment may experience to access PE investments, which can be significant.

Source: Is private equity still outperforming public markets? Moonfare, Blazej Kupec, 15 August 2025

35 Source: Is private equity still outperforming public markets? Moonfare, Blazej Kupec, 15 August 2025

Adding private equity to a portfolio can potentially improve the return outcome, compared to a portfolio without PE investments (**Chart 5**).

Chart 5: Historical analysis of adding private equity in a portfolio between 2004 and 1Q 2024



Source: Bloomberg, Cambridge Associates, UBS (September 2024)

Big differences between the best performing and less well-performing PE managers

It's easy to be impressed by the performance of PE shown in chart 5, but behind the line showing strong private equity returns are important details investors should bear in mind.

In the PE world, there are large differences between returns provided by the best performing PE managers and those that don't perform so well, and this means investors need to be especially vigilant before committing funds to private equity.

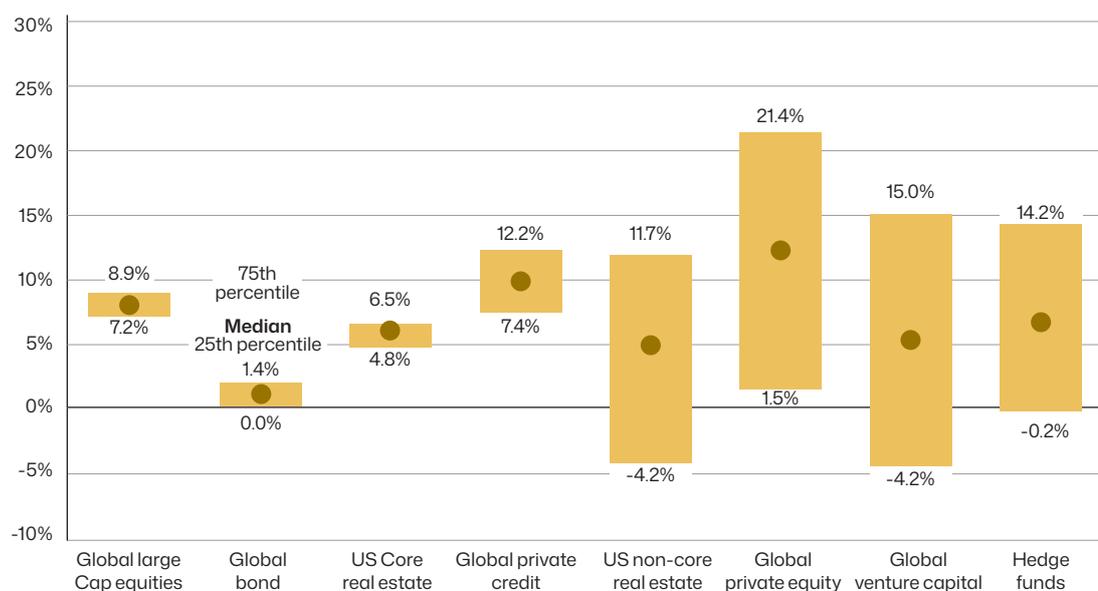
JP Morgan data revealed an almost 20-percentage-point performance difference between the top-performing private equity managers and the bottom-performing managers (**Chart 6**) – a performance gap almost 12 times wider than in listed global large companies investing.

We believe this places an unusually high onus on the importance of deep relationships with the world's most capable PE managers and being connected within the industry. The PE environment is relationship-driven, and top performers are often inaccessible to newcomers, preferring established partners they can rely on to act quickly when new deals emerge.

In our experience, top-performing PE managers consistently secure the most attractive deals, reinforcing their advantage and giving them access to even better opportunities over time.

Chart 6: Return differences among PE managers is far greater than public share market managers

Median, ^ top 25% of performance, bottom 25% of performance: differences of private and public investment managers (based on returns, March quarter 2015 – March quarter 2025)*



^ In performance terms, "median" refers to the middle value in a set of results when they are arranged from lowest to highest. It represents the point at which half the values are better and half are worse.

Data as at 31 May 2025

Source: Burgiss, Morningstar, NCREIF, Pitchbook | LCD, PivotalPath, J.P. Morgan Asset Management

Features of top performing PE managers

In our view, drivers of strong returns from superior managers include:

Private equity performance benefits significantly from better deal sourcing, where seasoned managers leverage strong networks to identify and secure premium opportunities.

Skilled managers, particularly those with deep industry experience, are able to negotiate better prices and valuations for the businesses they buy. They also have clear plans around how to unlock the latent potential in acquired companies and exit plans to realise the value of their investments.

Industry-specialist PE managers often have repeatable value creation playbooks utilising deep sector expertise to assist businesses to implement operational improvements, strategic growth plans, and provide advice or hands-on management to accelerate and sustain business transformation.

As with investing generally, diversification is key in PE. We believe a well-structured PE program should:



be diversified by types of strategies



have investments across multiple countries and regions



be invested across several industries and not just concentrated in one or two



have managers with deep expertise in their industries



be made up of investments with a spread of starting years (often called “vintages”)

Illiquidity and other risks

Private equity investing has risks that differ from those generally associated with traditional investments.

That said, as private equity matures, firms are creating new structures that let investors exit earlier than the traditional long holding periods.³⁶

Private equity is also high-risk because it involves investing in businesses that may need significant changes or improvements. Skilled managers aim to reduce this risk by improving operations and growing the business, but success is not guaranteed.

In short, private equity can offer potentially high returns, but investors need to be comfortable with the idea of illiquid investments.

Some other significant risks associated with private equity include:

Complexity and limited transparency

Private equity investments are often opaque or unclear. Unlike listed shares, valuations are based on infrequent appraisals, making it hard for investors to know the true worth of their holdings.

Valuation and market timing risks

Private equity valuations can lag behind real market conditions. Investors who enter during periods of high enthusiasm – sometimes near market peaks – can be exposed to overvaluation risk and potential losses if conditions change.

Less regulatory oversight

Private markets operate with fewer disclosure requirements and less stringent governance compared to public markets. This increases the risk of poor practices going unnoticed and leaves investors with limited recourse if things go wrong.

Illiquidity is arguably the biggest risk associated with private equity investing. In PE investing, illiquidity refers to the fact that investments cannot be easily converted into cash or sold quickly. Unlike the shares of companies that trade publicly on stock exchanges and which can be sold almost instantly, private equity investments are typically locked up for years (often 5-7 years, and perhaps even more). In short, investing in PE requires investors to be comfortable with not having quick access to their capital.

³⁶ The opportunities across private equity's current liquidity landscape. Neuberger Berman, David Stonberg, 2 December 2024

Private equity in the 2020's

PE has evolved to become more accessible and flexible for a broader range of investors. Traditionally, private equity was dominated by closed-ended funds, which required long-term commitments and were mostly suited to institutional investors.

However, the rise of evergreen fund structures has introduced a more adaptable model, offering periodic liquidity and lower minimum investment thresholds.³⁷

These innovations are designed to address challenges such as illiquidity, high minimum investments, and diversification – making private equity more approachable for retail investors.

Finally, in an evergreen fund, investors typically get access to a diversified portfolio as soon as they invest.



An evergreen private equity fund is a type of open-ended investment vehicle that allows investors to gain exposure to private equity assets without the constraints of a fixed fund lifespan. Unlike traditional closed-ended private equity funds, evergreen funds are designed to operate indefinitely, offering the opportunity for ongoing investments and redemptions. Withdrawal offers are subject to funds having sufficient liquidity and aren't guaranteed.



A closed-ended private equity fund is a type of investment vehicle that pools capital from a limited group of investors to invest in private companies, with a fixed lifespan and restricted liquidity.

	Evergreen Fund	Closed-Ended Funds
Structure	Open-ended, no fixed investment term	Fixed term – typically 7-10 years
Investment type	Initial and ongoing available	Commitment upfront and progressively “called” upon
Liquidity	Periodic withdrawal offers (monthly or quarterly) Withdrawal offers are subject to funds having sufficient liquidity and aren't guaranteed	Illiquid until an investment is “exited”
Minimum investments	Lower (eg \$25,000)	Higher (typically \$100,000 to \$250,000)
Investor access	Broad retail access via wrap platforms	Selectively available to wholesale and institutional investors
Portfolio exposure	Immediate diversification on purchase	Gradual exposure as capital is deployed

³⁷ The opportunities across private equity's current liquidity landscape. Neuberger Berman, David Stonberg, 2 December 2024

Why Partner with MLC Asset Management for Private Equity

25+ Year private equity track record

MLC Asset Management has been investing in private equity since 1997, establishing one of Australia's longest-running, most globally connected PE programs. From inception, MLC recognised that the greatest opportunity set existed outside Australia. This early global orientation has allowed us to build a network of elite managers, access differentiated deal flow, and construct portfolios that consistently deliver through market cycles.

Over decades, we have cultivated deep relationships with some of the world's most respected private equity managers—many now closed to new investors. These relationships endure because MLC is known for its disciplined process, speed of execution, willingness to engage deeply with managers, and ability to commit through all market environments.

MLC AM has remained an “all-seasons” investor, continuing to deploy capital throughout the Global Financial Crisis, COVID-19, and other volatile periods. This reputation as a provider of patient, stable capital has strengthened our access to high-quality opportunities and reinforced our standing as a preferred investor.

Our investment sweet spot: mid-market private equity

The private markets offer a wide spectrum of opportunities—from venture capital to mega-cap buyouts. MLC focuses on the lower-mid and mid-market, which we regard as the most compelling part of the risk-return spectrum.

Why the mid-market?

- **Strong companies, still with room to grow:** Large enough to support capable management teams, generate cash flow and yet small enough to benefit from operational and strategic uplift.
- **Favourable economics:** Less competitive bidding than mega-buyouts and arguably less researched leads to more attractive entry price valuations.
- **Clear value-creation levers to increase company valuations:** Operational improvement, digital enablement, pricing power, bolt-on acquisitions, and professionalisation.
- **Compelling exit pathways:** Usually have a range of ways to realise the value of our investments through trade buyers, larger private equity firms, or IPOs.



MLC has been a private equity investor since 1997. We've built enduring relationships with what we regard as some of the most renowned PE managers.

Our ideal target is a **founder or family business transitioning to institutional ownership** – businesses where expertise, discipline, and partnership can unlock meaningful value for our investors.

Preference for primary investments

MLC allocates primarily to primary fund commitments supported by select co-investments. It doesn't mean we won't invest in secondary purchases or continuation vehicles, but we do that selectively and where we feel we have a strong understanding of the asset being purchased.

Why primaries?

- **Early access to value creation:** Being the first institutional investor into a business, provides us with the first seat at the table. Our analysis shows **~89% of value is created in the first three years** of an investment's life.
- **Exposure to emerging opportunities:** Primaries provide broad diversification and first access to each manager's strongest ideas, particularly for co-investment opportunities
- **Stronger long-term returns:** Less competition and less pricing pressure compared with secondaries.

While secondaries offer speed and visibility over the assets being purchased, the current market is seeing rising competition from large secondary funds and new retail entrants. We remain selective, prioritising primaries and co-investments where the long-run return potential is highest, and selectively participating in secondaries where we know the assets well.

The managers we back

MLC partners with private equity managers who combine deep sector expertise, proven capability, and strong alignment.

What we look for:

- **Sector specialisation** – particularly in areas like fintech, healthcare, and B2B software, where domain expertise drives superior deal selection and operational improvement. Often the managers we back have deep domain experience, meaning we have higher confidence in their skill sets.
- **Repeatable value creation track record** – demonstrated ability to build, improve, and exit businesses across cycles. Combined with sector specialisation, we find the best managers have proven strategies to create value for our investors.
- **Alignment and “skin in the game”** – meaningful personal capital invested by the principals.
- **Cultural fit and transparency** – long-term partnership mindset.

While many of our manager relationships span decades, we also selectively back newly formed, spin-out teams that emerge from top-tier firms. These managers are often people we’ve known for a long time and are eager to succeed. By backing first-time managers we can build better relationships and often open up access to better investments.

Regardless of pedigree or longevity, every manager undergoes comprehensive due diligence to ensure alignment, capability, and strategic fit.

Key points about MLC Private Equity

- MLC has been a global private equity investor since 1997.
- We have over A\$6.2 billion in private equity investments, on behalf of superannuation members and other clients, and have executed over 370 portfolio investments since 1997, creating over A\$7.2 billion in value.³⁸
- MLC maintains relationships with around 20 core private equity managers globally.
- The global mid-market segment is the focus of MLC’s private equity program. Only around 20% of global private equity capital is in this segment, which, we believe, creates the potential for higher returns than larger buyout strategies.
- Through its large private equity program, MLC is able to access preferred co-investment deals from General Partners (private equity managers). This allows us to curate what we regard as the best deals from “Best in class” global managers.

³⁸ Total value creation since inception, gross of fees and costs, is over A\$7.3 billion as at end September 2025. Note: this includes realised investments of A\$12.4 billion plus unrealised investments of A\$4.1 billion less A\$9.2 billion of capital invested. These investments were/are held by multiple client portfolios and not representative of a particular portfolio’s performance. Past performance isn’t a reliable indicator of future performance.

Why Partner with MLC Asset Management for Private Equity

A global program from day one

MLC's private equity program has always been global—because global markets offer the deepest opportunity set, the most experienced managers, and the most resilient diversification.

Our global reach provides:

- Access to world-class managers who are often closed to new investors – leveraging our local presence and longstanding relationship to identify the most compelling opportunities.
- Exposure to a broader universe of private companies across the US, Europe, Australia and Asia.
- Geographic diversification, reducing reliance on any single market or economic cycle.
- Preferred co-investment opportunities, enabled by our scale and long-standing relationships.

For investors, this means access to a **more varied, more resilient, and higher-quality stream of opportunities** than can be sourced locally.

In private equity, buyouts refer to the acquisition of a company – typically by a private equity firm – where a controlling interest is purchased. The goal is usually to improve the company's performance and profitability, then sell it at a profit after a number of years.

Rigorous, scenario-based risk management

Private equity success is not just about selecting winners; it is equally about preventing avoidable losses.

MLC's risk discipline includes:

- Stress testing each fund and company against severe “what-if” scenarios.
- Modelling outcomes beyond even the manager's worst-case expectations.
- Analysing vulnerability to inflation, recession, rising rates, contract loss, or management turnover.
- Ensuring every investment has a margin of safety and the resilience to withstand shocks.

Because a 50% loss requires a 100% gain to recover, our risk management approach is designed to prioritise downside protection while preserving the compounding power of successful investments.

What this means for investors

By partnering with MLC AM, investors gain:

- **Access to elite global managers** often unavailable to new investors.

- **Exposure to a compelling segment of private markets:** the mid-market.

- **Disciplined, repeatable value creation** through primary investments and co-investments.

- **A diversified global program** built to perform through cycles.

- **A deep, experienced team** investing continuously for nearly three decades.

- **A commitment to risk-aware, long-term investing** designed to protect and grow capital.

Glossary of terms

The private equity world is unavoidably jargon full. We hope the explanations below improve understanding of PE.

PE or private equity is part of a category of investments known as “private assets.” They are “private” because they don’t publicly trade through facilities like stock exchanges where vast numbers of buyers and sellers interact. Private assets like private equity are typically owned by a small group of investors, who buy and sell them through direct, private negotiations rather than public markets.

Realisation (or the realisation period) is when a private equity firm starts selling its investments and returning money to investors. When investors make investments in a private equity fund, their money is used to buy stakes in private companies. Those investments are held for several years (5-7 years, and perhaps even more), while the private equity manager works to grow their value. Eventually, the PE manager will “realise” those investments by selling them to other companies, including other PE managers, or listing the company on a stock exchange, or another means of exiting and distribute the proceeds back to investors.

Scaling means a company is growing rapidly and efficiently – especially in terms of revenue, customer base, or market reach – without a proportional increase in costs. In other words, the business is expanding its operations and impact while maintaining or improving profitability.

Primary investments involve committing capital to new private equity funds or directly investing in companies alongside PE managers (called “co-investing”). PE firms, referred to as “General Partners,” create private equity funds and invite investors to commit capital to these primary investments. The term “primary” stems from the fact that investors in these funds are “first” or “primary” investors.

Secondary investments involve purchasing existing stakes in PE funds or companies from current investors who are looking to exit. As these investments are generally made later in the lifecycle when more financial information is available, they tend to offer greater visibility and potentially lower risk.

Illiquidity: This is arguably the greatest risk associated with PE investing. Illiquidity refers to the challenge of not being able to quickly sell or exit an investment without potentially incurring a loss. Private equity investments are typically long-term, with capital locked up for several years (often 5-7 years), and there’s no public market for these assets.

Closed-ended funds: A closed-end private equity fund is a type of investment vehicle that pools capital from a limited group of investors to invest in private companies, with a fixed lifespan and restricted liquidity.

Evergreen private equity fund: This is a type of open-ended investment vehicle that allows investors to gain exposure to private equity assets without the constraints of a fixed fund lifespan. Unlike traditional closed-ended private equity funds, evergreen funds are designed to operate indefinitely, offering the opportunity for ongoing investments and redemptions.

Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA): Essentially tells investors how much cash a company is making from its day-to-day business, before any financial or tax-related adjustments.

Buyouts refer to the acquisition of a company – typically by a private equity firm – where a controlling interest is purchased. The goal is usually to improve the company’s performance and profitability, then sell it at a profit after a number of years.

Enterprise Value (EV) is a financial measure that represents the total value of a company, often considered the theoretical cost to acquire the entire business.

Valuation multiple: This provides a quick way to compare how expensive or cheap a company is, based on its financial performance.

In private equity, purchase multiples show how much a buyer pays for a company compared to its earnings or sometimes its revenue.

Earnings growth means how much a company’s profits increase over time, usually shown as a percentage of a prior period’s earnings.





For more information call MLC
from anywhere in Australia
on 133 652 or contact your
MLC representative.

Postal address

MLC Limited, PO Box 200
North Sydney NSW 2059

Registered office

Insignia Financial Limited
Level 1, 800 Bourke Street
Docklands VIC 3008

mlcam.com.au

Important information

This document is intended for persons in Australia, and New Zealand in limited circumstances, and not for persons in any other jurisdiction. This document has been prepared by MLC Asset Management Pty Ltd ABN 44 106 427 472, AFSL 308953 ('MLC Asset Management' or 'we'), a member of the group of companies comprised Insignia Financial Ltd ABN 49 100 103 722 and its related bodies corporate ('Insignia Group'). An investment with MLC Asset Management does not represent a deposit or liability of, and is not guaranteed by, the Insignia Group. The information in the document is of a general nature only, it is not investment advice. The information in this document does not constitute to any offer, invitation or solicitation in respect to any financial product or service. Opinions constitute our judgement at the time of issue and are subject to change. Neither MLC Asset Management nor any member of the Insignia Group, nor their employees or directors give any warranty of accuracy or reliability, nor accept any responsibility for errors or omissions in this document. In some cases the information in this document has been provided to us by third parties. While it is believed the information is accurate and reliable, the accuracy of that information is not guaranteed in any way. Any reference in this document to a specific company, security, asset or any other investment is for illustrative purposes only and should not be taken as a recommendation to buy, sell or hold that investment. Past performance is not a reliable indicator of future performance. Any projection or other forward looking statement ('Projection') in this communication is provided for information purposes only. Whilst reasonably formed, no representation is made as to the accuracy of any such Projection or that it will be met as actual events may vary materially.