

Spire Global Private Markets Portfolio (AUD)

Fact Sheet



Global private market investments have delivered proven benefits for client portfolios including diversification, reduced volatility and increased returns¹. For this reason, leading institutional investors have been large allocators with Australia's top 10 performing institutional superannuation funds showing an average allocation to global private markets of 30%² as at 31 December 2023.

Why Global Private Markets?

- Evolving portfolio management – ‘New Investment Order’**

POSITION PAPER – THE DEATH OF TRADITIONAL PORTFOLIO CONSTRUCTION?

“As the outlook for traditional beta has declined and the toolkit for defending portfolio returns has shrunk, institutional investors need to reconsider what they invest in, where they invest, and how they make decisions. A deeper understanding of more nuanced and difficult risks is needed and history is an imperfect guide to how to do this...”

“Generating excess returns through alpha becomes ever more important but this presents challenges in the ability to identify and access those opportunities.”

Source: Future Fund – Position Paper – *The Death of the Traditional Portfolio Construction?* December 2022

Note - The Future Fund has a 32% allocation to global private markets (excluding private debt) as at 31 March, 2023³.

Portfolio implications	More alpha
Levers activated	More Private Equity

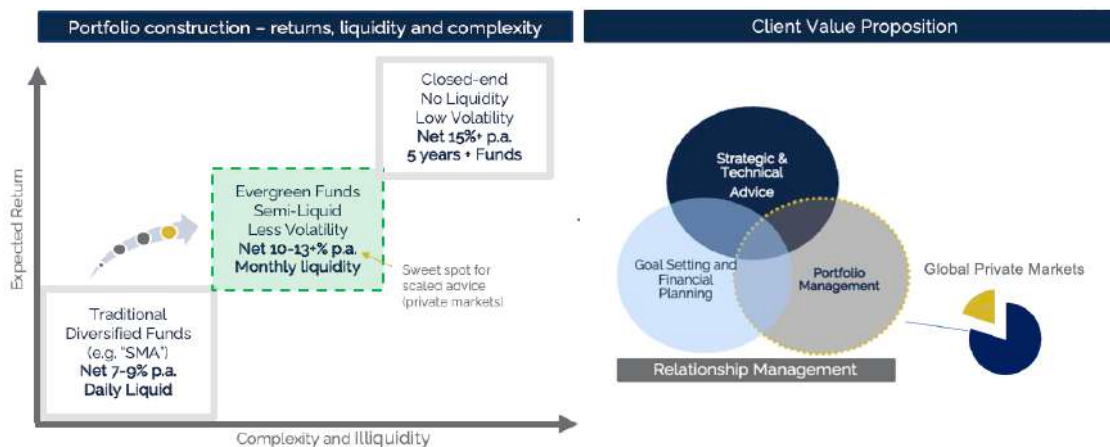
- Diversification** - The private market is diverse and **dominates public markets for size** (85%+ of companies with revenues greater than USD 100m are private companies³). In 2016, the private markets overtook the public markets as the primary source of capital formation (i.e., global fundraising in private markets grew higher than public equity issuance). In 2022, **private market fundraising** was cUSD 1tn – more **than 2x the public equity** issuance. Since the early 2000s, the public market (IPO) has progressively transitioned from financing mature, quality and profitable companies to loss-making ‘hype’ companies with large valuations. In 1990, 85% of public companies in the US had positive earnings at time of IPO. In 2022 only 21% of public companies in the US had positive earnings at time of IPO⁴
- Higher Returns** - Private equity and broader private markets (inc. debt and real assets) has outperformed public markets across multiple time horizons⁵. This is due to market inefficiency, active ownership, strong alignment and more entrepreneurial governance. Private market investment managers ultimately need to ‘buy well, own well, sell well’
- Driven by fundamentals** – Private assets are less sensitive to market ‘sentiment’ and driven by a ‘fair value’ valuation methodology. This lowers the volatility of asset values as the primary driver is business/economic fundamentals, not market sentiment.

In spite compelling risk-adjusted returns, advisory firms face many challenges in adapting private market investments for private clients.

Advisor challenges and considerations

	Typical Private Markets Solution	Spire Global Private Markets Portfolio
Advisor Considerations	Due Diligence/Client engagement	Deal-by-deal ('episodic')
	Third-party Research	Not offered or not relevant to Australian AFSLs
	Client Eligibility	Typically 'Qualified Purchaser' (USD5m in assets outside of principal residence) or 'Wholesale'
	Structure	Typically closed-end partnerships ('vintages')
	Admin - onboarding	Cumbersome onboarding documents (PPMs), no platform access
	Admin - ongoing	Requires processing of Capital Calls. Potential offshore tax filing obligations
	Client Reporting	Typically disparate reporting with long lags
	Capital Deployment	Capital calls ('J-Curve')
	Advice Fee collection	Not contemplated or off-platform
	Client Considerations	Fund Manager Relationship
Management Fee Basis		Committed Capital
Diversification		Limited
Investment strategy		Typically single manager, single strategy
Asset Allocation/Relative Value		Often static
Client context		Reactive
Liquidity		Typically a 10 year lock-up
After-tax returns		Typically sub-optimal structures set up for a broad group of 'ex-US' investors (e.g. Cayman vehicles)
Allocation management		Committed capital does not equal actual investment level (NAV) because of time taken to invest the money and distributions/ROCs

The above challenges make it difficult for advisory firms to access the global private markets in a consistent and efficient manner. With this, Spire Capital ('Spire') has created an **implemented solution** for select advice firms. Spire has a passion for supporting advisory firms with optimizing investment portfolios within an advice framework, so has consulted with a range of advisory firms to customize a private markets portfolio that is relevant to client and business requirements. This means enabling select advice firms to 'club-together' to access high-quality global private market investments at scale in an Australian Unit Trust tailored to Australian tax payers via a Product Disclosure Statement (PDS). Selected advisory firms can access the portfolio using local administration platforms (e.g., Netwealth, HUB24) with the benefit of local research ratings (e.g., SQM Research). End clients are able to access the world's leading private markets managers and investments on attractive terms while being offered a monthly liquidity feature. This provides a key portfolio building block (target net 10-13% return p.a. over rolling 5-year periods with low volatility) for a goals-based advice process or a compelling allocation to model portfolios.



The Solution – Spire Global Private Markets Portfolio (AUD)

The Spire Global Private Markets Portfolio (AUD) ("Portfolio") is a multi-manager, multi-strategy approach to global private markets seeking to deliver **net 10-13% p.a. over rolling 5-year periods with low volatility and low correlation**.

The investment strategy of the Portfolio is multi-asset and multi-manager. This means providing a diversified exposure to private markets by allocating across sub-asset classes (i.e., private equity, private debt, private infrastructure and private real estate) and best-in-class investment managers. In addition to private markets, the Portfolio will also invest in cash, daily-liquid assets and associated funds (e.g., money-market funds, traded debt funds). These investments make up the Liquidity Portfolio, a sub-set of the investment strategy dedicated to meeting the liquidity requirements of the Portfolio.

The approach combines a 'top-down' quarterly global relative value assessment with a detailed 'bottom-up' asset class review to identifying the best managers on the best terms with awareness of Australian taxation outcomes.

The Investment Team



Peeyush Gupta AM
Independent Chair,
Investment Committee

- Peeyush has more than 30 years of experience in financial services, with a particular focus on wealth management. Peeyush was a co-founder and the inaugural CEO of IPAC Securities.
- Peeyush has significant governance experience as a director on a range of listed, government, private and public sector boards throughout his executive and non-executive career.
- Peeyush is a Director of NAB, Link and Charter Hall WALE



Dr Richard Gregson
Independent Member,
Investment Committee

- Richard is a Director of R P Gregson & Co. Pty. Limited, an Australian family office.
- He was formerly a Partner of Equity Partners, a firm he co-founded in 1995, and in which he transferred his ownership stake to junior partners in 2009.
- Richard has over 30 years' experience in venture capital, private equity, and private company management, having helped to create the Australian Private Equity and Venture Capital Association (now known as the Australian Investment Commission) in 1992, serving as its first Chairman, and remaining on its Board until 2002.



Matthew Cook, F Fin
Spire Capital
Director, Head of Funds Management

- Founder and equity partner in Spire Capital with responsibility for funds management with a particular focus on structuring, portfolio management and business management.
- 20 years in the industry, and previous directorships with Knight Frank and Denison Capital.
- Bachelor of Business (Land Economy) and Graduate Diploma in Applied Finance. Fellow of FINSIA (Financial Services Institute of Australasia)



Stuart Haigh
Spire Capital
Director, Head of Investments

- Director and equity partner in Spire Capital, with responsibility for investments. This includes overseeing capital markets research, manager due diligence, product design, assessing co-investments and supporting capital raising
- 20 years in industry. Formerly with Partners Group working in deal teams in Switzerland/London (private equity, real estate, credit and infrastructure) and capital raising across Australia/NZ. Deal Captain for the Partners Group Global Real Estate FCP
- Prior time at MLC Private Equity & nabinvest.
- Honours in Agricultural Economics (University of Sydney), Advanced Diploma of Financial Services from Deakin University, International Business, Harvard University



Scott Dingle
Spire Capital
Investment Manager

- Investment manager at Spire Capital with responsibility for mandate solutions including lead role in determining global relative value views, manager line-up, NAV-level steering and portfolio management
- 15 years private markets experience. Formerly with Partners Group culminating as Head of Private Equity for Australia/NZ. Led direct buy-out of AUD 440m childcare business
- Former member of the Partners Group Investment Committee for Integrated Investments
- Previously with QIC with responsibility for developing a global private markets program spanning funds and co-investments. Program grew from inception to AUS 2bn during tenure
- Bachelor of Commerce (University of Queensland), Chartered Accountant

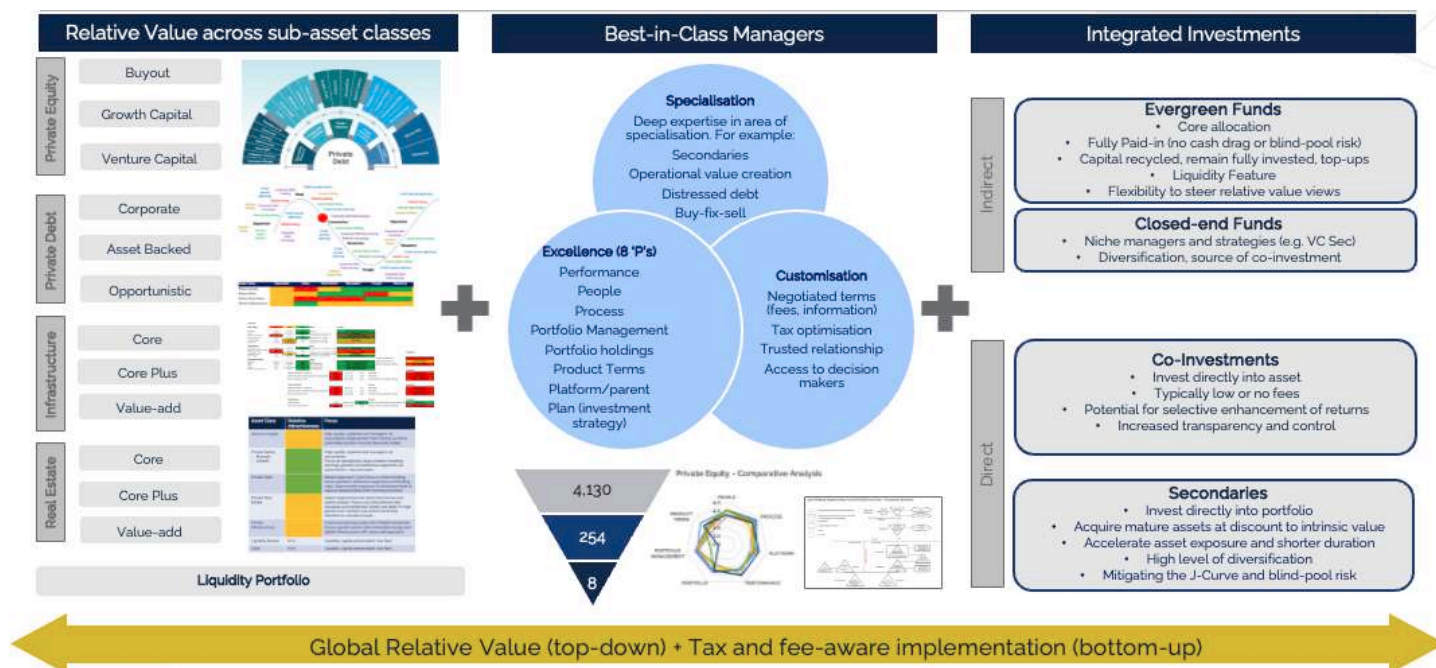


Rodney Bolton
Senior Investment Analyst

- Senior Investment Analyst with responsibility for private market investment research
- Extensive private market investment research experience including over 15 years of Multi-Family Family Office investment advisory
- Bachelor of Business (Accounting & Finance), Master of Business Administration, Grad Dip Applied Finance and Investment, Adv Dip Financial Services (Financial Planning), Fellow of FINSIA

The Investment Strategy

The strategy 'top-down' focusses on systematically identifying the relative attractiveness of the sub-asset classes. This process is known as the quarterly Relative Value Analysis and looks at a number of inputs including asset class returns, volatility, correlations, fund flows, valuations, metrics, economic forecasts and research.



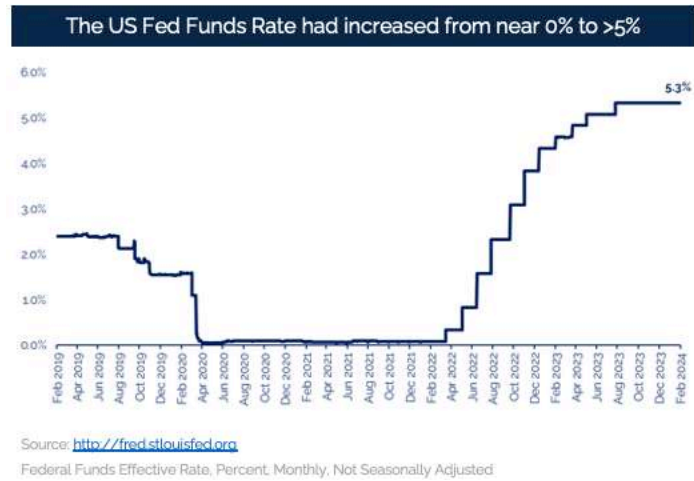
Summary – Relative Value Analysis (as at Q2 2024)

The Relative Value Analysis is combined with the Portfolio Requirements that detail target returns, volatility, correlation, liquidity and fees to generate a Portfolio Plan. The Portfolio Plan outlines the relative attractiveness and focus for each asset class and preferred characteristics for targeted Underlying Investments

Asset Class	Relative Attractiveness	Focus
Venture Capital	High	High quality, experienced managers via secondaries. Deployment from H2 2024 as NAVs potentially bottom-out and discounts widen
Private Equity - Buyouts - Growth	High	High quality, experienced managers via secondaries Focus on operational value creation (creating earnings growth) and quality segments via secondaries / late primaries.
Private Debt	High	Barbell approach. Core focus on direct lending, senior positions, defensive segments and floating rates. Opportunistic exposure to distressed debt to capture opportunities from slowing economy
Private Real Estate	Medium	Highly fragmented and dislocated across sub assets classes. Favour non-discretionary like industrial and residential ('sheds and beds') in high growth sub-markets and active ownership. Sensitive to valuation issues/lags.
Private Infrastructure	Medium	Income producing assets with inflation protection. Favour "true" infrastructure in high quality diversified portfolios
Liquidity Bucket	N/A	Liquidity, capital preservation, low fees
Cash	N/A	Liquidity, capital preservation, low fees

Case Study- the attractiveness of private debt and PE Secondaries (as at Q2 2024)

Private Debt (Direct lending) has become increasingly attractive due to the flow-through of increased base rates and credit spreads since the beginning of 2022. Direct lending has historically exhibited lower loss rates and less volatility than traded debt strategies.

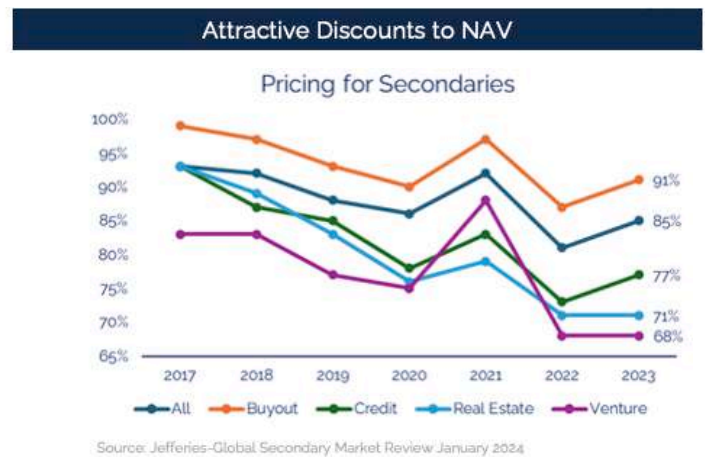


Private Direct Lending can provide superior downside protection

	Broadly Syndicated Loans	High Yield Bonds	Direct Lending
Yield	9.5 - 10.5%	7.5 - 8.0%	11.0 - 13.0%
Covenants	Generally covenant-lite	Covenant-lite / incurrence	Full maintenance-based package
Due Diligence	Through intermediary / bank (less than 1.5 weeks)	Through intermediary / bank (less than 1 week)	Direct and extensive (3 to 6 weeks)
Lender Influence	Low	Low	High
Credit Monitoring	Arms length based on standardised information	Arms length based on standardised information	High
Workout Control	Low	Low	High
Mark to Market Risk	Medium to high	High	Low to none
Annual Default Rate	2.40%	2.40%	2.20%
Annual Loss Rate	0.90%	1.50%	1.00%
Liquidity	Medium to high	High	Limited to none

Source: Oaktree, Cliffwater, Spire Capital analysis

Private Equity Secondaries have become increasingly attractive as discounts to NAV have widened through 2022 and 2023. Annual volumes have increased from \$20 billion in 2008 to over \$100 billion in 2021 & 2022 driven by the growth in private markets, portfolio management, and the 'denominator effect' (public market draw-downs resulting in overallocations to private market funds).



Investment Selection

To execute on global relative value, Spire draws on a combination of proprietary networks and quantitative market mapping tools including third-party vendors like Pitchbook, Preqin and others. This provides an investable universe of Underlying Investments to be screened and diligenced. Prospective Underlying Investments move through a selection process and are progressively eliminated in line with specific factors including Fund Structure (evergreen vs closed end), Fund Size, Vintage Year, Sector Exposure and Strategy.

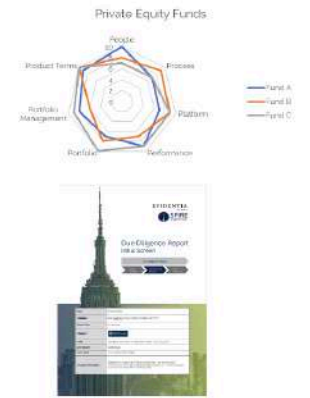
The screening criteria vary from asset class to asset class. A shortlist is determined and deep due diligence is performed in the Manager Assessment Model ("MAM") in line with the 8 'P's', namely; Plan, People, Process, Platform, Performance, Portfolio, Portfolio Management and Product Terms. Each of these areas are systematically assigned a rating based on the assessment of a number underlying inputs. These ratings are weighted to generate a combined rating for each of the potential Underlying Managers to help assess their relative attractiveness.

Case Study- Private Equity Manager Selection (as at Q2 2024)



- Market mapping process to define addressable universe of managers by private markets vertical
- Use of both technology platform and proprietary networks (built over 12 years) to define universe
- Quantitative screens applied to refine universe relevant to investment mandate including size of fund, sector exposure, fund structure (open vs closed)
- Preparation and maintenance of a Screening Report to benchmark managers in line with criteria and for IC approval

Manager	# Managers	Fund	Size	Structure	Investment Focus	Geography	Investment Strategy	Investment Style	Investment Size	Investment Frequency	Investment Horizon	Investment Risk	Investment Return
Neuberger Berman	1	Large & Mid-Cap	Large & Mid-Cap	Open-ended	Large & Mid-Cap	Global	Value	Value	Large & Mid-Cap	Quarterly	3-5 Years	Low	High
J.P. Morgan	1	Large & Mid-Cap	Large & Mid-Cap	Open-ended	Large & Mid-Cap	Global	Value	Value	Large & Mid-Cap	Quarterly	3-5 Years	Low	High
Hamilton Lane	1	Large & Mid-Cap	Large & Mid-Cap	Open-ended	Large & Mid-Cap	Global	Value	Value	Large & Mid-Cap	Quarterly	3-5 Years	Low	High
Knightsbridge	1	Large & Mid-Cap	Large & Mid-Cap	Open-ended	Large & Mid-Cap	Global	Value	Value	Large & Mid-Cap	Quarterly	3-5 Years	Low	High
Oaktree	1	Large & Mid-Cap	Large & Mid-Cap	Open-ended	Large & Mid-Cap	Global	Value	Value	Large & Mid-Cap	Quarterly	3-5 Years	Low	High
IEQT	1	Large & Mid-Cap	Large & Mid-Cap	Open-ended	Large & Mid-Cap	Global	Value	Value	Large & Mid-Cap	Quarterly	3-5 Years	Low	High
Cortland	1	Large & Mid-Cap	Large & Mid-Cap	Open-ended	Large & Mid-Cap	Global	Value	Value	Large & Mid-Cap	Quarterly	3-5 Years	Low	High
Coolabah Capital	1	Large & Mid-Cap	Large & Mid-Cap	Open-ended	Large & Mid-Cap	Global	Value	Value	Large & Mid-Cap	Quarterly	3-5 Years	Low	High



Implementation

Spire is focused on tax-efficient and fee-aware implementation. Spire’s structuring capability (in collaboration with its tax advisor) seeks to optimise tax outcomes for Australian Investors, such as the generation and pass through to Investors of Foreign Income Tax Offsets (FITOs) for any offshore taxes that may be paid by or withheld. With this, the Fund invests via the Underlying Fund, for which Spire is also the investment manager. The Underlying Fund allocates capital in line with the investment strategy to Underlying Investments. The purpose of the Underlying Fund, if necessary, is to elect to be treated as a Corporation for US tax purposes, to create a 'Tax Blocker' to ensure Investors are shielded from any requirements to file offshore tax returns, and to optimize the generation of any Foreign Income Tax Offsets (FITOs) from any offshore tax paid by or withheld from Underlying Fund.

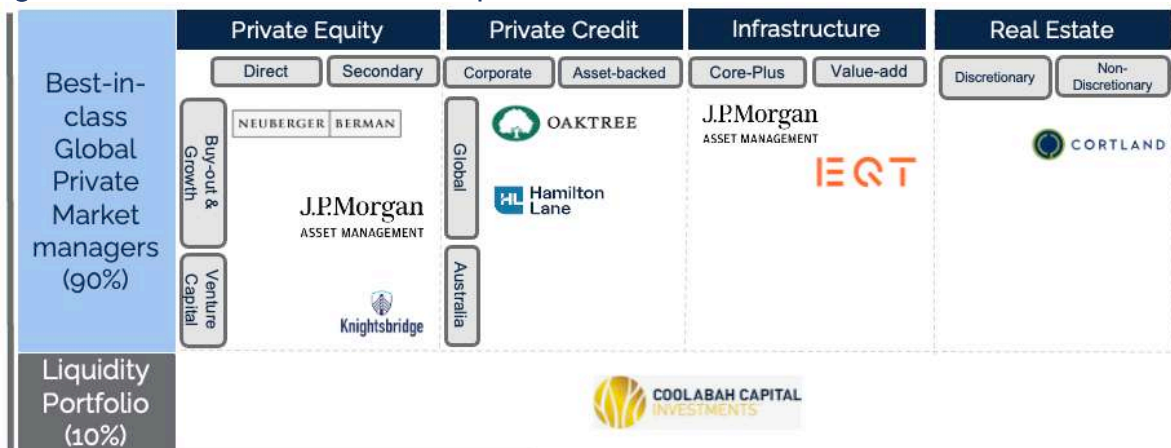
Spire is also focused on negotiating fee savings for Underlying Investments including significant reductions in the Underlying Management Fee or in some instances the removal of Performance Fees.

The Fund via the Underlying Fund will typically access private market investments using four strategies:

- Indirect evergreen investing: investing into evergreen open-ended structures that typically have an existing portfolio of investments. Evergreen investing can facilitate fast deployment, the ability to top-up exposure over time and stay invested through the recycling of capital. In some cases, evergreen investing can provide limited liquidity.
- Indirect closed-end investing: the investment into often blind-pool, closed ended private market funds. Indirect closed-end investing can provide diversification and access to niche strategies.
- Direct co-investment investing: investing directly into private companies and assets. Direct investing allows for fast deployment and often attractive fees.
- Direct secondary investing: the purchase of closed end private market funds and other private assets on a secondary basis. Secondary investing merits include fast deployment and J-curve mitigation.

The Investment Team in collaboration with the Investment Committee monitor the portfolio via systematic engagement with Underlying Investment managers to ensure adherence with the Portfolio Plan and key governing policies including the Liquidity Management Plan and Valuation Guidance Note.

Underlying Investments – Illustrative examples



1. Illustrative Managers are indicative only and subject to change. Private & Confidential - Not for publication or distribution

Key Terms

Registered Fund Name & APIR Code	Spire Global Private Markets Portfolio (AUD) – (“Fund”) APIR Code – Institutional Class: DAM7517AU
Fund Type	Australian Unit Trust, Registered AMIT. For structuring purposes, the Fund invests via the Blocker (‘Underlying Fund’), for which Spire is also the Investment Manager. The Underlying Fund allocates capital in line with the investment strategy to Underlying Investments
Responsible Entity (RE)	Ironbark Asset Management (Fund Services) Limited
Client Eligibility	Product Disclosure Statement – Retail via platforms and Wholesale for direct investors
Fund Objective	10-13%+ annualised net returns over rolling 5-year periods (excluding currency impacts). Low volatility relative to listed markets. Low correlation to listed markets.
Commencement	January 2024
Investment Manager	Spire Capital Limited
Investment Committee (IC)	5 person IC with 2 independent members. The IC oversee the investment strategy, manager selection and adherence to the Fund’s Liquidity and Valuation Policies. IC members - Peeyush Gupta AO (Independent Chair), Dr Richard Gregson (Independent), Matthew Cook (Spire), Stuart Haigh (Spire), Scott Dingle (Spire)
Minimum Investment	AUD 20,000 direct or Platform minimum
Platform Access	The Fund is in the process of being added to key platforms including Netwealth, HUB24, Macquarie Wrap, BT Panorama and PowerWrap/Praemium
Applications/Redemptions	Net Asset Value (NAV) unit pricing is on a monthly basis. Applications and Redemptions will be processed on a monthly basis
Liquidity Feature	Liquidity in the Fund may be offered until redemptions represent more than 5% of the NAV of the Fund. Besides the netting of applications against redemptions, sources of liquidity on offer to the Fund include: <ol style="list-style-type: none"> Liquidity portfolio – this is a specific sleeve dedicated to meeting the liquidity requirements of the Fund. It is limited to cash, daily-liquid assets and associated funds (e.g., money-market funds, traded debt funds) Income – Private debt, real estate and infrastructure funds may provide a running yield (e.g., coupons, rent, dividends) to the Fund. Private equity positions may also generate income Distributions – closed-end funds may periodically return capital and profits Redemptions – Liquidity may be realised by making a redemption from underlying evergreen open-ended funds Secondary sales – disposition of Units/LP interests in Underlying Investments via the secondary market.
Currency Hedging	Dynamic hedging policy using currency forward contracts
Management Fee	Fund <ul style="list-style-type: none"> Institutional Class – 0.62% p.a. available to all investors (normally 15m minimum until the NAV reaches 100m) Ordinary Class - 0.82% p.a. of the Net Asset Value of the Fund, payable to the RE who will distribute to the IM.
Performance Fee	Fund – Nil
Other Operating Expenses	Fund – direct operating costs and expenses (including currency management) estimated to be 0.24% per annum plus GST.
Tax considerations	Unitholders are not required to file US tax returns. The Fund will invest into the assets of the underlying investments via a blocker subsidiary (Underlying Fund), which will elect to be taxed as a corporate for US tax purposes on its taxable income. Where possible, the Fund will make a capital account election. This means certain eligible assets held by the Fund will be subject to the capital gains tax (“CGT”) provisions. Depreciation and other allowances, such as interest expenses, may be used to reduce US taxable income. US corporate tax paid by or withheld from this subsidiary paid by the Underlying Fund’s blocker is expected to generate a proportionate Foreign Income Tax Offsets (FITOs), which may be used by unitholders to offset Australian income tax liabilities on foreign sourced income or gains, including but not limited to returns from the Fund.

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References

1. Source – Spire Capital drawing on Cambridge Associates LLC Benchmark Statistics. As of June 2022
2. Source: Spire Capital drawing on Super Ratings (<https://www.superratings.com.au/top-10-super-funds/>), as at 31 March, 2023. Fund Websites and Annual Reports for HostPlus, Qantas Super, ART, HESTA, ESSSuper, Perpetual, AustralianSuper, Telstra Super and UniSuper.
3. Source: Pitchbook
4. Source Partners Group. Global equity issuance includes rank eligible, non-convertible IPOs and follow-on equity investments; excludes preferred shares, rights issued, closed-end funds, business development companies, and special purpose acquisition companies. Private markets fundraising includes global private markets across private equity, private real estate, and private infrastructure. Private markets fundraising data: Preqin (dated 24 January 2023); global equity issuance data: Refinitiv (dated 24 January 2023).
5. The statement can be substantiated by Spire Capital drawing from a slide in the presentation 'Spire Global Private Markets Portfolio (AUD)' that profiles the performance of Private Equity vs MSCI World Index and Private Markets vs KS-PME. The slide uses sources - Cambridge Associates LLC Benchmark Statistics. As of June 2022. Data reflects actual pooled horizon return, net of fees, expenses and carried interest. For funds formed between 1986 -2021. Dotted lines indicates long term horizons. Past performance does not predict future returns. RHS Source: Pitchbook, Vintage Years 2002 to 2021, Buyouts, Growth / Expansion, Venture Capital, Private Debt, Private Real Estate and Private Infrastructure

Important Information

DISCLAIMER

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