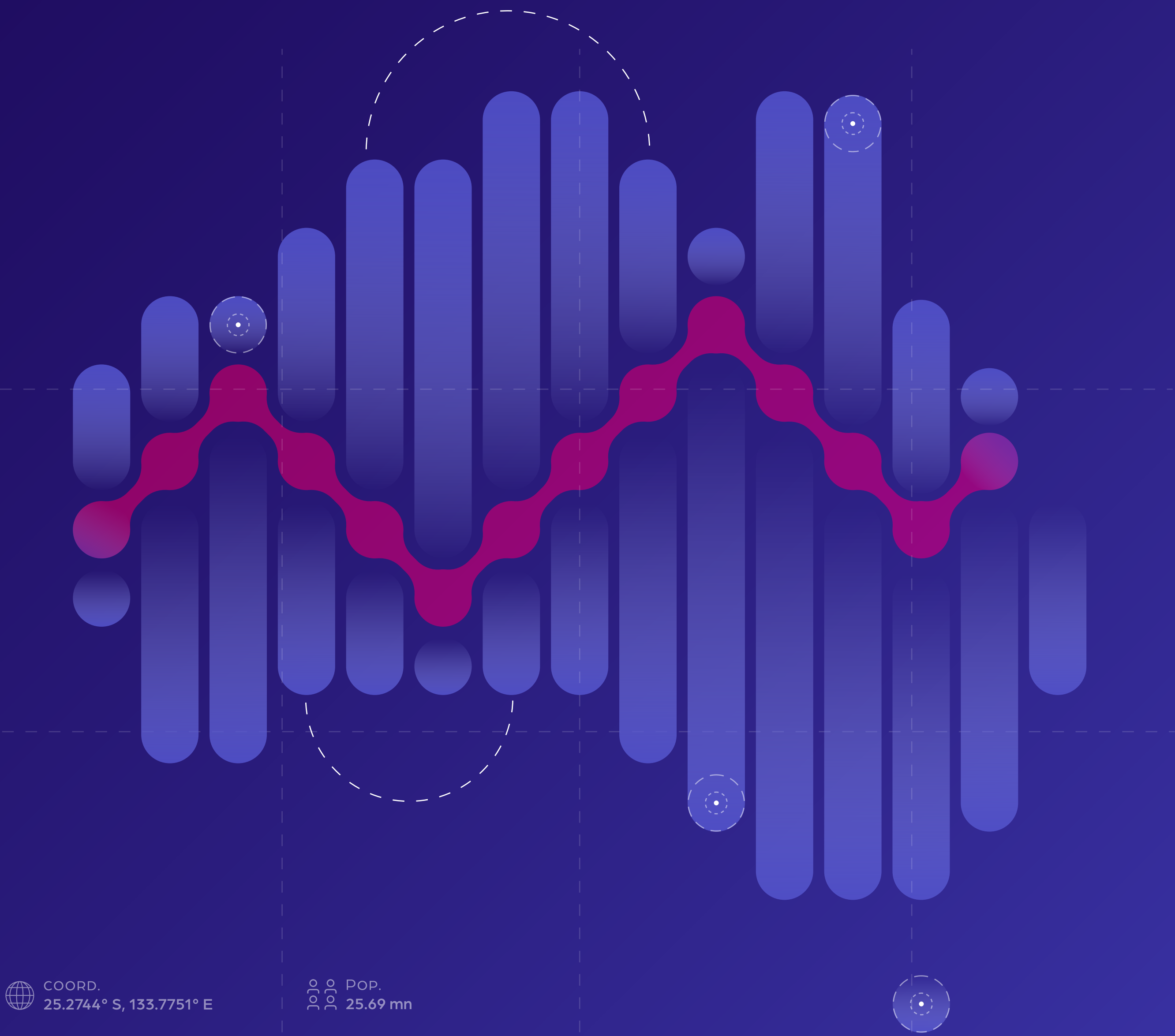
Australian Private Capital Market Overview:

A Preqin and Australian Investment Council Yearbook 2024



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About this report

Preqin and the Australian Investment Council are proud to present the 2024 edition of our annual Australian Private Capital Market Yearbook. The report tracks activity in the Australian private capital industry using data contained in the Preqin Pro platform, as well as on-the-ground information collected by Preqin and the Australian Investment Council.

- Analysis and quotes in this report are correct as of February 2024.
- The most recent assets under management (AUM) data is as of June 2023.
- Any reference to 'private capital' refers to private equity, venture capital, private debt, real estate, infrastructure, and natural resources asset classes.
  - Scope of assets under management (AUM), performance, and fundraising data for this report includes only private closed-end funds.
  - We track deals made by private capital fund managers and/or institutional investors.
  - Investor allocation figures to the respective asset class are generally a sum of allocations across three routes to market: direct, listed, and private funds.
- All $ currency units refer to Australian dollars unless otherwise stated.
- All annual figures correspond to calendar-year periods unless otherwise stated.
- Scope of data:
  - Australia-focused: funds that predominantly focus on Australia, regardless of manager headquarters.
  - Australia-based: funds managed by domestic fund managers, regardless of fund geographic focus.
- Any reference to 'Australasia' refers to Australia, New Zealand, Federated States of Micronesia, Guam, Kiribati, Northern Mariana Islands, Papua New Guinea, Samoa, Solomon Islands, and Vanuatu.
- For further definitions of asset-class-specific terms, you may refer to the full *Preqin Pro: Glossary of Terms.*[1]

1 https://docs.preqin.com/pro/Preqin-Glossary.pdf

About Preqin

Preqin is the Home of Alternatives®, the foremost provider of data, analytics, and insights to the alternative assets community. From pioneering rigorous methods of data collection to developing a revolutionary platform, we have committed ourselves to furthering the understanding of alternatives for over 20 years. Through close partnership with our clients, we continuously build innovative tools and mine new intelligence to enable them to make the best decisions every day.

For further information, please contact info@preqin.com.

About the Australian Investment Council

The Australian Investment Council is the peak body for private capital in Australia and has 200+ members who work to build strong businesses that support our communities, create new employment opportunities, and grow our nation's economy. Members of the Council comprise the leading domestic and international private capital firms operating in Australia, and span private equity, venture capital, private credit, family offices, superannuation, and sovereign wealth funds, as well as leading financial, legal, and operational advisors. Our investment members directly or indirectly employ approximately 500,000 people across the economy, contribute almost 3% to GDP, and support entrepreneurship and local capability by investing in Australian industries and businesses.

For further information, please contact research@investmentcouncil.com.au

Foreword

We are delighted to publish the 2024 Australian Private Capital Market Overview: A Preqin and Australian Investment Council Yearbook.

The past year was a period of recalibration for Australia's private capital markets. Against the backdrop of more challenging global macroeconomic conditions, fundraising and deal activity have come down from the record-highs achieved in 2022. However, it is worth noting that most full-year fundraising and deal figures across private capital asset classes in 2023 were equivalent or higher than five-year averages achieved from the pre-pandemic years from 2015 to 2019.

Overall, private capital industry assets under management (AUM) continued to climb, growing by 33% in 18 months to stand at $139.0bn as of June 2023. Real estate AUM grew by 28% in six months against December 2022 on the back of robust fundraising to become the largest asset class with $55.7bn in AUM. Private equity and venture capital (VC) have a combined AUM of $65.5bn, 30% higher than in December 2021. Private equity AUM stood at $45.5bn and VC AUM stood at $20.0bn as of June 2023.

Continued higher inflation and rate hikes have caused the private capital industry to refocus on profitability and portfolio optimization. This has precipitated several trends for deal-making. In private equity, we see a higher appetite for companies with stable earnings, as well as more secondary buyout transactions. In VC, GPs and LPs show a preference for earlier-stage companies owing to a lack of exit opportunities.

Higher interest rates have further propelled the growth of Australia's private debt market, in a space that has traditionally been dominated by the four largest banks. Under tighter bank lending conditions, AUM of closed-end private credit funds stands at $1.8bn as of June 2023, 2.5x that of 2020's $0.7bn. Debt strategies have increased in popularity across the asset classes. Two of the largest closed-end real estate funds closed in the past four years have employed debt strategies, namely Qualitas Construction Debt Fund II ($2.0bn) and Gresham Property Fund No. 8 ($1.6bn). VC has also been active in the venture debt space with OneVentures raising $78mn for its Growth Credit Fund IV that closed in 2020, and is now raising capital for its Credit Fund VI that launched in 2023.

Christoph Knaack
Chief Executive Officer
Preqin

Navleen Prasad
Chief Executive Officer
Australian Investment Council

Australia's tech start-up ecosystem has gained a reputation for producing high-quality start-ups thanks to homegrown unicorns, such as design software company Canva and payments platform Airwallex. Even though VC deal flow slowed in 2023, domestic and international GPs and LPs continue to look to Australia for target companies in which to invest. The IT sector has accounted for at least half of all VC deals since 2010 while the business services, financial and insurance services, health services, and consumer discretionary sectors have also been consistent areas of investment for the asset class. The Australian Government is also taking active steps to attract investments and amend its migration policies to ensure an innovative and sufficient talent pool.

Australia's progress toward a net-zero economy and aspirations to become a 'green energy superpower'[2] have led to new regulations and active fundraising among private energy infrastructure funds. Government-backed funds direct capital to objective-driven funds to achieve net-zero carbon emissions. In November 2023, the Australian Government released a public consultation for its Sustainable Finance Strategy, which aims to mobilize the private sector investment needed to support Australia's transition to a net-zero economy.

2 https://www.aph.gov.au/About_Parliament/House_of_Representatives/About_the_House_News/Media_Releases/Transition_to_a_green_energy_superpower

When we look at the investor profile in Australia, the number of family offices has grown along with the overall number of investors. They now account for more than a third of active investors in Australia, up from 7% five years ago. Private wealth investors are attracted to diversification benefits, inflation-hedging characteristics, and potential for higher risk-adjusted returns offered by Australia's private capital funds.

This report is the product of a close partnership between the Australian Investment Council and Preqin. As always, we are grateful to the participants who have contributed yearly data, so promoting transparency and knowledge sharing in our industry. The data helps us to provide a comprehensive review of Australia's private capital industry, which we hope you find valuable as you make your investment decisions.

2023: A year of recalibration

High interest rates slow investment but fundraising remains higher than before the pandemic

While Australia's private markets were not immediately affected by the pandemic and geopolitical tensions in 2021 and 2022, private capital markets operated against a backdrop of ongoing geopolitical tensions, higher interest rates, and persistent inflation in 2023.

To cool persistent inflation, the Reserve Bank of Australia raised interest rates 12 times from 0.1% in May 2022 to an 11-year high of 4.35% in November 2023. The last 0.25% increase came at a time when other central banks around the world opted to hold rates, but the central bank determined progress in bringing inflation back to the target range was looking slower than was earlier forecast, and that conditions in the labor market remained tight.[3]

Nonetheless, the Board decided to maintain the same rate at 4.35% at the first board meeting of 2024 in February. In Australia, similar to global trends, higher interest rates and challenging lending markets have made investors more cautious about committing and deploying capital.

Still, our data across fundraising, deals, and investor preferences to February 2024 show resilience in Australia's private markets. Here are our key findings:

1. **Australia-focused funds show outperformance**
   Australia-focused private capital funds (vintage years 2013 to 2020) demonstrated outperformance with a median net IRR of 14.5%, ahead of North America (14.0%), Asia (14.0%), Europe (13.8%) and Rest of World (8.8%) (Fig. 4).

2. **AUM growth driven by accumulation of dry powder**
   Overall, Australia-focused private capital AUM has more than doubled in slightly over four years to a record high of $139.0bn as of June 2023 (Fig. 1). Most of the increase has been in dry powder, owing to elevated fundraising in 2021 and 2022.

   Real estate has the largest share of total private capital AUM at $55.7bn (Fig. 3), having grown by 28% in the six months to June 2023 on the back of robust fundraising. Private equity and VC combined AUM is $65.5bn, with private equity accounting for $45.5bn in AUM and VC representing $20.0bn.

3. **Fundraising still higher than pre-pandemic levels after outlier years**
   In 2023, 37 Australia-focused private capital funds raised $10.0bn. The value was 43% lower than that raised in 2022, which was an extraordinary year for fundraising in Australia. When compared with the five-year average of $8.1bn for the pre-pandemic years of 2015–2019 (Fig. 5), fundraising activity in 2023 appears robust despite the more challenging macroeconomic conditions.

   Notably, the average size of funds closed in 2023 is at a record high of $271mn, indicating that some consolidation is under way. This is, in part, driven by investors becoming more cautious and choosing to commit capital to fewer, but more experienced, managers.

3 https://www.rba.gov.au/media-releases/2023/mr-23-35.html

4. **Private equity and VC deal activity has normalized**

Private equity-backed buyout and VC deal-making has recalibrated to levels seen before the peak activity in 2021 and 2022.

A total of 116 private equity-backed buyout deals, with an aggregate value of $13.2bn, were concluded in 2023. While the aggregate value was one-fifth of 2022's $64.4bn, it was just 6.8% lower than the five-year average of $14.2bn achieved from 2015 to 2019 (Fig. 21). Notably, the bulk of the deal value ($7.9bn) was contributed by secondary buyout deals (Fig. 22). It is also worth highlighting that almost half of the aggregate value in 2022 was from an outsized deal, the $29bn add-on investment into buy-now-pay-later platform Afterpay, by US fintech firm Block Inc.

A total of 260 VC deals were concluded in 2023 with an aggregate deal value of $3.8bn. The aggregate value has fallen by 56.3% against 2021's figure, and 36.7% against 2022's figure but is still more than double the five-year average of $1.5bn achieved from 2015 to 2019 (Fig. 25). The IT sector has consistently accounted for around half or more of the total number of VC deals since 2010 while business services, financial and insurance services, health services, and consumer discretionary have been consistent sectors for VC investment (Fig. 27).

Key findings

$139.0bn

Australia-focused private capital AUM has doubled over four years

$55.7bn

Real estate AUM as of June 2023 grew by 28% in six months from December 2022 to June 2023

$65.5bn

Combined private equity and VC AUM has grown by 30% in 1.5 years, with $45.5bn for private equity and $20.0bn for VC

$271mn

Average private capital fund size in 2023, a record high

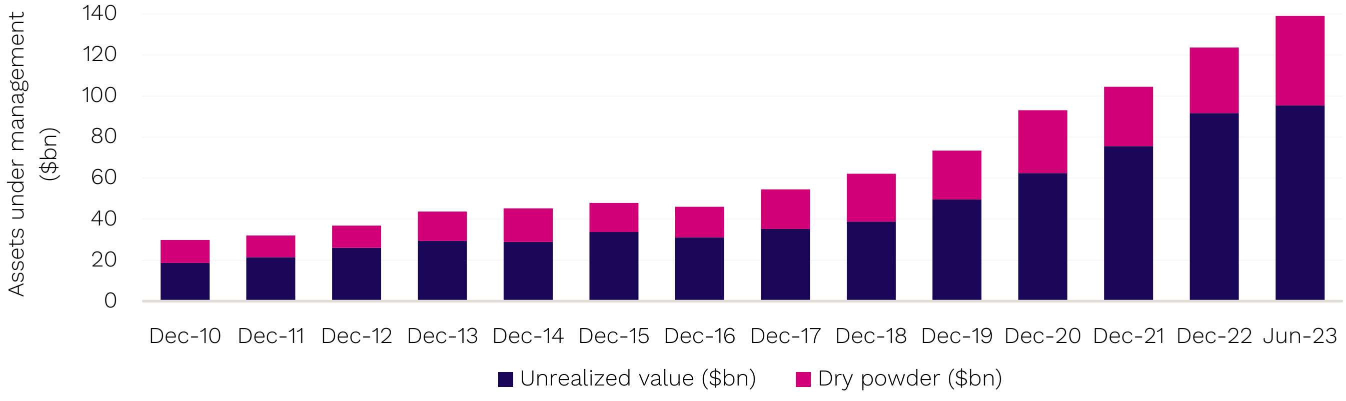
14.5%

Median net IRR of Australia-focused private capital funds with vintages 2013 to 2020

228

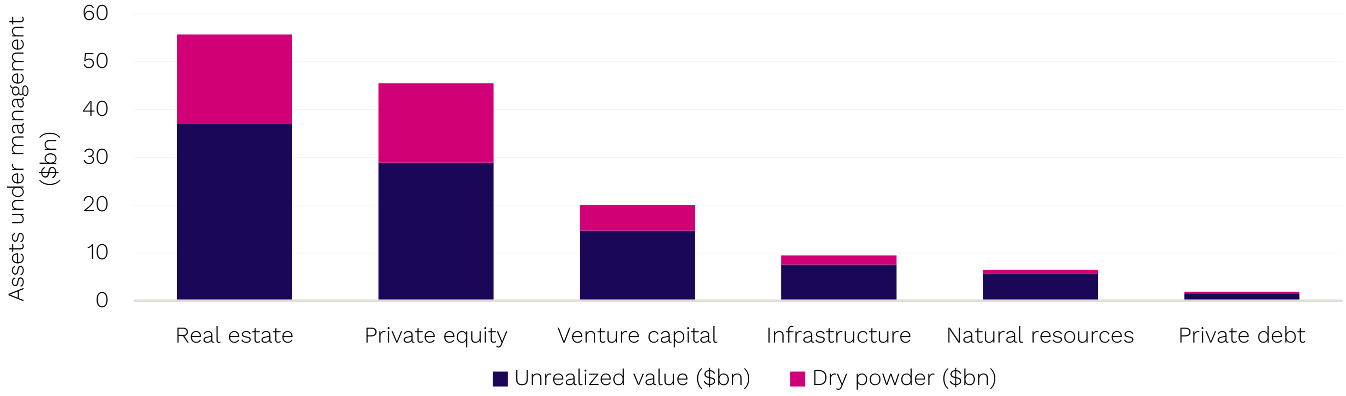
Number of Australia-based signatories to the UN PRI, up 7.5% on 2022 and the highest in APAC

Fig. 1: Australia-focused private capital assets under management, Dec 2010 – Jun 2023*



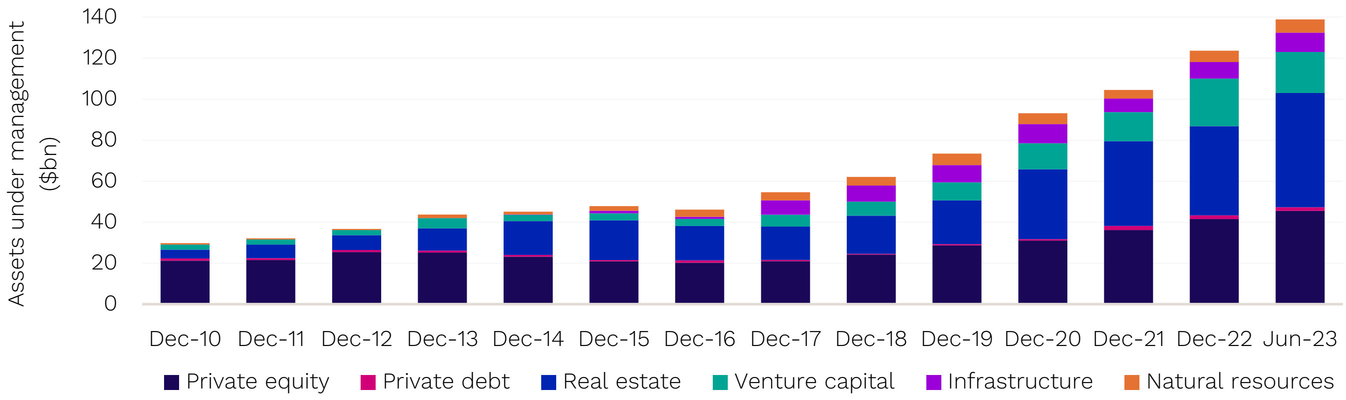
Source: Preqin Pro

Fig. 2: Australia-focused private capital assets under management by asset class as of Jun 2023*



Source: Preqin Pro

Fig. 3: Australia-focused private capital assets under management by asset class, Dec 2010 – Jun 2023*



Source: Preqin Pro

*The latest available AUM figures in February 2024 are as of June 2023.

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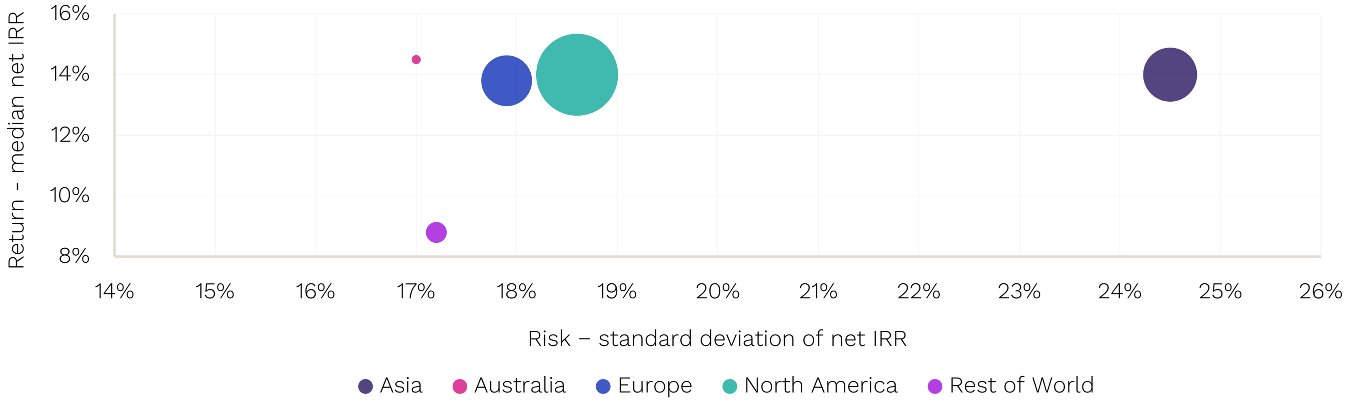
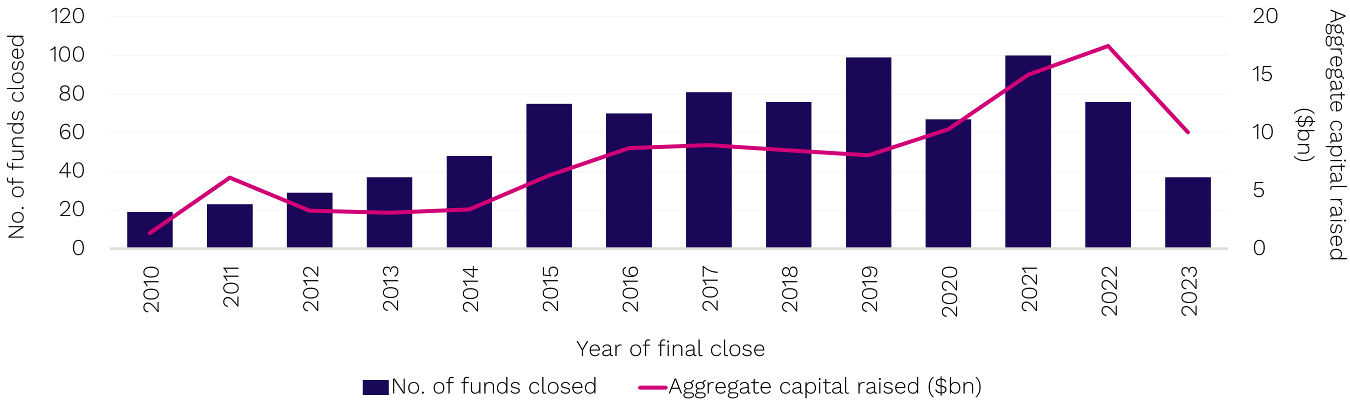
Fig. 4: Private capital: Risk/return by primary geographic focus (vintages 2013 – 2020)*



Source: Preqin Pro. Most up-to-date data

Fig. 5: Australia-focused private capital fundraising, 2010 – 2023



Source: Preqin Pro. Data as of February 2024

The fundraising picture

1 Consolidation among fund managers

We see a general trend of consolidation where more capital is being committed to fewer fund managers in an environment in which investors have become more risk averse, globally and in Australia.[4] The five largest funds have raised 61.2% of all capital in 2023, compared with 38.6% in 2019. They are Qualitas Construction Debt Fund II ($2.0bn), Pacific Equity Partners Secure Assets Fund II ($1.4bn), Crescent Capital Partners VII ($1bn), Enhanced Value Partnership Fund ($700mn), and Blackbird Ventures 2022 Follow-on Fund ($665mn).

Consolidation has been most evident for real estate. The average size of real estate funds almost doubled from $142mn in 2022 to $277mn in 2023.

4 https://preqin.com/insights/global-reports/2024-private-equity

2 Continuation and secondary funds are emerging

With investors seeking liquidity, continuation funds are emerging in Australia. For instance, Pacific Equity Partners closed a $400mn single-asset continuation fund for a portfolio company UP Education in August 2023.[5]

More secondary funds may emerge in 2024. The first fund of this kind in Australia was set up by SecondQuarter Ventures to purchase existing investments or shareholdings from founders, funds, investors, or employees. Its first fund closed at $51mn in March 2021, and the second fund closed at $100mn in November 2022.

5 https://www.avcj.com/avcj/news/3029736/pep-raises-continuation-fund-for-new-zealands-up-education

3 Debt strategies more prominent

Fundraising for debt strategies has been robust, given strong demand as investors navigate a tighter capital environment with stricter lending conditions after years of low interest rates. Overall, Australia-focused private debt grew during the pandemic, with AUM tripling between 2020 and 2021, then steadied in the past few years. AUM stood at $1.8bn as of June 2023.

In VC, venture debt is growing. OneVentures raised the $78mn OneVentures Credit Fund IV in April 2020 and is raising money for its fifth fund, targeting $150mn.

In real estate, the largest closed-end fund that achieved final close was the $2.0bn Qualitas Construction Debt Fund II (Fig. 17), which employs a debt strategy targeting the construction of residential properties in Australia.

4 Energy transition boosts infrastructure fundraising

Energy funds account for 62% of the aggregate capital raised by Australia-focused infrastructure funds closed from 2017 to 2024, up from 39% for funds closed between 2010 and 2016 (Fig. 19).

The Australian government has been driving capital to develop clean energy. For instance, Australian government-owned green bank Clean Energy Finance Corporation (CEFC) invested alongside private market investors in two of the largest infrastructure funds closed in the past five years, the $3.4bn QIC Global Infrastructure Fund and the $1.4bn Pacific Equity Partners Secure Assets II Fund.

Private equity

- Private equity remains the second largest private capital asset class, with $45.5bn in AUM as of June 2023, up from $41.5bn in December 2022.
- Rising interest rates globally have slowed fundraising for private equity. However, bigger firms have managed to raise capital despite macroeconomic headwinds. For example, Pacific Equity Partners raised $1.5bn for the Pacific Equity Partners Smart Metering Fund, which closed in November 2022, and is preparing to launch its seventh buyout fund, targeting a raise of $3bn.[6]
- Nine Australia-focused private equity funds raised $3.2bn in 2023 (Fig. 6). The amount of capital raised was a third of 2022's $8.9bn, and almost equal to the five-year average of $3.2bn from 2015 to 2019.
- The five largest private equity-backed funds closed since 2020 were buyout funds, the most recent being Crescent Capital Partners VII, which closed at $1.0bn in March 2023 (Fig. 7).

6 https://www.afr.com/street-talk/pep-prepares-biggest-fund-to-date-pitches-proven-money-making-prowess-20231030-p5eg33

Fig. 6: Australia-focused private equity fundraising, 2010 – 2023

Source: Preqin Pro. Data as of February 2024

Fig. 7: Five largest Australia-focused private equity funds closed, 2020 – Feb 2024

Fund	Firm	Headquarters	Fund size ($bn)	Fund type	Final close date
BGH Capital Fund II	BGH Capital	Melbourne	3.6	Buyout	Feb-22
Pacific Equity Partners Fund VI	Pacific Equity Partners	Sydney	2.5	Buyout	Jul-20
Pacific Equity Partners Smart Metering Fund	Pacific Equity Partners	Sydney	1.5	Buyout	Nov-22
Quadrant Private Equity No. 7	Quadrant Private Equity	Sydney	1.2	Buyout	Dec-20
Crescent Capital Partners VII	Crescent Capital Partners	Sydney	1.0	Buyout	Mar-23

Source: Preqin Pro. Data as of February 2024

Fig. 8: Five largest Australia-focused private equity funds in market as of Feb 2024

Fund	Firm	Target size ($mn)	Fund type
Pacific Equity Partners Fund VII	Pacific Equity Partners	3,000	Buyout
IFM Long Term Private Capital Fund 1	IFM Investors	1,000	Buyout
Riverside Australia Fund IV	The Riverside Company	450	Buyout
Anacacia Private Equity IV	Anacacia Capital	400	Buyout
Liverpool Partners II	Liverpool Partners	400	Growth

Source: Preqin Pro. Data as of February 2024

'Increasingly, Australian private equity sponsors are exploring continuation funds to create exits and liquidity by replacing existing investors with capital from global secondary sponsors with significant dry powder. This also improves the existing fund's DPI, which is favorable when marketing a new fund in today's tough fundraising environment.'

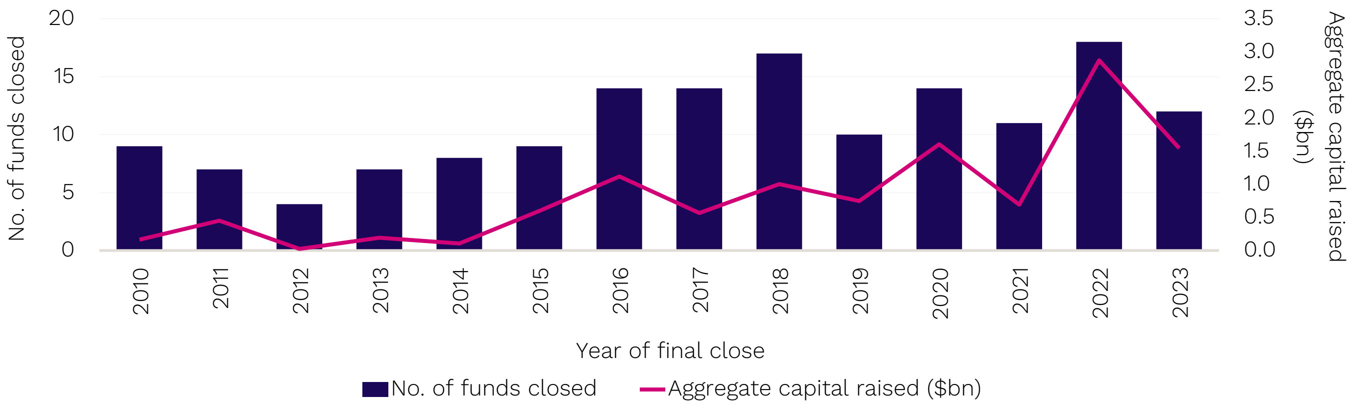
→ **Daniel Toblib,** Head of Fund Finance Origination, APAC, Macquarie Group

Venture capital

- Global sentiment on performance of venture capital has improved, according to Preqin's June 2023 investor survey.[7] In Australia particularly, 10% of investors surveyed indicated that Australia and New Zealand present the best opportunities in VC, compared with 5% in the previous years (Fig. 39).
- A total of 12 Australia-focused VC funds raised $1.5bn in 2023, about half of that raised in 2022, but higher than the five-year average of $0.8bn from 2015 to 2019 (Fig. 9).
- The largest fund closed in 2023 was the Blackbird Ventures 2022 Follow-on Fund, which closed in April 2023 at $665mn. The fund is a late-stage venture capital fund that invests in the technology sector in Australia and New Zealand (Fig. 10).

7 https://www.preqin.com/insights/research/investor-outlooks/preqin-investor-outlook-alternative-assets-h2-2023

Fig. 9: Australia-focused venture capital fundraising, 2010 – 2023



Source: Preqin Pro. Data as of February 2024

Fig. 10: Largest Australia-focused venture capital funds closed, 2020 – Feb 2024

Fund	Firm	Headquarters	Fund size ($mn)	Fund type	Final close date
Blackbird Ventures 2022 Follow-on Fund	Blackbird	Sydney	665	Expansion / Late stage	Apr-23
Square Peg Capital Fund 4	Square Peg	Sydney	547	Early stage	Oct-22
Telstra Ventures Fund III	Telstra Ventures	Melbourne	509	Venture (general)	Sep-22
AirTree Opportunity Fund 2021	AirTree Ventures	Sydney	445	Expansion / Late stage	Feb-22
Blackbird Ventures 2020 Follow-on Fund	Blackbird	Sydney	417	Expansion / Late stage	Dec-20

Source: Preqin Pro. Data as of February 2024

Fig. 11: Largest Australia-focused venture capital funds in market as of Feb 2024

Fund	Firm	Target size ($mn)	Fund type
Immutable Developer and Venture Fund	Immutable Ventures	749.9	Venture (general)
CSIRO Innovation Fund 3	Main Sequence Ventures	375.0	Venture (general)
Glow Capital Partners	Glow Capital Partners	300.0	Venture (general)
Tractor Ventures	Tractor Ventures	250.0	Early stage
AI/Human Fund	InterValley Ventures	200.0	Early stage

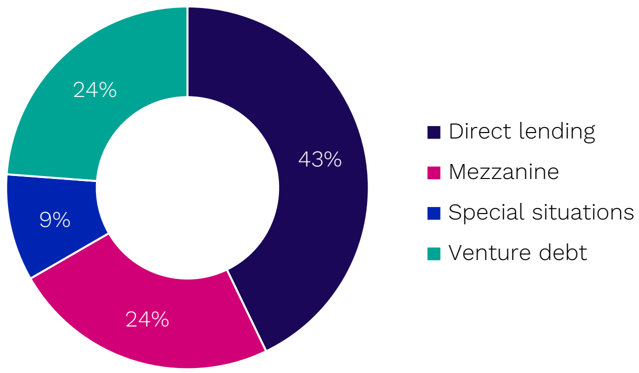
Source: Preqin Pro. Data as of February 2024

Private debt

- Private debt's floating rate facilities have been an attractive option for investors seeking inflation-hedging assets in challenging macroeconomic conditions.
- US private equity firm Ares Management Corp has achieved final close of $850mn for its Australasia-focused Ares Asia Direct Lending fund in December 2023 (Fig. 13), the largest in four years. Investors include sovereign wealth funds, pension funds, insurance companies, family offices, and high-net-worth individuals.[8]

8 https://www.bloomberg.com/news/articles/2024-02-09/ares-closes-1-7-billion-credit-fund-for-australia-new-zealand

Fig. 12: Australia-focused private debt fundraising by fund type, 2010 – Feb 2024



Source: Preqin Pro. Data as of February 2024

- Of the most notable Australia-focused private debt funds that closed in the past five years, two were venture debt funds. They were the $78mn OneVentures Credit Fund IV that closed in June 2020, and the $70mn Marshall Investments Growth Capital Partners Fund 2 that closed in December 2022 (Fig. 13).
- Open-ended funds are more dominant in the private lending space. Preqin tracks 31 open-ended private debt funds with over $14bn in total net asset value, the largest being Metrics Credit Partners Diversified Australian Senior Loan Fund at just under $5bn.

Fig. 13: Notable funds closed that employ a private debt strategy, 2020 – Feb 2024

Fund	Firm	Headquarters	Fund size ($mn)	Fund type	Final close date
Ares Asia Direct Lending	Ares Management Corp	Los Angeles	850	Direct lending	Dec-23
IFM Special Situations Credit Fund	IFM Investors	Melbourne	235	Direct lending - blended / Opportunistic debt	Apr-22
Australian Private Debt Fund	DCF Asset Management	Sydney	131	Direct lending	Dec-22
OneVentures Credit Fund IV	OneVentures	Sydney	78	Venture debt	Jun-20
Marshall Investments Growth Capital Partners Fund 2	Marshall Investments	Sydney	70	Venture debt	Dec-22

Source: Preqin Pro. Data as of February 2024

Fig. 14: Five largest Australia-focused private debt funds in market as of Feb 2024

Fund	Firm	Target size ($mn)	Fund type
DCF Private Debt IV	DCF Asset Management	300	Direct lending - senior debt
FC Senior Credit Fund 1	FC Capital	300	Direct lending - senior debt
OneVentures Credit Fund VI	OneVentures	150	Venture debt
Wingate Corporate Credit Fund 2	Wingate	100	Direct lending
OneVentures Growth Fund	OneVentures	30	Venture debt

Source: Preqin Pro. Data as of February 2024

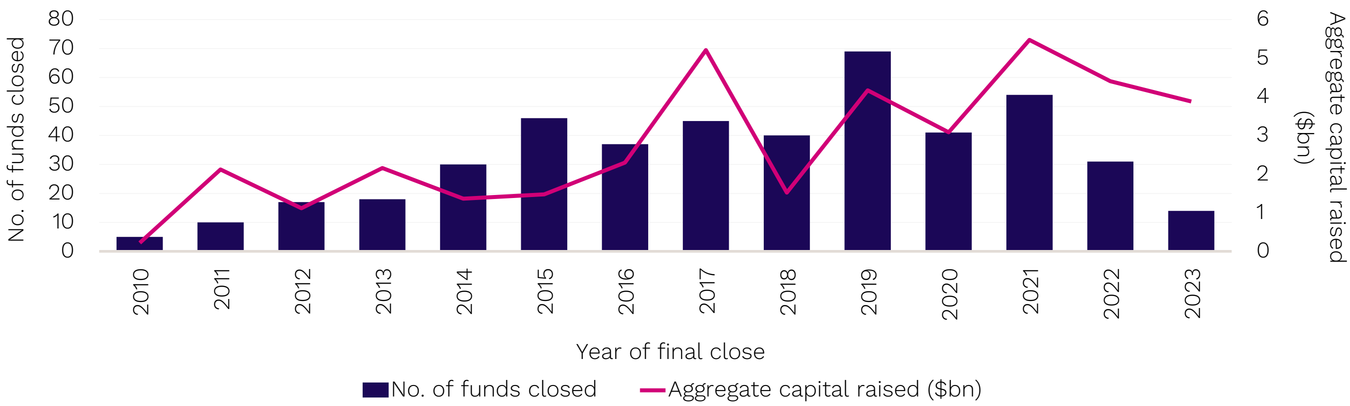
'Private credit was the asset class of 2023. As interest rates rose rapidly, the returns on floating rate debt trended towards a range of 8% to 12% (on a net basis). These are equity-like returns in an asset class more senior in the capital structure. The best opportunities in private credit this year will likely be in areas where banks have exited for structural or regulatory reasons. Private credit in 2024 will be about avoiding the losers, not picking the winners, and this will require a sharp focus on strong fundamentals with robust security, asset coverage and downside protection, and the rights and controls lenders need to safeguard capital, if required.'

→ **Frank Danieli,** Managing Director and Head of Credit Investments and Lending, MA Financial Group

Real estate

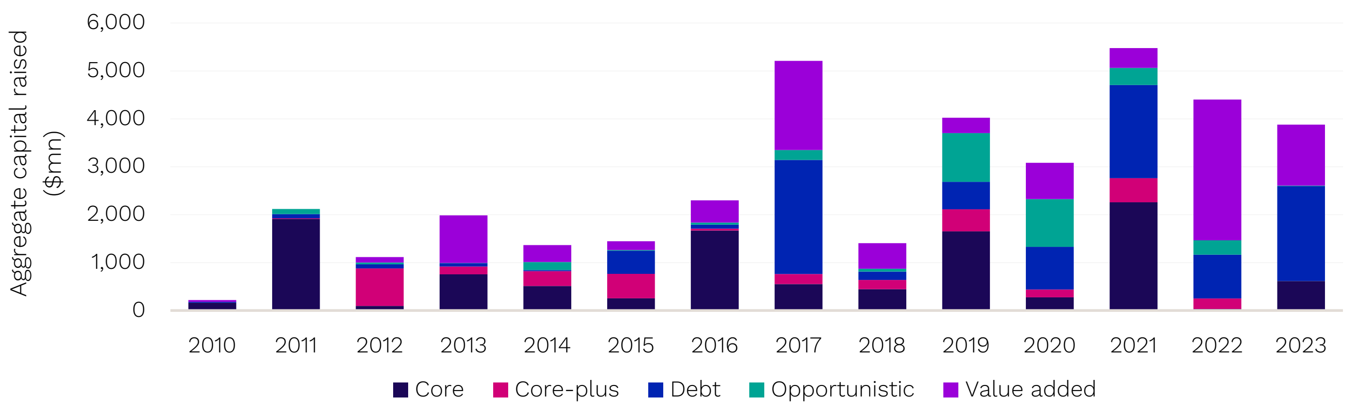
- Interest rate hikes have affected real estate investment sentiment. Australia-focused closed-end private real estate funds raised $3.9bn across 14 funds in 2023. The aggregate capital raised is 12% lower than 2022, but higher than the five-year average of $2.9bn from 2015 to 2019 (Fig. 15). The average fund size has increased to $277mn, almost doubling from $142mn in 2022, indicating there is consolidation in the asset class. Debt was the most dominant strategy in 2023, followed by value-added (Fig. 16).
- As an indication of investors' cautious deployment and fewer available opportunities, dry powder stands at $18.7bn, up 71% in six months.

Fig. 15: Australia-focused closed-end private real estate fundraising, 2010 – 2023



Source: Preqin Pro. Data as of February 2024

Fig. 16: Australia-focused closed-end private real estate fundraising, by strategy, 2010 – 2023



Source: Preqin Pro. Data as of February 2024

'A capital gap will emerge in 2024 and beyond within the Australian commercial real estate sector. Specifically, capital costs have become higher, and valuations for private commercial real estate assets remain under pressure. The recapitalization cycle may lead to a funding gap conservatively between $21-39bn, and we anticipate this will drive demand for private real estate debt.'

→ **Michael Wood**, Chief Executive Officer, Madigan Capital

Fig. 17: Five largest Australia-focused closed-end private real estate funds closed, 2020 – Feb 2024

Fund	Firm	Headquarters	Fund size ($bn)	Fund type	Property type	Final close date
Qualitas Construction Debt Fund II	Qualitas	Melbourne	2.0	Real estate debt	Diversified	Aug-23
Gresham Property Fund No. 8	Gresham Partners Group	Sydney	1.6	Real estate debt	Diversified	Dec-21
Greystar Australia Multifamily Fund I	Greystar Real Estate Partners	USA	1.3	Real estate core	Residential	Feb-21
ESR Australia Development Partnership	ESR	Hong Kong	1.0	Real estate opportunistic	Industrial	Jun-20
Salter Brothers Hospitality Real Estate Joint Venture	Salter Brothers	Melbourne	1.0	Real estate value added	Hotels	Jul-22

Source: Preqin Pro. Data as of February 2024

Fig. 18: Five largest Australia-focused closed-end private real estate funds in market as of Feb 2024

Fund	Firm	Headquarters	Target size ($bn)	Fund type	Property type
ESR EMP Logistics Fund	ESR	Hong Kong	3.8	Real estate core-plus	Industrial
Scape PBSA Core Program	Scape Australia	Sydney	3.0	Real estate core	Student housing
Healthcare & Life Sciences Fund	HMC Capital	Sydney	2.0	Real estate opportunistic	Medical/healthcare
GURNER™ Build-to-Sell Fund	Gurner Group	Melbourne	1.8	Real estate opportunistic	Residential
Qualitas Tactical Credit Fund	Qualitas	Melbourne	1.0	Real estate debt	Residential

Source: Preqin Pro. Data as of February 2024

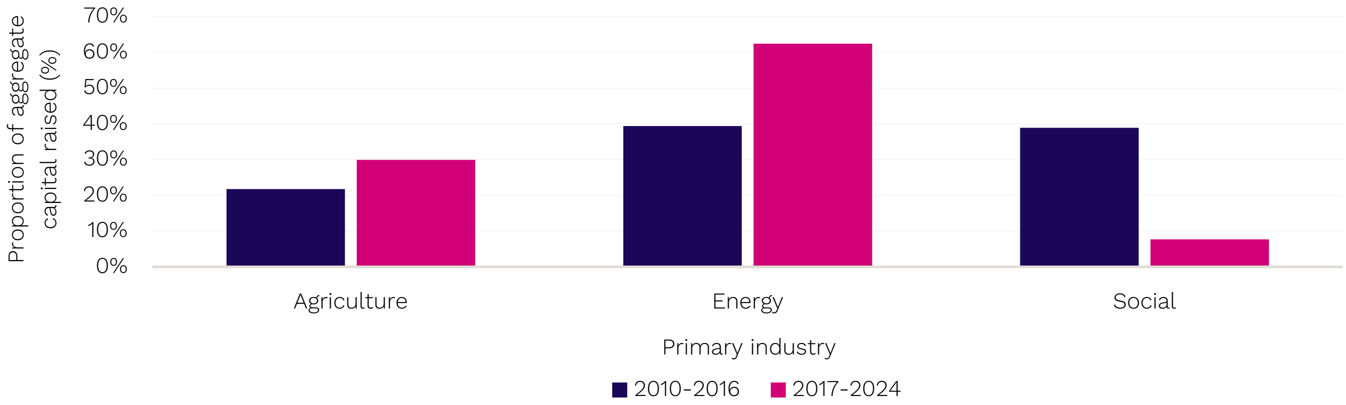
Infrastructure

- Rising costs of energy worldwide, coupled with the Australian Government's strong support for the clean energy transition, has spurred capital raising by energy infrastructure funds. Energy funds raised 62% of the total capital raised by infrastructure unlisted funds from 2017 to 2024, up from 39% from 2010 to 2016.
- The largest infrastructure fund closed in 2023 was the Pacific Equity Partners Secure Assets Fund II, which closed at $1.4bn in May (Fig. 20). It focuses on assets that have secure cash flows with operational upside located predominantly in Australia and New Zealand.

'The past 12 months have shown that groups with access to capital, either in balance sheet or from strong LP relationships, will be able to take advantage of the current market to provide structured solutions. Brookfield sees significant opportunities across alternative sectors, including all forms of Australian housing (including student and seniors) and logistics, as e-commerce grows, and housing affordability becomes top of mind. As data continues to be one of the fastest-growing global commodities, critical infrastructure, such as data centers and those that support physical and wireless networks, is in high demand. Australia's net zero goals and government support will impact every sector and attract significant capital.'

→ **Chris Sprangers,** Managing Director at Brookfield Asset Management

Fig. 19: Aggregate capital raised by Australia-focused unlisted closed-end infrastructure and natural resources funds closed by primary industry, 2010 – Feb 2024



Source: Preqin Pro. Data as of February 2024

Fig. 20: Five notable unlisted infrastructure funds closed, 2020 – Feb 2024

Fund	Firm	Headquarters	Fund size ($mn)	Primary strategy	Final close date
QIC Global Infrastructure Fund	QIC	Brisbane	3,375	Infrastructure core	Oct-21
Pacific Equity Partners Secure Assets Fund II	Pacific Equity Partners	Sydney	1,400	Infrastructure value added	May-23
Morrison & Co Growth Infrastructure Fund	H.R.L Morrison & Co	Wellington	580	Infrastructure value added	Aug-20
Pacific Equity Partners Secure Assets Fund	Pacific Equity Partners	Sydney	366	Infrastructure value added	Jun-20
Samchully Renewable Energy Private Placement Fund 2	Samchully Asset Management	Seoul	140	Infrastructure core	Sep-21

Source: Preqin Pro. Data as of February 2024

Deals and exits

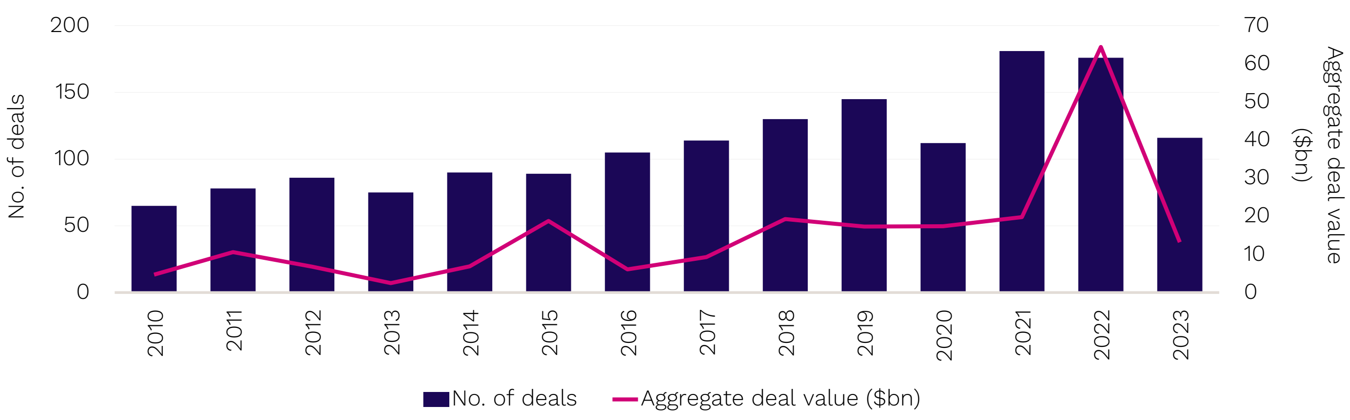
In 2023, higher interest rates drove up borrowing costs, which slowed deal activity

Key findings:

1. **Higher borrowing costs have dampened deal flow**

Higher interest rates have increased pressure on margins for private equity firms. This is particularly the case for leveraged buyouts. In 2023, Australian private equity-backed buyout deal value reached an aggregate $13.2bn, around one-fifth of the value in 2022 (Fig. 21). However, when compared with the five-year average of $14.2bn between 2015 and 2019, the deal value for 2023 is just 6.8% lower.

Fig. 21: Private equity-backed buyout deals* in Australia, 2010 – 2023



Source: Preqin Pro. Data as of February 2024

*Figures exclude LP direct and private debt deals, and include all private equity-backed deals excluding VC.

2. **More secondary buyout deals**

More secondary buyouts were completed compared with previous years, with billion-dollar deals involving businesses with stable earnings. In 2023, $7.9bn of aggregate deal value came from secondary buyouts, accounting for almost 60% of total private equity-buyout value (Fig. 22). Some notable deals include

- Energy Exemplar, an energy analytics business, was acquired by Blackstone/ Vista for $2.5bn in October 2023. It is making around $120–140mn in annual recurring revenue, growing 30% per year.[9]
- Australian Venue Co. Limited has over 200 venues in Australia and New Zealand. PAG bought the majority stake in the company from KKR for $1.4bn in August 2023. Australian Venue Co. was forecast to make $195mn in FY2023/2024 in adjusted earnings before interest, tax, depreciation, and amortization, higher than $112mn forecast in a 2021 prospectus.[10]
- VetPartners is a network of veterinary professionals making about $131mn annually. The chain was acquired by EQT for over $1.4bn in October 2023.[11]

9 https://www.afr.com/chanticleer/blackstone-helps-unheralded-adelaide-software-company-to-unicorn-dream-20231101-p5egl1

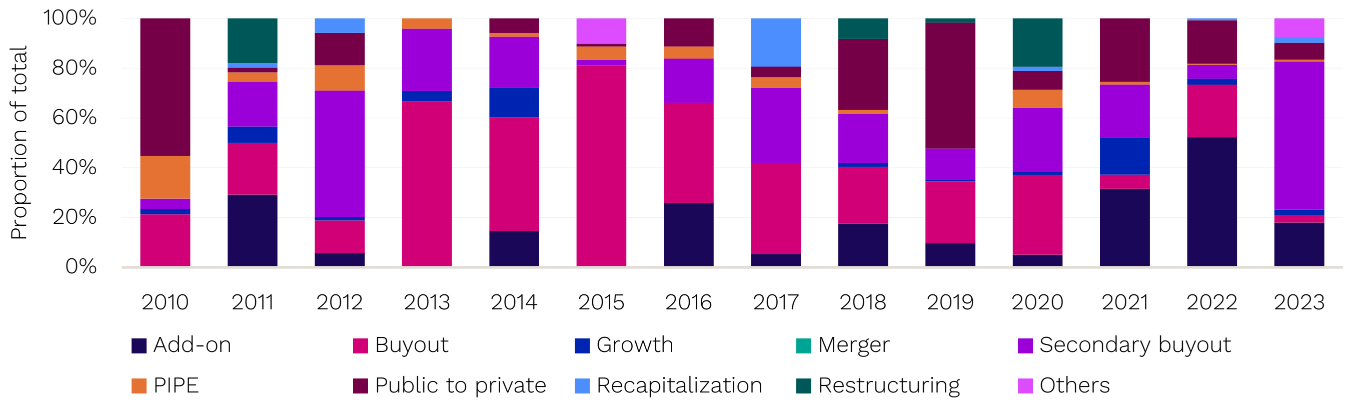
10 https://www.afr.com/street-talk/kkr-offloads-australian-venue-co-to-pag-asia-capital-for-1-4b-20230824-p5dz33

11 https://globalprivatebanker.net/swedish-private-equity-firm-eqt-to-acquire-vetpartners-for-1bn-plus/

'The turbulence of recent years has led to the deferral of many sponsor exits. Divergent views on the economic outlook and implications for business-specific performance, combined with a rapidly changing yield curve, have challenged market participants' ability to agree to fair value. These conditions have contributed to a cohort of now-legacy assets that need to return to market, providing fertile ground for secondaries. Numerous successful local secondary investments have proved that successor GPs can add value, taking businesses through their next stage of evolution.'

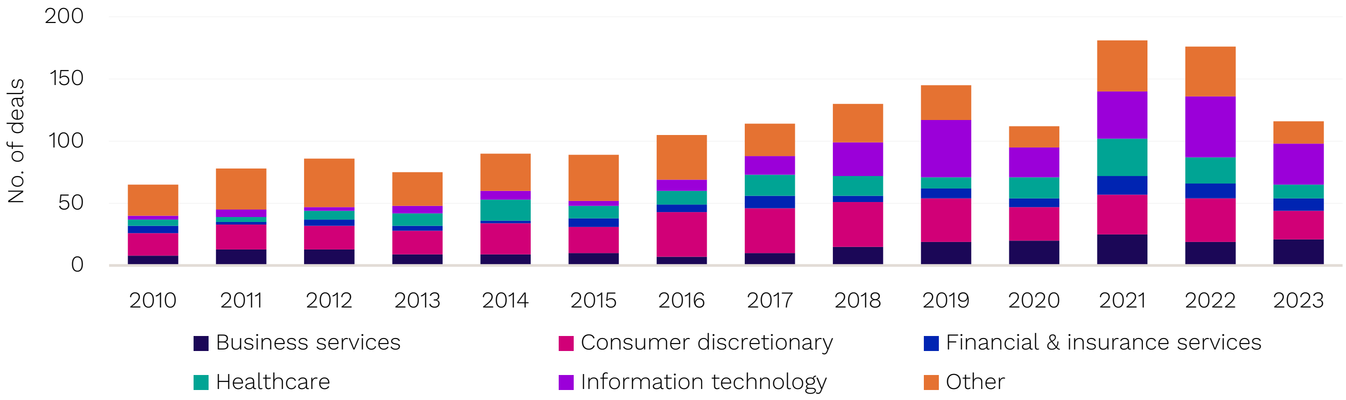
→ **Matt Robinson**, Managing Director at Pacific Equity Partners

Fig. 22: Aggregate deal value of private equity-backed buyout deals* in Australia by investment type, 2010 – 2023



Source: Preqin Pro. Data as of February 2024

Fig. 23: Number of private equity-backed buyout deals* in Australia by industry type, 2010 – 2023



*Figures exclude LP direct and private debt deals, and include all private equity-backed deals excluding VC.

Source: Preqin Pro. Data as of February 2024

Fig. 24: Largest private equity-backed buyout deals* in Australia in 2022 – Feb 2024

Portfolio company	Investment type	Investor(s)	Deal size ($bn)	Deal status	Investor location	Industry	Deal date*
Afterpay Australia Pty Ltd	Add-on	Block, Inc.	29.0	Completed	US	Information technology	Jan-22
VicRoads	Buyout	Macquarie Asset Management, Australian Retirement Trust, Aware Super	11.0	Completed	UK, Australia	Consumer discretionary	Jun-22
Crown Resorts Limited	Public to Private	Blackstone Group	8.8	Completed	US	Consumer discretionary	Feb-22
Energy Exemplar Proprietary Limited	Secondary Buyout	Vista Equity Partners, Blackstone Group	2.5	Announced	US	Information technology	Oct-23
La Trobe Financial Services Pty Limited	Secondary Buyout	Brookfield Asset Management	1.6	Completed	Canada	Financial & insurance services	Mar-22

Source: Preqin Pro. Data as of February 2024

*Preqin Pro prioritizes the date the deal was agreed and announced (where it is subject to regulatory filings and customary closing conditions before completion) over its completion date. Therefore, as an example, the $1.6bn acquisition of MYOB by KKR is not reflected in this table (as it was announced in December 2018).

3. VC prefers early-stage start-ups

High funding costs and lower valuations at exit mean VC firms are showing a preference for early-stage companies. Investing in earlier stages allows managers to secure potential upside. Between 2019 and 2023, 67–80% of total deals are angel, seed, series A, and series B rounds (Fig. 26).

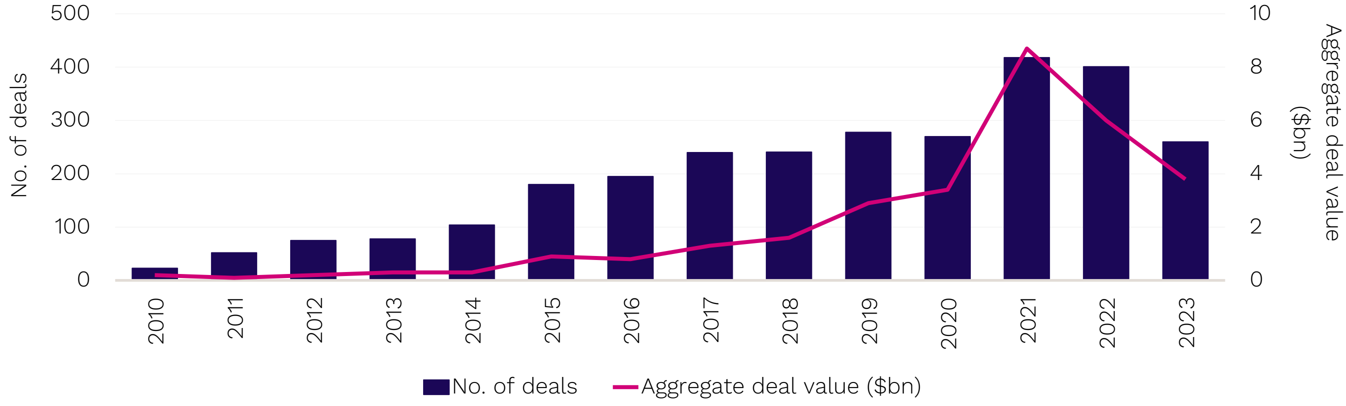
Investors, both domestic and international, are attracted to Australia's track record of producing high-quality technology companies, such as graphic design firm Canva and fintech company Airwallex. The most recent unicorn is Employment Hero, which secured $263mn in a series F round led by Technology Crossover Ventures bringing its valuation to $1.3bn, the second largest deal since the start of 2022 (Fig. 28).[12] Employment Hero is Australia-based and offers a cloud-based HR and payroll platform, which also comes with recruiting and management capabilities.

The IT sector has consistently accounted for about half of VC deals from 2010 to 2024 so far, despite peaks and troughs in total number of deals in recent years (Fig. 27), while investment into business services, financial and insurance services, health services and consumer discretionary has remained consistent. VC will be further helped by new migration policies that will encourage skilled migrants to settle in Australia. Incentives include a Skills in Demand visa that is not tied to a single sponsor, and a potential pathway to permanent residency.[13]

12 https://www.forbes.com/sites/catherinewang/2023/10/24/human-capital-australias-newest-unicorn-is-this-hr-startup/?sh=2b75bf9c3f79

13 https://immi.homeaffairs.gov.au/programs-subsite/migration-strategy/Documents/migration-strategy.pdf

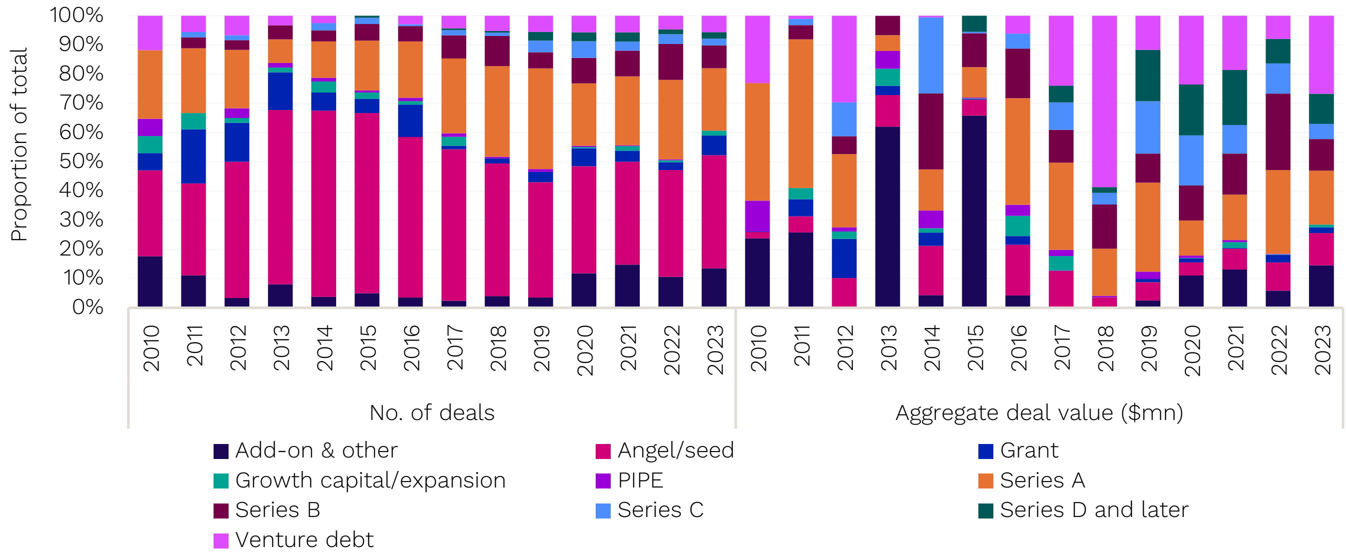
Fig. 25: Venture capital deals* in Australia, 2010 – 2023



*Figures exclude add-ons, grants, mergers, secondary stock purchases, and venture debt.

Source: Preqin Pro. Data as of February 2024

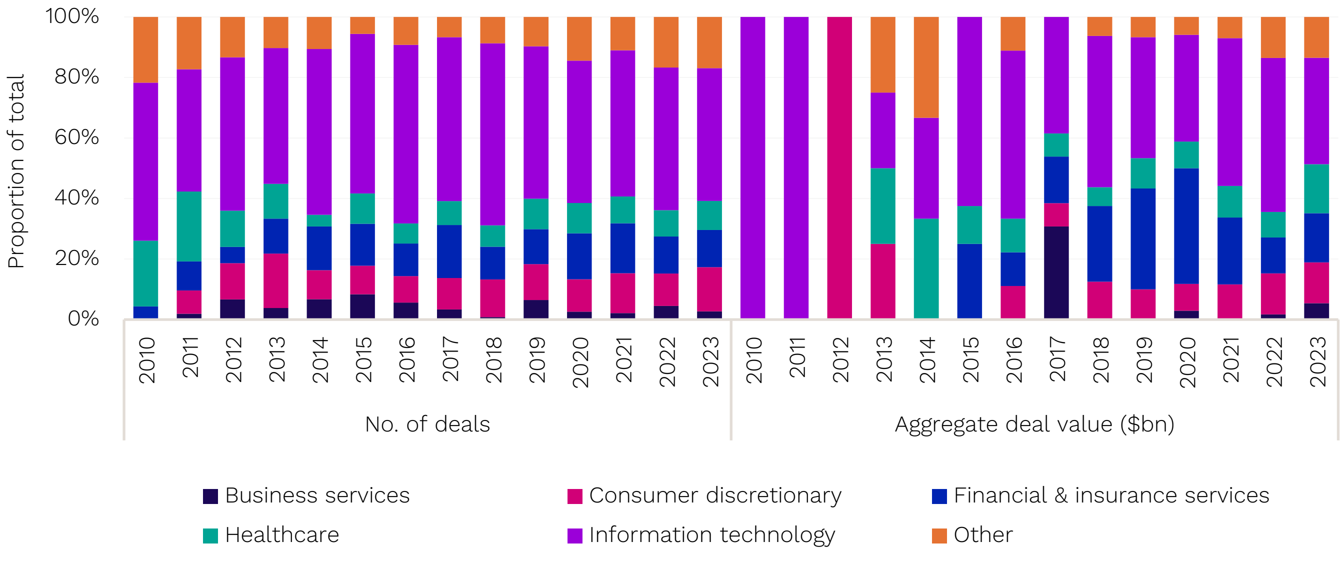
Fig. 26: Venture capital deals* in Australia by stage, 2010 – 2023



*Figures exclude unspecified exits.

Source: Preqin Pro. Data as of February 2024

Fig. 27: Venture capital deals* in Australia by verticals, 2010 – 2023



*Figures exclude add-ons, grants, mergers, secondary stock purchases, and venture debt.

Source: Preqin Pro. Data as of February 2024

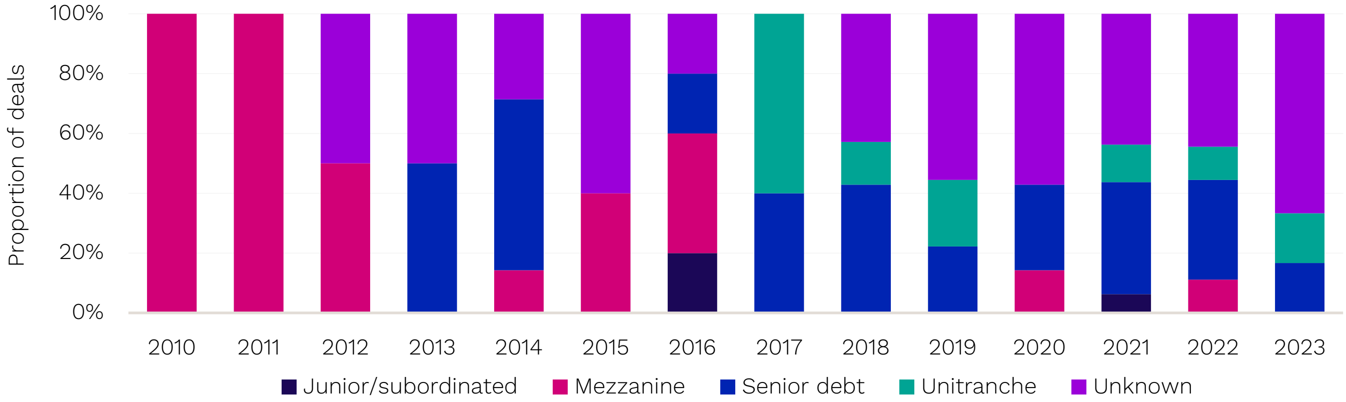
Fig. 28: Largest venture capital deals* in Australia, 2022 – Feb 2024

Portfolio company	Investment type	Investor(s)	Deal size ($mn)	Deal status	Investor location	Industry	Deal date*
Immutable Pty Ltd	Series C	Temasek Holdings, Mirae Asset Global Investments, Tencent Investment, Liberty Global Ventures, AirTree Ventures, Prosus Ventures, Princeville Capital, Arrington Capital, ParaFi Capital, Fabric Ventures, King River Capital, Declaration Partners, Alameda Research Ventures, Possible Ventures, Animoca Brands	270	Completed	Singapore, South Korea, China, US, Australia, South Africa, UK, Hong Kong SAR - China, France	Information technology	Mar-22
Employment Hero Pty Ltd	Series F	TCV, Insight Partners, OneVentures, SEEK, AirTree Ventures	263	Completed	US, Australia, Singapore	Information technology	Oct-23
Airwallex Pty Ltd	Unspecified round		247	Completed		Financial & insurance services	Jul-23
Saluda Medical Pty Ltd	Unspecified round	TPG, Wellington Management, Fidelity Investments, Redmile Group, Action Potential Venture Capital	224	Completed	US	Healthcare	Apr-23
Employment Hero Pty Ltd	Series E	OneVentures, SEEK, AirTree Ventures	181	Completed	Australia, Singapore	Information technology	Feb-22

Source: Preqin Pro. Data as of February 2024

*Preqin Pro prioritizes the date the deal was agreed and announced (where it is subject to regulatory filings and customary closing conditions before completion) over its completion date. Therefore, as an example, the $1.6bn acquisition of MYOB by KKR is not reflected in this table (as it was announced in December 2018).

Fig. 29: Private debt-backed deals in Australia by debt type, 2010 – 2023



Source: Preqin Pro. Data as of February 2024

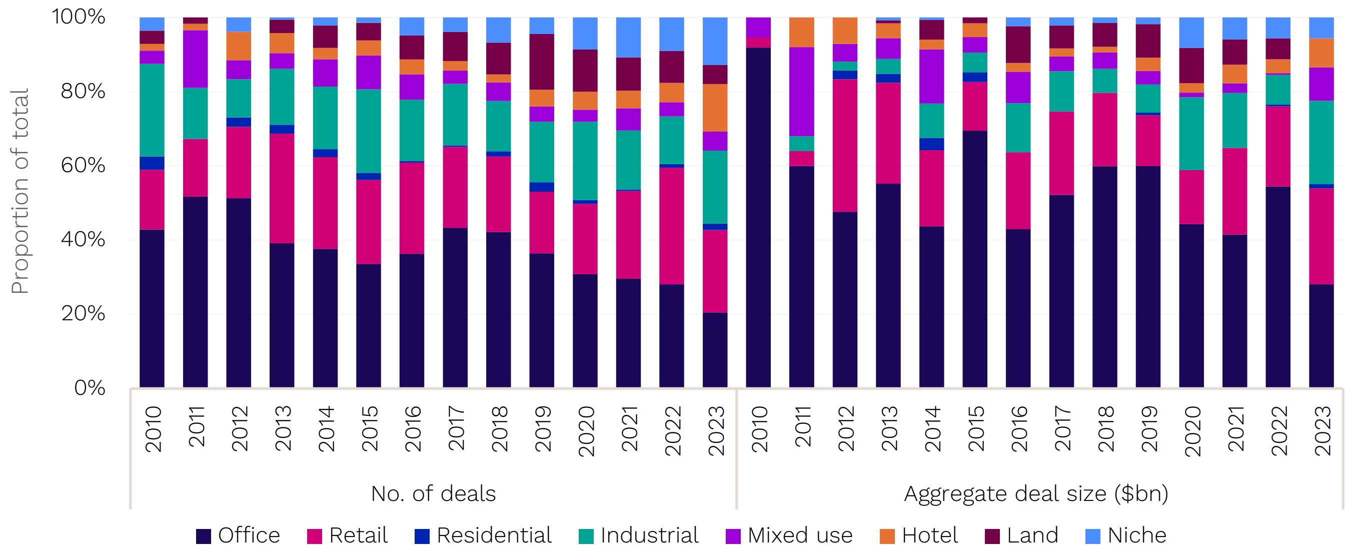
4. Fewer office deals, but more hotel deals

The number of office deals has fallen yearly since 2021, a sign that hybrid-working arrangements have become more entrenched. In 2023, only 24 private office deals have been concluded, with an aggregate value of $2.5bn (Fig. 30). This is a stark difference from 2019's 114 office deals with an aggregate value of $16.6bn. Overall, higher interest rates have resulted in a softer real estate market where sellers are holding onto assets or selling at discounts.

On the other hand, 15 hotel deals were concluded in 2023, four more than the previous year. Investors have committed capital hoping for a surge in international travel to Australia, particularly since Chinese visitors could travel again as of January 2023. Tourism Research Australia's November 2023 forecasts project the number of international visitors will recover in 2024 to 98% of pre-pandemic levels, and in 2023, international tourists would have spent an average of almost $4,000 each.[14]

14 https://www.trademinister.gov.au/minister/don-farrell/media-release/australian-tourism-continues-recover

Fig. 30: Private real estate deals in Australia by primary asset type, 2010 – 2023



Source: Preqin Pro. Data as of February 2024

Fig. 31: Five largest private real estate deals in Australia, 2022 – Feb 2024

Deal name	Deal date	Deal size ($mn)	Primary asset type	Buyers	Sellers
Southern Cross Towers	Apr-22	2,100.0	Office	Charter Hall Group, GIC	Brookfield Asset Management, Blackstone Group
Australia, Office Portfolio	Feb-22	1,131.0	Office	Link REIT	Oxford Properties, Investa Property Group
Australia and Asia, Industrial Portfolio	Mar-23	1,037.3	Industrial	Mapletree Logistics Trust	CBRE Investment Management
8-10 Lee Street	Mar-22	840.0	Land	Dexus	Unidentified seller/s
60 Margaret Street	Oct-23	777.2	Office	MEC Global Partners Asia, AsheMorgan	Mirvac Funds Management, Blackstone Group

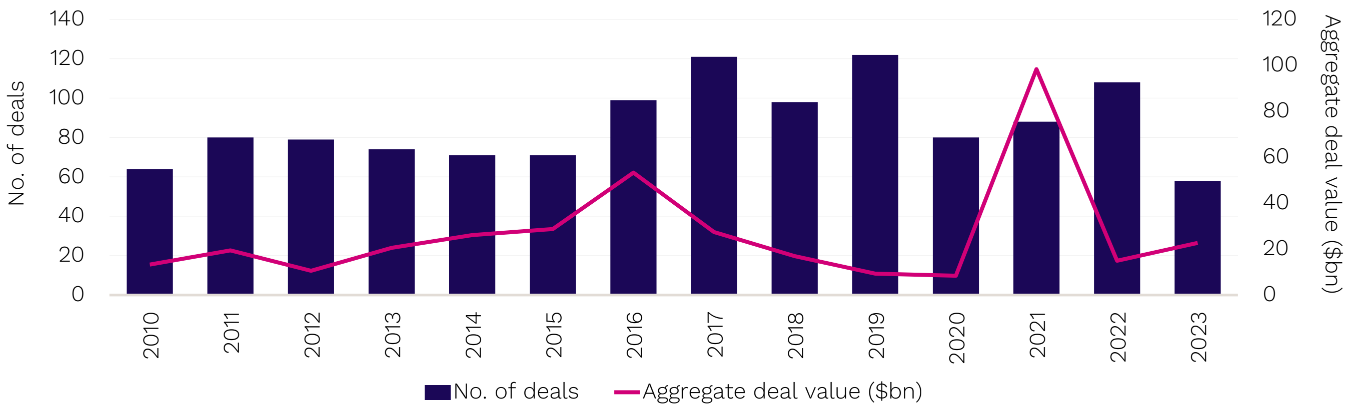
Source: Preqin Pro. Data as of February 2024

5. Energy transition is powering large infrastructure deals

According to the Preqin 2024 Global Report: Infrastructure, infrastructure funds are drawing billions of dollars as the world undergoes an energy transition, which is likely to translate to infrastructure deals.[15] This trend has played out in Australia in the past two years, with large infrastructure deals being concluded in the battery storage, renewable energy, and liquified natural gas (LNG) industries. LNG is increasingly being used as transition fuel in the energy transition.

15 https://www.preqin.com/insights/global-reports/2024-infrastructure

Fig. 32: No. and aggregate deal value of private infrastructure deals, 2010 – 2023



Source: Preqin Pro. Data as of February 2024

Fig. 33: Five largest private infrastructure deals in Australia by primary asset type, 2022 – Feb 2024

Deal name	Deal date	Deal size ($mn)	Industry	Buyers	Sellers
CWP Renewables	Dec-22	4,000	Renewable Energy	Squadron Energy	Partners Group
Axicom	Apr-22	3,500	Telecommunications	Australia Tower Network	Macquarie Asset Management - Infrastructure, UBS Infrastructure Asset Management, UniSuper
Valent Energy	Jan-24	2,000	Energy	Gaw Capital Partners, BW Group	-
Australian Integrated LNG Project Portfolio	Oct-22	2,000	Energy	EIG Global Energy Partners	Tokyo Gas
Alinta Energy Pilbara	Aug-23	1,500	Other	APA Group	Alinta Energy Group

Source: Preqin Pro. Data as of February 2024

The largest infrastructure deal since 2022 was that of CWP Renewables, acquired by Squadron Energy for $4bn in December 2022 (Fig. 33). CWP Renewables is developing over six gigawatts (GW) of grid-connected renewables, including wind, solar, and battery storage, and currently manages wind and solar projects totaling nearly 2GW in capacity.[16] Squadron Energy is part of billionaire Andrew Forrest's family office, Tattarang.

Earlier this year, Valent Energy was acquired by Hong Kong-headquartered private equity firm Gaw Capital Partners and Singapore-headquartered BW Group for $2bn to develop more than 1.6GW of battery storage projects.

6. A challenging exit environment

Overall, there have been few exit opportunities available for private equity and VC players due to fewer funding rounds and a quiet IPO pipeline. Tech start-ups are striving to avoid raising 'down rounds', where valuations are lower than the previous round.

VC funds nearing their 10-year horizons may sell stakes to return liquidity to investors. For instance, Blackbird Ventures has agreed to sell a stake in graphic design company Canva to investors in the US for a reduced valuation for the company of USD $25.5bn, down from USD $40bn at its last capital raise.[17]

At least eight unlisted property funds have 'limited, deferred, ceased, or staggered redemptions' offered to their investors in a softer real estate market.[18] This is to avoid selling assets at discounts to provide liquidity for investors that want to redeem capital to rebalance portfolios.

16 https://cwp.global/grid-connected-renewables/

17 https://www.afr.com/technology/super-funds-cash-in-as-blackbird-sells-down-canva-stake-20230808-p5duse

18 https://www.afr.com/property/commercial/6b-worth-of-property-funds-slash-withdrawals-in-cash-squeeze-20231006-p5eab1

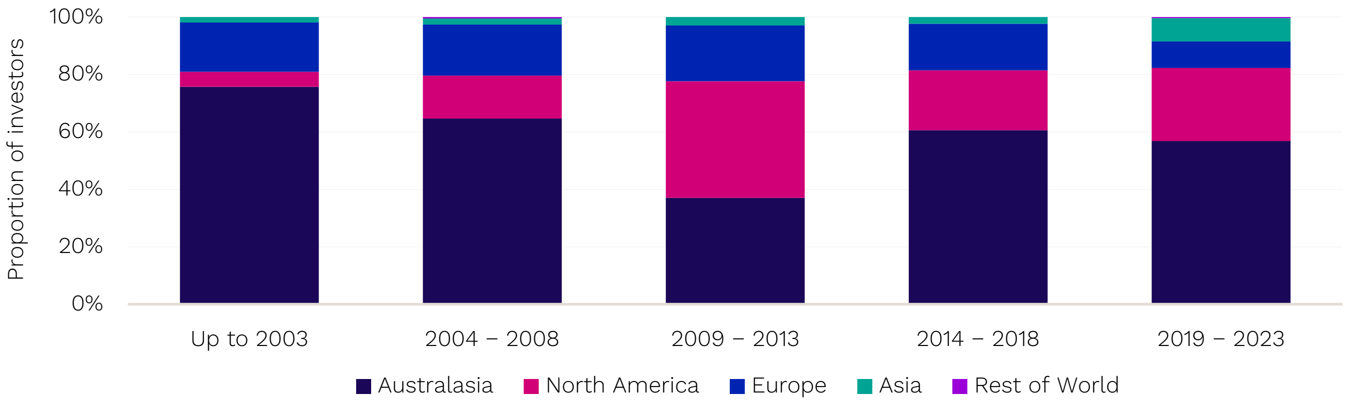
Alternative investors in Australia

More Asian investors, and family offices, actively investing in alternatives

Key findings:

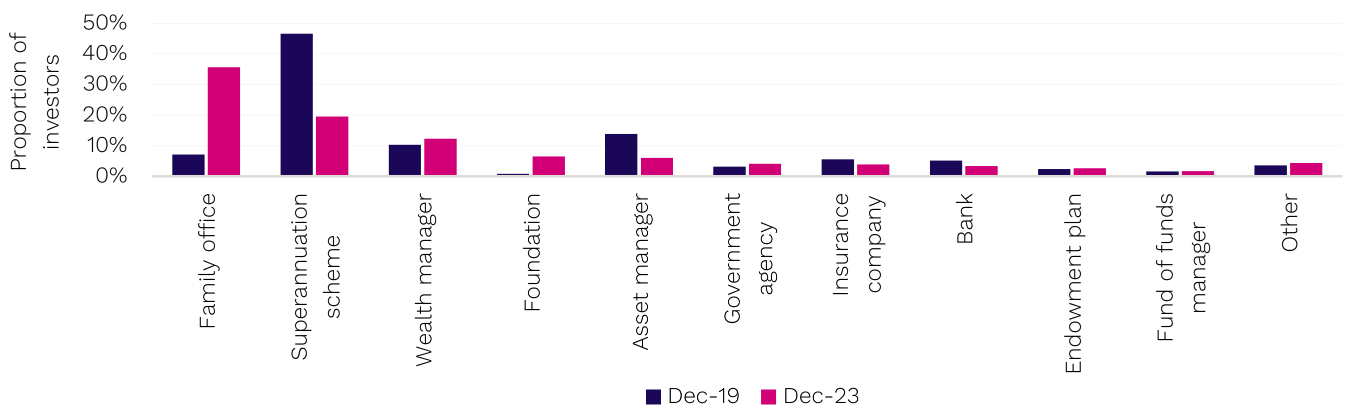
1. **Asia investors have grown in proportion among offshore investors**
The percentage of foreign commitments coming from Asian investors increased from 13% for funds with vintage years 2014–2018, to 22% for funds with vintages 2019–2023 (Fig. 36). Singapore-based sovereign wealth fund Temasek Holdings continues to be one of the more prominent Asian investors in Australia-focused private capital funds (Fig. 38).

Fig. 34: No. of investors in Australia-based private capital funds by location, up to 2023



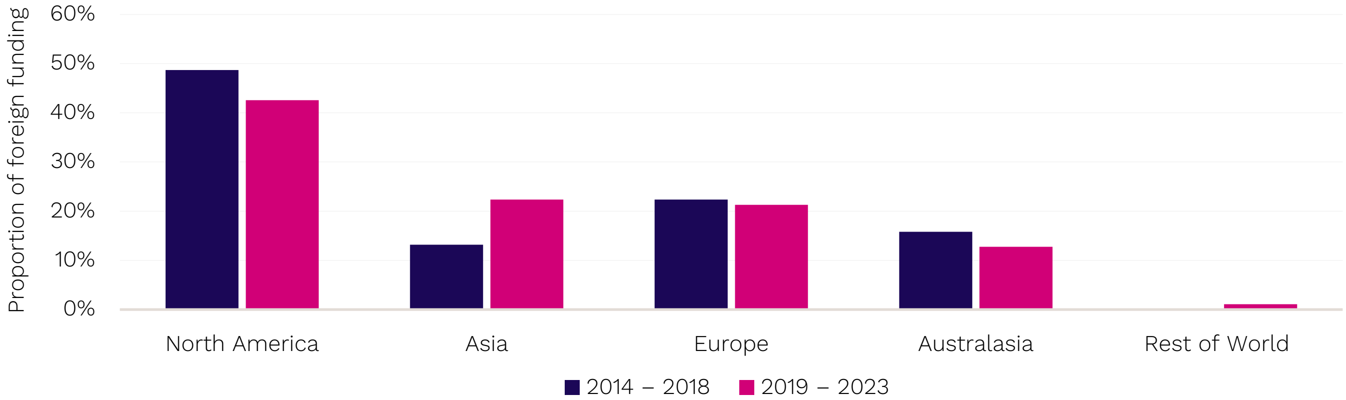
Source: Preqin Pro

Fig. 35: Active Australia-based private capital investors by type, Dec 2019 vs. Dec 2023



Source: Preqin Pro

Fig. 36: No. of foreign commitments in Australia-focused private capital funds by region, vintages 2014 – 2018 vs. 2019 – 2023

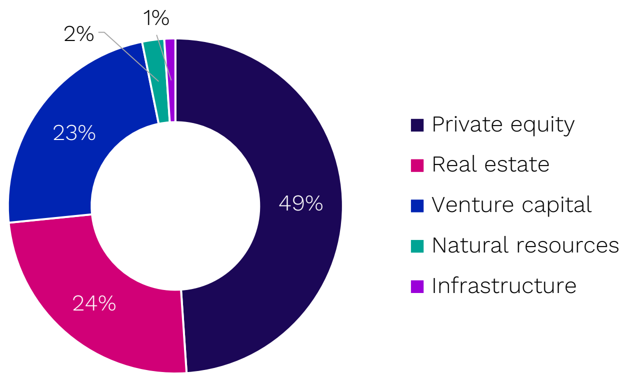


Source: Preqin Pro

2. **Private equity and real estate are favored by offshore investors**

Approximately half of private equity fund commitments and almost a quarter of real estate fund commitments were from offshore investors (Fig. 37). Global private equity firms are drawn to Australia's developed economy, stable government, established legal systems, and buyout opportunities in the middle market.

Fig. 37: Number of foreign commitments in Australia-focused private capital funds by asset class, vintages 2019 – 2023



Source: Preqin Pro

Fig. 38: Prominent overseas investors in Australia-focused private capital funds, vintage 2019 – 2023

Rank	Investor	Investor type	Investor location
1	Temasek Holdings	Sovereign wealth fund	Singapore
2	Accident Compensation Corporation	Insurance company	New Zealand
3	San Francisco Employees' Retirement System	Public pension fund	US
=	Ivanhoé Cambridge	Asset manager	Canada
=	Bay of Plenty Community Trust	Foundation	New Zealand
=	CPP Investment Board	Public pension fund	Canada
=	Washington State Investment Board	Public pension fund	US

Source: Preqin Pro

3. More family offices, and fewer superannuation funds

Of all active Australia-based private capital investors, the proportion of family offices has increased from 7% to 36% from 2019 to 2024 in Preqin's database. The number of Australia-based family offices tracked by Preqin to be actively investing is now eight times the number it was four years ago (Fig. 35).

Private wealth is indeed on the rise in Australia as private equity firms competing for investors. Last year, Swedish equity firm EQT and Pacific Equity Partners launched semi-liquid funds to allow high-net-worth individuals to invest in private equity strategies, a domain traditionally reserved for institutional investors.[19]

In terms of proportion, superannuation funds accounted for 47% of all Australia-based investors in 2019, while in 2023 this figure had fallen to 20%. This could be due to a trend of mergers between superannuation funds and their need to invest at scale. However, certain asset classes such as private credit and infrastructure will still be preferred by superannuation funds amid the cycle of higher interest rates.[20]

4. Higher interest in private debt

Both local and offshore investors are keen to invest in Australia-focused private debt funds for their inflation-hedging properties at a time when higher interest rates are crunching property values. The largest Australia-focused private debt funds closed in recent years have a diverse mix of investors, such as Australia's superannuation schemes, South Korean pension funds, American pension funds, and private sector pension funds.

5. Government-backed investors direct capital to national objectives

Additionally, various government funds have been set up to pursue sustainability goals. Aside from the $19.5bn Rewiring the Nation fund, which targets energy infrastructure and energy storage and distribution, the Australian Government has put aside $500mn for the Powering Australia Technology Fund,[21] which invests in venture and early-stage technologies related to the energy transition. See 'Toward net-zero' section on page 31.

19 https://www.afr.com/companies/financial-services/pacific-equity-partners-invites-the-wealthy-into-privileged-pe-club-20230526-p5dbje

20 https://www.afr.com/policy/economy/super-fund-cios-go-defensive-amid-fears-rates-stay-high-20240104-p5ev3n

21 https://www.cefc.com.au/where-we-invest/special-investment-programs/powering-australia-technology-fund/

The Australian Government committed $15bn to establish the National Reconstruction Fund to diversify and transform Australia's industry and economy.[22] It provides finance to drive investments in seven priority areas:

- Value-add in resources
- Value-add in the agriculture, forestry, and fisheries sectors
- Transport
- Medical science
- Renewables and low emissions technologies
- Defense capability
- Enabling capabilities

In late 2023, the Minister for Industry and Science and the Minister for Finance, announced that the National Reconstruction Fund Corporation's Investment Mandate, including identifying areas for investment across seven key priorities; setting a target return rate of between two and three per cent above the five-year Australian Government bond rate; and operating on a commercial self-sufficient basis.[23]

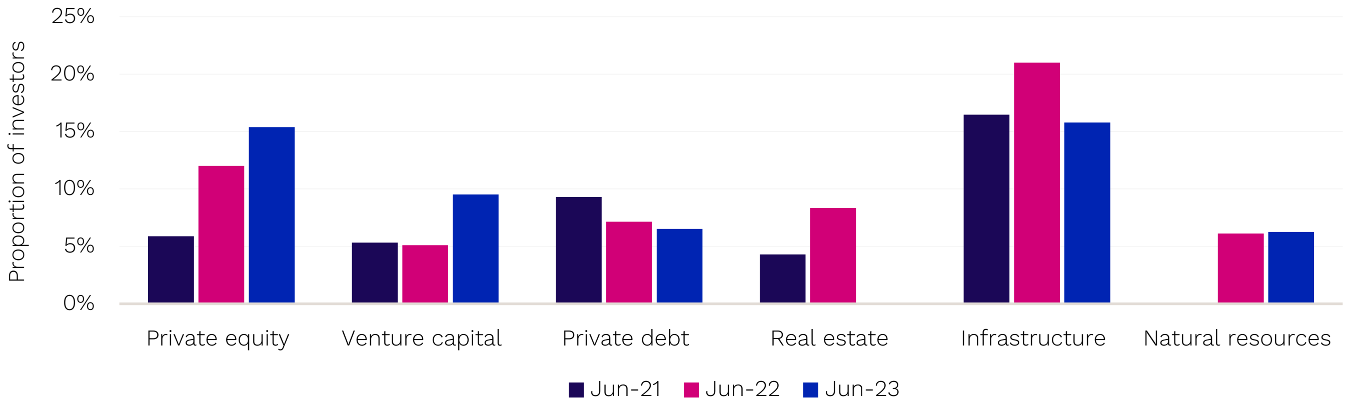
In early 2024, the Board of the National Reconstruction Authority appointed a new Chief Executive Officer to lead the organisation.[24]

22 https://www.nrf.gov.au/

23 https://www.minister.industry.gov.au/ministers/husic/media-releases/15bn-national-reconstruction-fund-open-business

24 https://www.nrf.gov.au/news-and-media-releases/national-reconstruction-fund-corporation-board-appoints-ivan-power-ceo

Fig. 39: Investors that believe Australia and New Zealand present the best opportunities in private capital by asset class, 2021 – 2023



Source: Preqin Pro

EMPOWERING PRIVATE CAPITAL TO INVEST IN AUSTRALIAN IDEAS, BUSINESSES AND COMMUNITIES

The Australian Investment Council is the peak body representing Australia's private capital industry, comprising over 200 leading domestic and international firms operating in Australia. Our members comprise private equity, venture capital and private credit funds, as well as institutional investors and leading corporate advisors. Our members form part of a dynamic industry that supports entrepreneurship, commercialises research and empowers established businesses to grow and evolve. Our industry employs approximately half a million Australians and contributes roughly three per cent to Australia's GDP.

AUSTRALIAN INVESTMENT COUNCIL

Toward net zero

The Australian Government is advancing its green initiatives, supporting its ambitions toward net zero

The Australian Government has continued to clarify its climate change commitments by legislating emissions reduction targets and establishing several bodies to coordinate and fund investment into net zero. Australia as a market is advanced in ESG integration, especially 'E', environmental factors.

The Climate Change Act 2022[25] outlines the government's commitment to greenhouse gas emissions targets and other climate change responsibilities. Australia aims to:

- achieve net-zero carbon emissions by 2050
- make an annual Climate Change Statement
- ensure that independent advice from the Climate Change Authority informs the Climate Change Statement

Some of the key milestones and initiatives include:

1. **Sustainable Finance Strategy**

The Sustainable Finance Strategy, released in November 2023, provides a progressive and comprehensive framework for reducing barriers to investment into sustainable activities. It aims to align market players with disclosures and reporting requirements to ensure transparency. This includes a labeling regime that will demystify sustainable investment options.

One key aspect of the proposed strategy is the Australian Sustainable Finance Taxonomy, which will offer a systematic set of criteria to assess the contribution of economic activities to climate and sustainability goals. When companies can show their contribution to sustainable goals, this will help them signal their commitment to net zero, and secure necessary funding to navigate the clean energy transition.

2. **Mandatory climate reporting**

Mandatory climate reporting will be implemented from July 2024 for large Australian corporations and financial institutions. The requirements will be based on the International Sustainability Standards Board's climate standards, International Financial Reporting Standards (IFRS) S1 and S2. IFRS standards require an entity to disclose information about climate-related risks and opportunities related to cash flows, access to finance, or cost of capital. Financial reports should show governance processes and steps used to assess, prioritize, and monitor climate-related risks and opportunities, as well as track progress.

3. **Support for corporate watchdogs to curb greenwashing**

The Australian Securities and Investments Commission (ASIC) had $4.3mn set aside in the 2023 Federal Budget for crackdowns on greenwashing.[26] ASIC has already taken three funds to court over greenwashing claims. Ultimate fines were approximately $13,000 per company.[27]

25 http://www.legislation.gov.au/C2022A00037

26 https://www.ft.com/content/2e626aec-aeee-4043-a50f-09a93652a278

27 https://asic.gov.au/about-asic/news-centre/find-a-media-release/2024-releases/24-029mr-asic-issues-infringement-notice-to-melbourne-securities-for-greenwashing/

4. **$25bn committed to funds and projects**

Australia has ambitious goals related to ESG and has set aside almost $25bn through initiatives, grants, and support outlined in the Powering Australia plan, which focuses on:

- **Rewiring the Nation ($20bn):** to expand and modernize Australia's electricity grid to support more renewable power, to increase to 82% by 2030
- **Powering the Regions Fund ($1.9bn):** to decarbonize of existing industries and creation of new clean energy industries
- **National Reconstruction Fund ($3bn):** to support renewables manufacturing and deployment of low-emissions technologies, including clean energy component manufacturing and hydrogen electrolyzers

There are also additional funds for regional hydrogen hubs ($525mn); community solar batteries and banks ($325mn); a battery manufacturing precinct ($100mn); electric vehicle charging infrastructure, and hydrogen highways ($500mn).[28]

5. **National Net Zero Authority**

The National Net Zero Authority was set up in July 2023 to be responsible for achieving net-zero emissions and will help the transition in three ways:

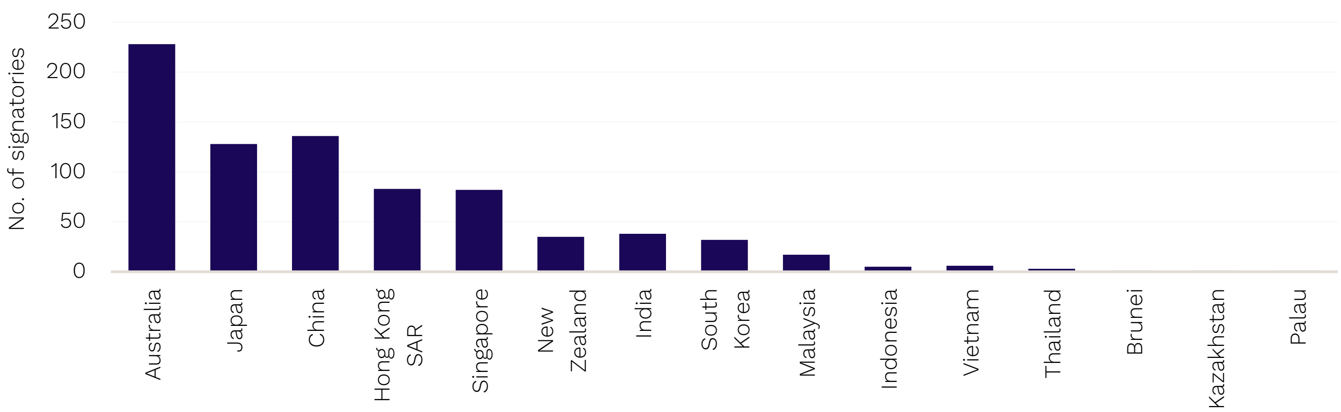
i. Support workers in emissions-intensive sectors to reskill and find new jobs
ii. Coordinate policies to allow regions and communities to attract and take advantage of new clean energy industries
iii. Help investors and companies to engage with net-zero transformation opportunities

Overall, the delivery of an energy transformation requires up to $9tn of capital to 2060 from international and domestic sources, according to Australia's National Net Zero Authority's Modelling Summary report.[29] Australia's superannuation and private capital funds may be able to contribute to this. Australasia as a region is second only to Europe in terms of ESG management indicators (Fig. 44). This means that firms in Australasia have greater disclosure across core ESG indicators and are committed to aligning with leading ESG frameworks and standards. It also has the highest number of UN PRI signatories in APAC (30%), with 228 investment managers, asset owners, and service providers signed up to the framework (Fig. 40).

28 https://www.globalaustralia.gov.au/industries/net-zero

29 https://www.netzeroaustralia.net.au/wp-content/uploads/2023/04/Net-Zero-Australia-Modelling-Summary-Report.pdf

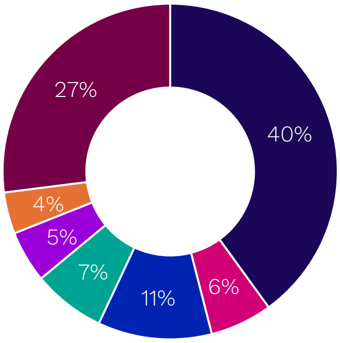
Fig. 40: APAC-based signatories* to the UN PRI by geographic focus as of Feb 2024



*Signatories include investment managers, asset owners and service providers.

Source: UN PRI

Fig. 41: Australian LPs disclosing a 'dedicated ESG investment' KPI as of Feb 2024



Source: Preqin Pro

Fig. 42: Largest superannuation funds investing in private capital by assets under management as of Feb 2024

Investor	AUM ($bn)	Type	Allocation to private capital (as a % of AUM)	Active ESG policy?
AustralianSuper	308.0	Industry	28.0%	✓
Australian Retirement Trust	260.0	Public offer	30.4%	✓
Aware Super	163.6	Public offer	28.9%	✓
UniSuper	120.0	Public offer	12.5%	✓
Hostplus	103.2	Industry	37.0%	✓
CBUS Super	85.2	Industry	33.1%	✓
HESTA	77.9	Industry	22.9%	✓
Retail Employees Superannuation Trust	76.5	Public offer	19.8%	✓
Mercer Super Trust	63.0	Retail	6.1%	✓
Wealth Personal Superannuation and Pension Fund	53.8	Retail	8.7%	×

Source: Preqin Pro

Fig. 43: Transparency metrics by firm/portfolio/asset disclosure type for Australia-based firms as of Feb 2024

Governance type	Average transparency
Firm	22.2%
Portfolio	12.6%
Asset	7.8%

Source: Preqin Pro

Fig. 44: Average ESG management indicators disclosure, % by region as of Feb 2024

Regions	ESG management indicators
Australasia	15.6%
Europe	16.1%
North America	9.8%
Asia	5.8%
Rest of World	9.1%

Source: Preqin Pro

Analyst's outlook on Australia

Given Preqin's forecast for slower global growth in alternatives AUM, declining from 12.3% in the period end-2022 to 2028 to 8.4%, we expect Australia to see similar moderation. However, it is worth noting Australia is a relatively mature private capital market in APAC and has historically offered more stable returns compared with the wider APAC market. This characteristic could be considered favorably by investors seeking more predictability (see chapter on Alternative investors in Australia, page X).

One potential caveat is the dominance of real estate in Australia, as the global market remains cautious towards this asset class globally - especially given the uncertainty around the interest rate trajectory, which could lead to more downside in the near term. Global real estate AUM is expected to be the slowest in the beginning of the forecast period, mainly as we see investors reluctant to add allocations. However, Australia-focused real estate AUM still managed to grow by 35% in just over a year, as investors see pockets of strength in more niche sectors such as logistics, storage, data centers and affordable housing.[30]

Finally, secondaries are expected to be an interesting area for the Australia market. This strategy has garnered more investor interest worldwide, given the opportunities to purchase fund interests at discounts to fair value, and globally we forecast secondaries and fund of funds AUM to grow at 9% CAGR for 2022 to 2028F. Their performance is expected to remain attractive. Australia's secondaries market should continue to evolve further and may see more secondary funds being set up in response to investor demands.

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Research Insights
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For more information on Preqin's Future of Alternatives 2028, which uses predictive methodology based on Preqin's proprietary, custom-built framework, please visit www.preqin.com/future.

30 https://www.investmentmagazine.com.au/2023/09/funds-turn-to-non-traditional-sectors-amid-commercial-property-downturn/

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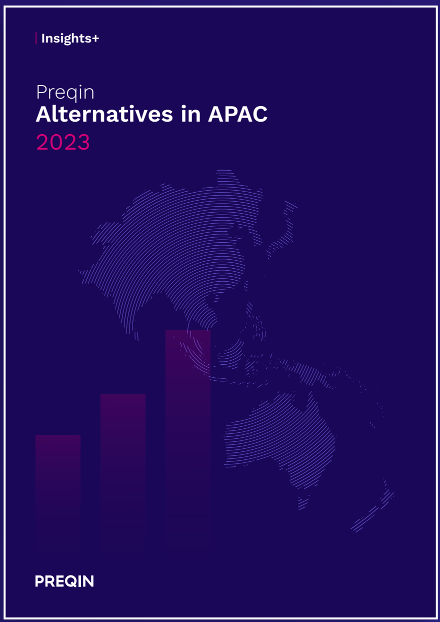

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