



*THE PRIVATE EQUITY
CONUNDRUM*

Heathcote Investment Conference



*CHARACTERISTICS OF
PRIVATE EQUITY*

What is private equity?

Comparison of private equity to public equity

Private Equity

Private information shared under NDA

Investors often take active ownership position

Private, often concentrated ownership

Multi-year strategic planning

Ability to retain and attract talent through equity participation

Public Equity

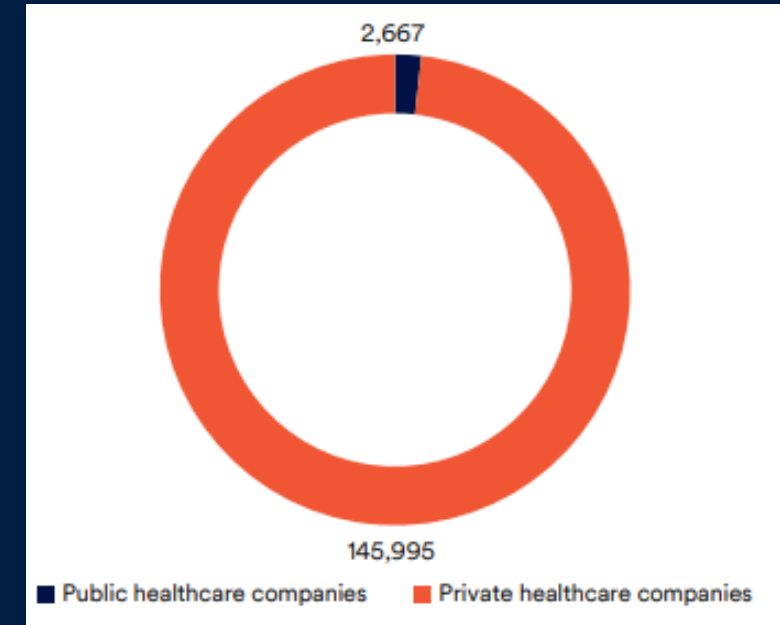
Public information

Passive shareholders

Broad public ownership

Quarterly earnings reporting cycle

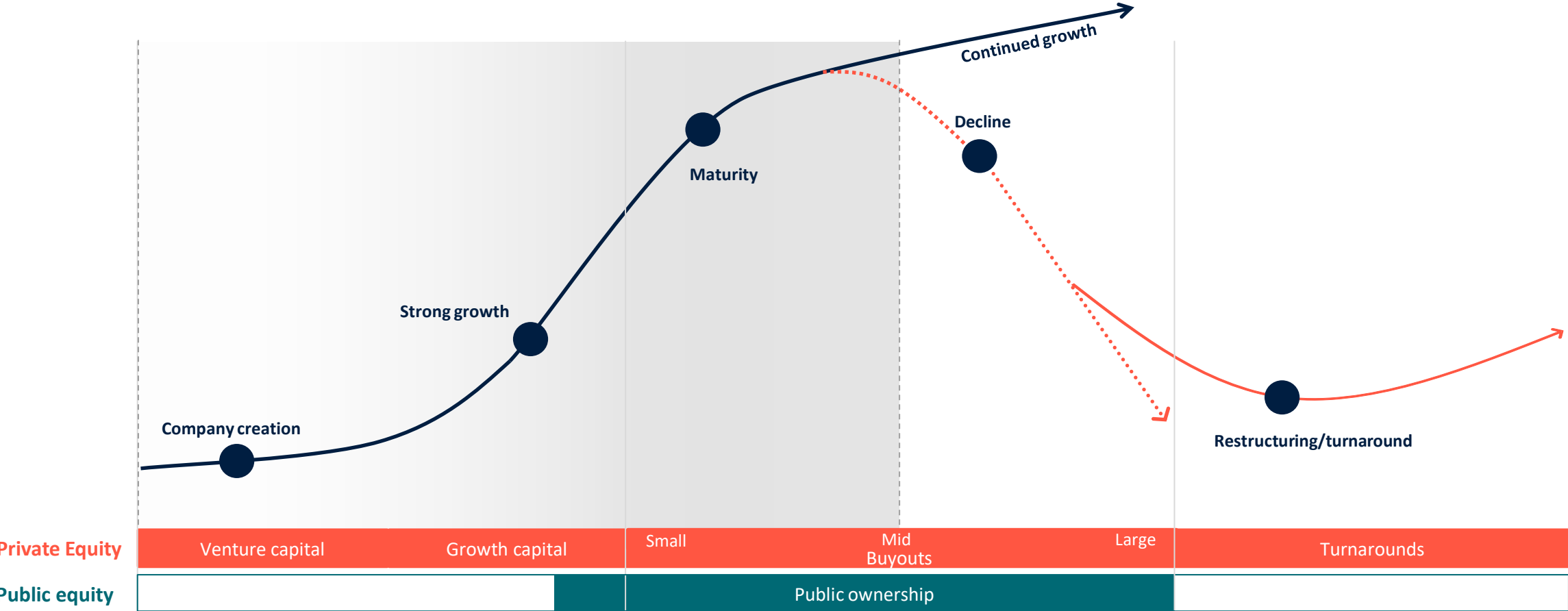
Traditional staff incentive structures (options, share schemes)



Source: Schroders. 1. Capital IQ, Pitchbook. Public companies represent publicly traded healthcare companies traded on major exchanges in US, Canada, Europe and Asia.

Ownership cycle

Different capital sources suit different stages of a company's growth

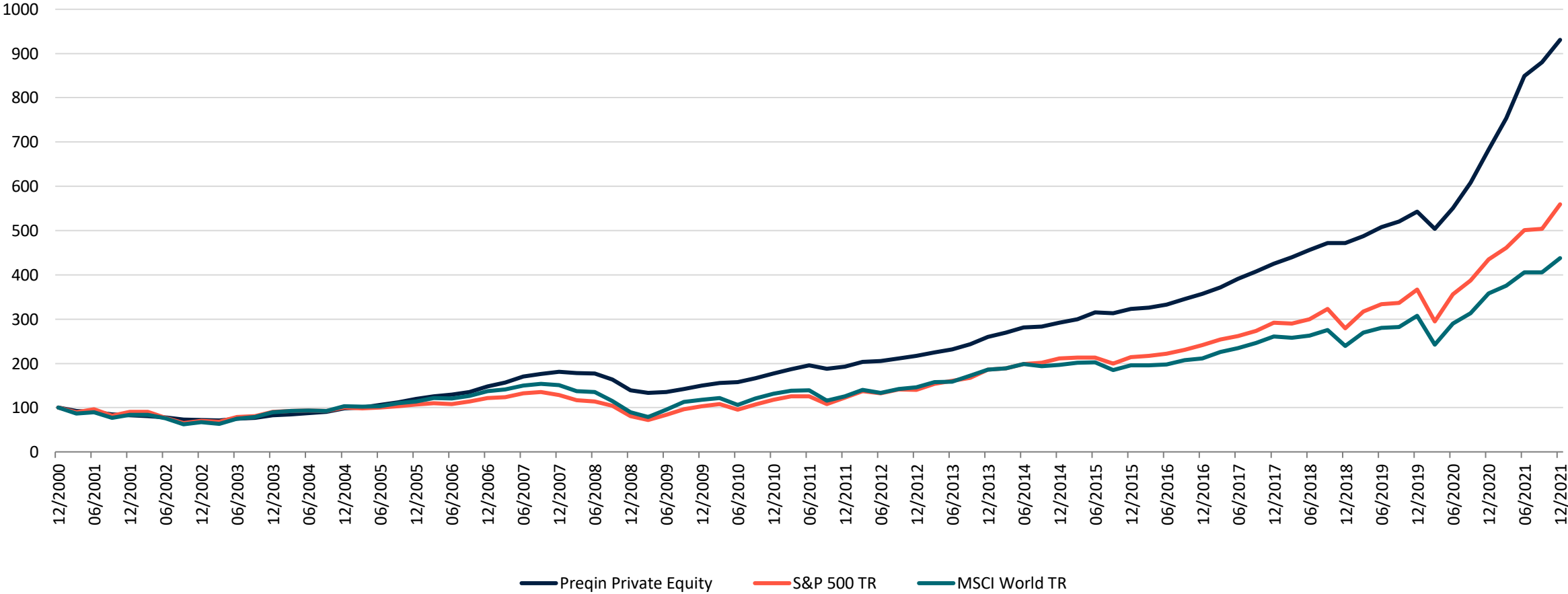


Source: Schroders Capital, 2023.

Why invest in private equity?

Comparison of Private Equity and Listed Equity

Index Return (rebased to 100 as of 31 December 2000)

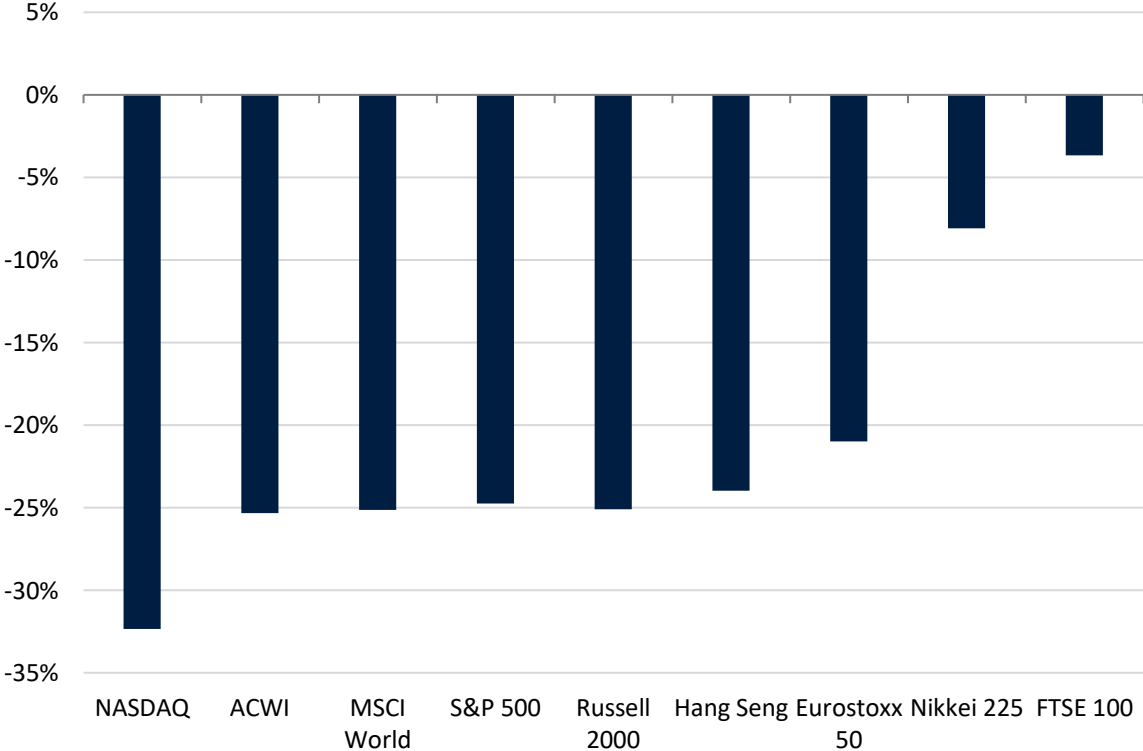


Past performance is not a guide to future performance.

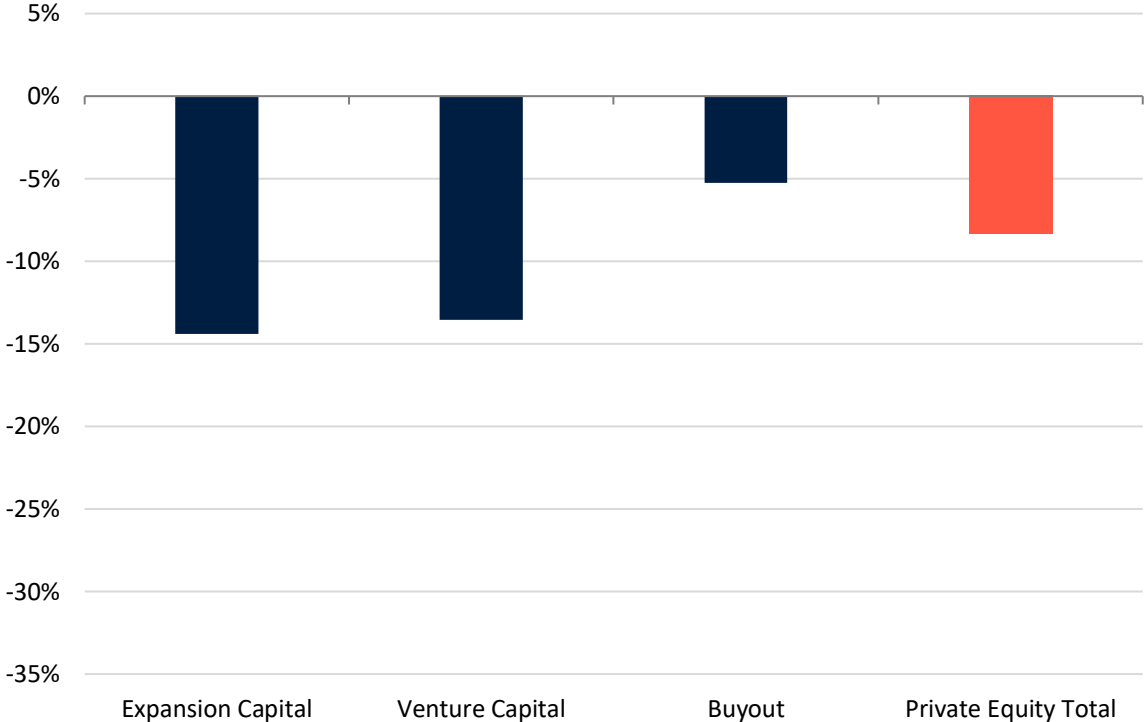
Source: Preqin - Private Capital Quarterly Index as of Q4 2021, Schroders Capital, 2023.

While public market has corrected sharply, private equity has shown strong resilience so far

Stock market performance YTD Q3 2022



Private equity performance YTD Q3 2022



Past performance is not a guide to future performance and may not be repeated.
Source: Bloomberg, Burgiss, Schroders Capital, 2023.



*THE PRIVATE EQUITY
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Historic impediments to private equity investing

High minimums

Schroders has created the Schroder Specialist Private Equity Fund (“Fund”) a retail fund which is available on select platforms at significantly lower minimums than traditional PE funds

Long lock-up period

The Fund is “semi liquid”, meaning investors may access their capital on a quarterly basis (subject to a cap)¹

Lack of transparency/understanding

Frequent fund updates and a local team available to answer questions and supply information

Expensive and complex fee structures

Schroders does not charge a performance fee in respect of the Fund²

*SCHRODERS HAS
CREATED A FUND
DESIGNED TO PROVIDE A
BROADER RANGE OF
CLIENTS WITH ACCESS TO
PRIVATE EQUITY*

Source: Schroders, 2020. ¹ The Fund will invest substantially all of its assets into the Schroders Capital Semi-Liquid Global Private Equity Fund (“Underlying Fund”). Net redemptions from the Underlying Fund are capped at 5% of NAV per quarter. Please refer to the Product Disclosure Statement for more information on the liquidity mechanisms of the Fund. ² Performance fees are not charged to the Fund or Underlying Fund by Schroders or Schroder Adveq, but managers of private equity funds invested in by the Underlying Fund may receive performance-related fees.



*SCHRODER SPECIALIST
PRIVATE EQUITY FUND*

Investment strategy

Western buyouts and Asia Growth

Target allocation

~80%

Western buyout strategy

Providing capital to support small/ medium companies internationalise and develop new products

60% of deal flow in the small buyout space is sourced from families



Exploit pricing inefficiencies for small/medium companies



Create value through transformational improvements



Invest with and alongside specialist managers



Exit opportunities via secondary buyers and consolidation

Target allocation

~20%

Asia growth strategy

Focus on Asia provides unique and true diversification

Multiplier effect of population, economic growth and purchasing power



Mainly China and India; opportunistically elsewhere in Asia



Target growth and scale of domestic consumption



Invest in sectors less accessible via public markets



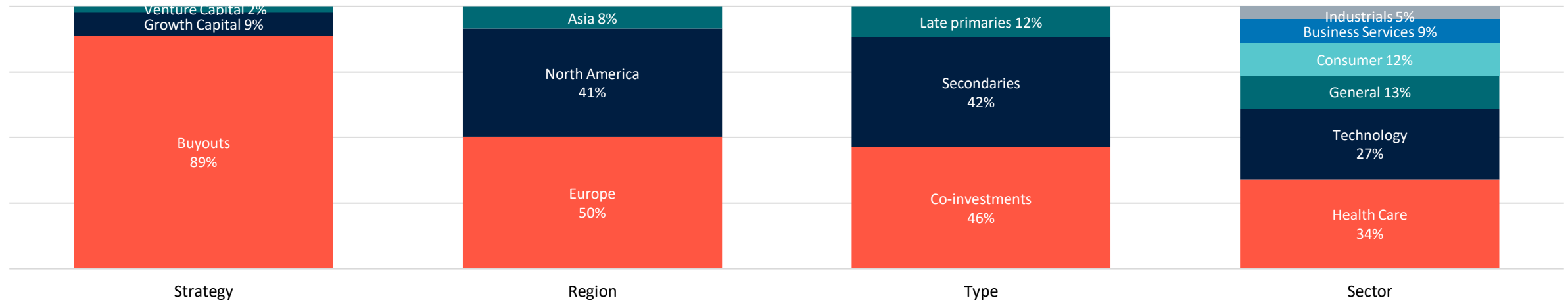
Leverage the investment team's on-the-ground expertise and access to leading managers

Source: Schroders Capital, 2023.

Investment allocations are indicative and there is no guarantee that Schroders Capital meets the stated target allocation.

Portfolio allocation as of 31 May 2023

In % of investment portfolio Fair Market Value



Top-5 Direct/co-investments¹

Rad-X	Leading operator of diagnostics imaging centers in Switzerland and Germany	4.1%
Captain D's Seafood Kitchen	QSR/fast-casual restaurants, focused on providing high quality, freshly prepared seafood at a value price point	2.9%
Natus Medical	Medical device specialist focused on central nervous and sensory system disorders	2.5%
Unirac	Manufacturer of grids for solar panels	2.4%
Galaxy Universal	One of the largest privately held designers, producers and importers of athletic and outdoor footwear in the US	2.2%

Top 5 Partnership investments

Trinity Hunt Partners Continuation Fund	Multi-Asset GP-led with a growth-oriented manager for 2 portfolio companies	5.6%
Norvestor GP-led	Multi-Asset GP-led with a manager focused on tech services companies for 4 portfolio companies	4.1%
Apposite Healthcare III	Late primary in European small-cap healthcare buyout investor focused on patient and social care, digital health, MedTech and medical products	3.8%
Exterro GP-led	Single Asset GP-led by Leeds Equity Partners in Exterro; a governance and compliance legal software provider for companies	3.4%
Triton IV Continuation Fund	Multi-Asset GP-led with a manager focused on European mid-market companies for 4 portfolio companies	3.3%

Past performance is not a guide to future performance.

Source: Schroders Capital, 2023.

¹Note that we present both direct and indirect exposure such as single asset funds. Note that not all investments perform the way it is demonstrated above. A list of all investment performances can be available upon request.

Case study: ArchiMed



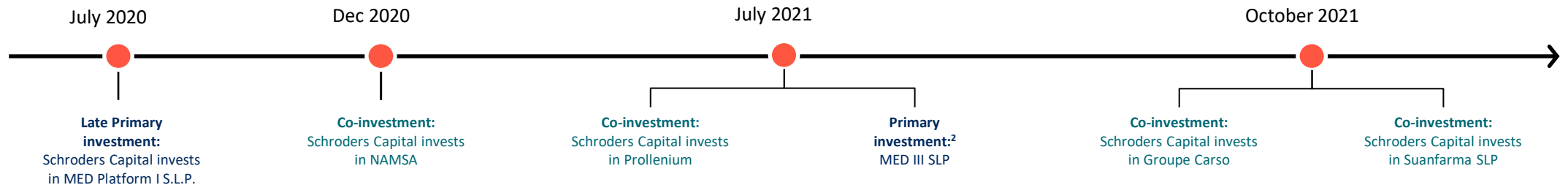
Core Healthcare specialist GP relationship

Fund manager description

- Archimed is one of Europe's most active Healthcare investors investing in pharma services, diagnostics, medical devices and consumer health
- Founded by prior 3i Healthcare team and complemented with seasoned C-level healthcare executives
- Schroders Capital has been tracking the manager since foundation in 2014 and established good relationship
- Schroders Capital invested in MED Platform I; ArchiMed's third fund
- Schroders Capital closed 4 co-investments with Archimed i) NAMSA, ii) Prollenium, iii) Groupe Carso and iv) Suanfarma



€190m



Past performance is not a guide to future performance.

Source: Summa, Schroders Capital, 2022.

¹Net performance is disclosed in underlying fund currency. ²Note that GPE did not commit to MED III as primary investments with low initial paid-in level are not part of its strategy.

The companies shown are for illustrative purposes only and do not represent any recommendation to buy or sell any security. Logos shown are the property of their respective entity.

Exit of Red Monkey Foods (Project Golden)



Exit after two months investment period generating 1.6x net TVPI

- Schroders Capital acquired a fund interest of San Francisco Equity Partners in Sep 2020 with ~50% of the portfolio being Red Monkey Foods
- Red Monkey is a provider of organic spices & seasonings, gourmet salts and bath salts, sold primarily through the grocery, mass, specialty and e-commerce channels
- The company has become the market leader in organic store brand spices & seasonings and controls two high-growth salt brands
- In Dec the GP announced that it has sold Red Monkey to Norwest Equity Partners
- The sale will generate 0.7x DPI at closing for Project Golden (0.8x with escrow) at 1.6x uplift to our entry price
- Exit proceeds came in above SA's base case underwriting and one year earlier
- 95% of sale proceeds were distributed in Dec 2020 with the remainder in escrow

	Entry	Exit
Date:	Sep 2020	Dec 2020
EV/EBITDA	9x	13x
Amounts Underlying Fund	\$ 2.8m invested	\$ 4.32m proceeds*
Performance	1.64x net TVPI	>100% net IRR



Past performance is not a guide to future performance.

Source: San Francisco Equity Partners, Schroders, 2021.

*\$ 0.2m held in escrow will be added to proceeds.

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

Case study: Captain D's

Co-investment



Transaction details

Type	Co-investment
Size	\$55 million (USD 35m Common, USD 15m Preferred Equity, USD 15m Preferred PIK Note)
Investment date	Q2 2022
Strategy	Buyout
Geography	US
Portfolio description	Centre Partners Fund VII

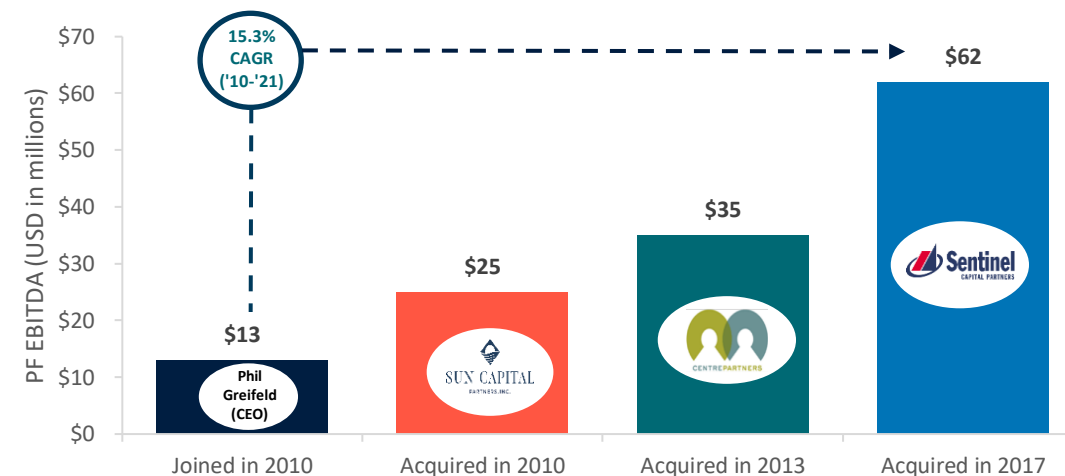
Transaction background

- Centre previously partnered with the management team and Company, generating an investment return of 3.4x MOIC with its Fund V investment (acquired in 2013 and exited in 2017) and has since maintained close relationship with Phil Greifeld
- The Company (previously owned by Sentinel) engaged North Point to conduct a sale process in late 2021; given Centre's familiarity with the business and management team, North Point provided an opportunity to move quickly to secure the transaction under exclusivity
- Centre signed an LOI to purchase Captain D's for \$415m (~7.5x LTM EBITDA)
- In recent years, business margins have held fast despite headwinds from labor and commodity pressures through the company's ability to pass price increases on to customers, keeping labor hours lean and shifting volume to drive thru

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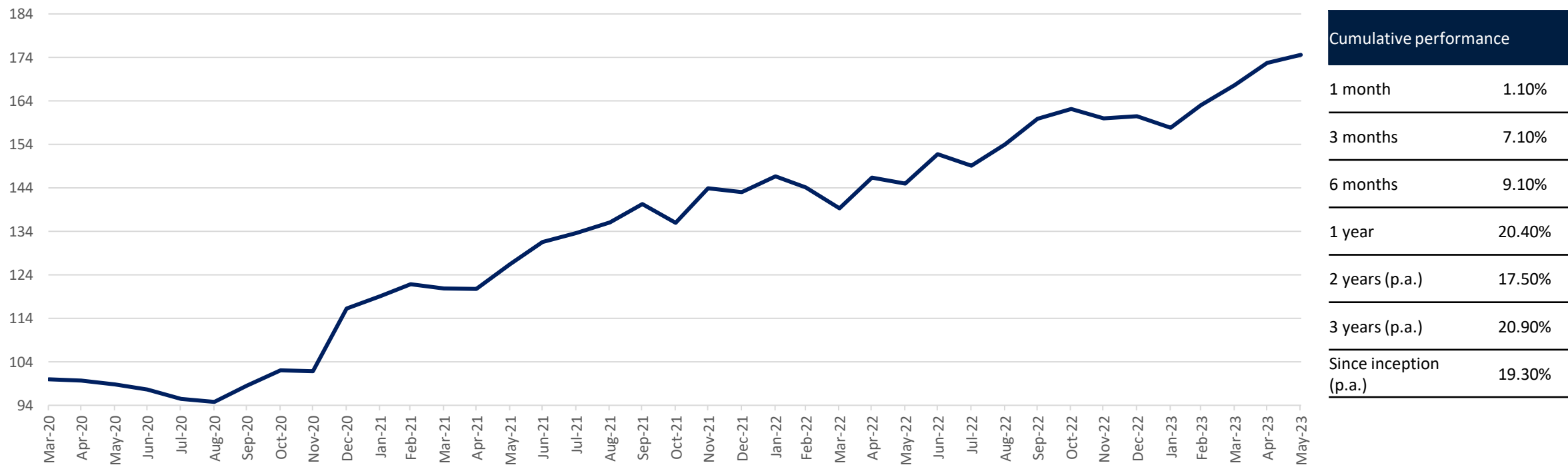
Source: Captain D's, Centre Partners, Schroders Capital, 2023. Note: There can be no guarantee that Schroders Capital will receive the planned allocations. The companies shown are for illustrative purposes only. A full list of all investments can be provided upon request. Logos shown are the property of their respective entity.

Current & Prior Ownership



Price history since inception

SSPEF performance



	January	February	March	April	May	June	July	August	September	October	November	December	Calendar Year
2020	-	-	-	-0.30%	-0.90%	-1.20%	-2.30%	-0.70%	3.90%	3.60%	-0.30%	14.20%	16.30%
2021	2.40%	2.30%	-0.80%	-0.10%	4.70%	4.00%	1.60%	1.90%	3.10%	-3.00%	5.80%	-0.60%	23.00%
2022	2.50%	-1.80%	-3.30%	5.00%	-0.90%	4.60%	-1.80%	3.30%	3.80%	1.40%	-1.30%	0.30%	12.10%
2023	-1.70%	3.30%	2.80%	3.10%	1.10%	-	-	-	-	-	-	-	8.80%

Source: Schroders, 31 May 2023. **Past performance is not a reliable indicator of future performance.** All performance is shown net of fees.



VALUATION PROCESS

Valuation framework for semi-liquid private equity products



Team

- Fully dedicated nine person valuation team with adequate technical capabilities
- Independent to the investment function
- Ability to draw additional resources within the SCPE Operations Team



Policy & Process

- Based on IFRS 13 and US GAAP 820 fair value standards (IPEV)
- Aligned with regulatory requirements
- Maximizes observable inputs and consistent application of methodology
- Process flows are standardized and automated (VBA, PowerBI)



Governance

- Two layer valuation oversight composed of VWG and PAPC
- The VWG¹⁾ is responsible for the identification and valuation of all private asset investments within its scope
- The PAPC²⁾ is responsible for oversight and challenge for investment valuations across Schrodgers Capital's Private Assets

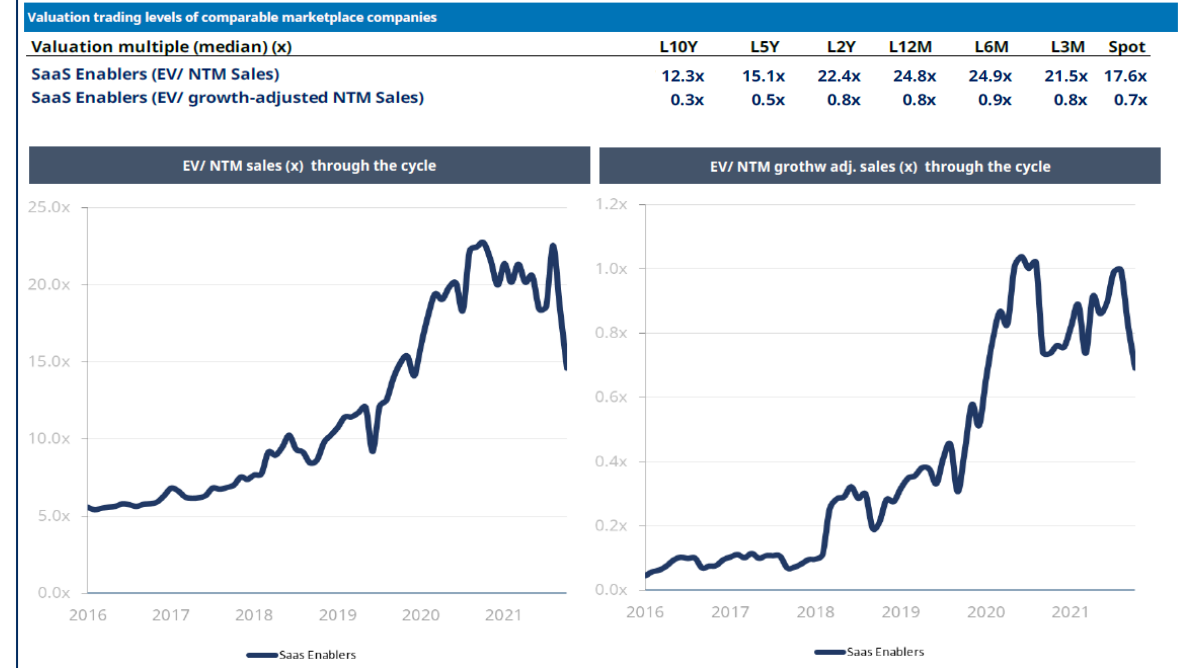
Valuation example

Fair value conclusion and historical progression

Business description		Investment-specific commentary			
<p>Leading global healthcare booking platform, where doctors can effectively manage their online presence and where patients can easily find and book their doctors' appointments.</p>		<p>A market event for the the S&P500 Health Care Sector in Europe has been identified for the month of January. The sector experienced an above average decrease in value, in line with Docplanner's peer group. The value conclusion has marked down from 1.1x to 1.0x, taking into account that upside potential exist related to the Jameda acquisition which is not yet reflected in the valuation.</p>			
Investment type	Co-Investment	Geography	Europe	Company event	none
Fund / LP holding vehicle	Target Global Selected Opportunities, LLC -	Sector	Healthcare	Market event	identified
GAIA II GPE exposure on NAV (%)	1.6%	Strategy	Growth Capital	MTD movement	(19.6%)
		Holding period	0.5 year(s)	QTD movement	(19.6%)

Fair value overview	Entry	Last Sponsor	Prior fair value adjustments			Valuation Date
(in EUR million, except where otherwise stated)	Jul-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22
	EV/Sales (CY 2021)	EV/Sales (CY 2021)	EV/Sales (Run-Rate)	EV/Sales (Run-Rate)	EV/Sales (Run-Rate)	EV/Sales (Run-Rate)
Financial performance metric	63.0	74.8	72.9	77.2	77.6	77.6
Concluded valuation multiple (x)	22.2x	18.7x	19.6x	19.6x	17.4x	17.4x
Concluded enterprise value	1'398.6	1'398.6	1'426.3	1'509.0	1'349.7	1'349.7
(-) Net debt/cash	-	100.0	97.4	34.8	34.8	34.8
(-) Debt-like items & other	-	-	-	60.5	60.5	60.5
Equity value (en-bloc 100%)	1'398.6	1'498.6	1'523.7	1'604.3	1'445.0	1'445.0
Cost basis (en-bloc 100%)	1'398.6	1'498.6	1'498.6	1'498.6	1'498.6	1'498.6
MoiC (x) (rounded)	1.0x	1.0x	1.0x	1.1x	1.0x	1.0x
Concluded equity value (en-bloc 100%)	1'398.6	1'498.6	1'498.6	1'648.5	1'498.6	1'498.6
Fair value attributable to GAIA II GPE in USD million	11.0	11.0	10.9	11.7	10.3	10.3

Assessment of indications for value-altering events



The valuation engine considers the impact of the current public market movements and equity pricing alongside company performance

Schroders Capital Semi-Liquid Global Private Equity¹

Overview of portfolio metrics - strong fundamentals with defensive capital structures

Strong fundamentals

>20%

LTM Sales growth

~25%

LTM EBITDA margin

Defensive capital structures

70%

Equity funding at entry

4.0x

Net debt/ EBITDA

Healthy valuations

14.3x

LTM EBITDA
(Total portfolio)

12.3x

LTM EBITDA
(Core Buyout²)

Past performance is not a guide to future performance.

Source: Schroders Capital, 2023.

¹Estimated as of 31 December 2022. ²Excluding growth buyout investments that are typically valued on a Sales multiple basis.

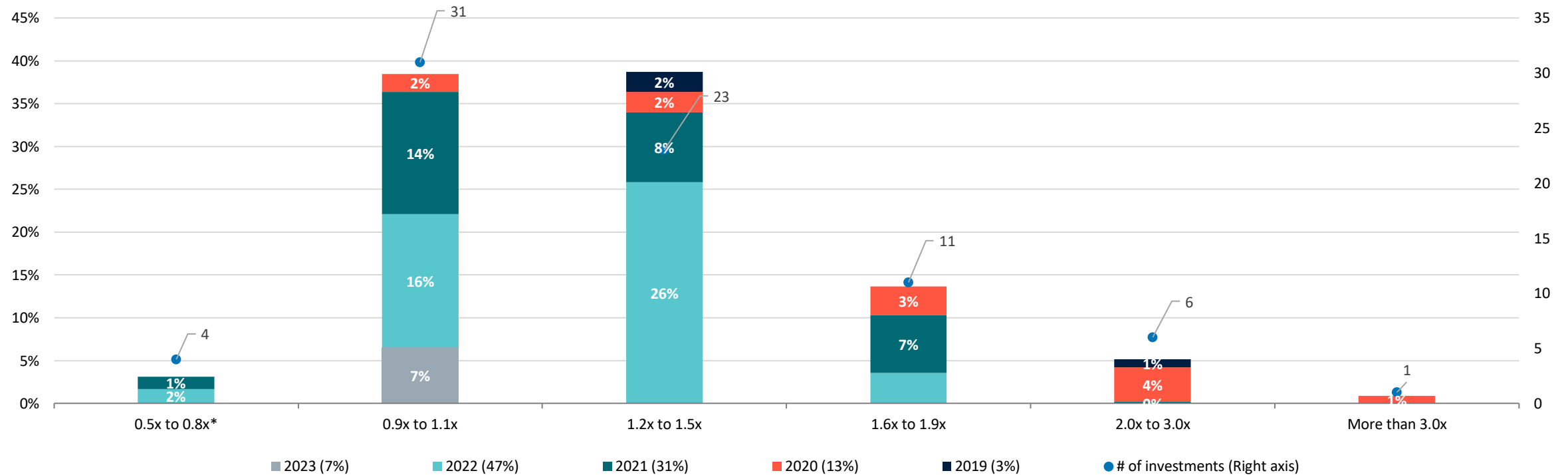


MARKET OUTLOOK

The Underlying Fund has plenty of value to deliver

Almost 40% of assets valued close to cost

Histogram of investments TVPI as of 31 Mar 2023



Past Performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall.

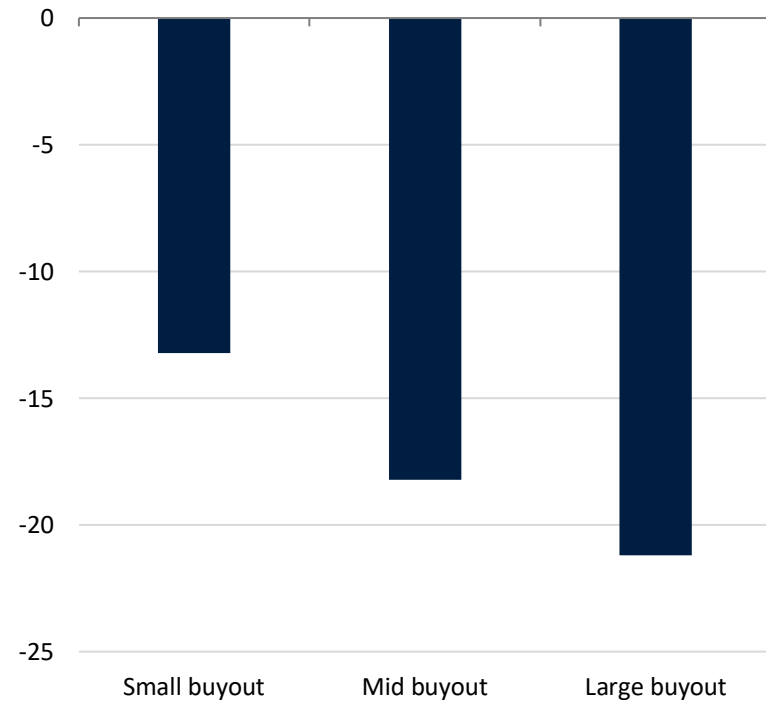
Source: Schroders Capital, 2023.

*Includes Cimmaron Continuation Fund, Ada Health, DAFA and Validant.

Small and mid buyouts expected to be more resilient than large buyouts

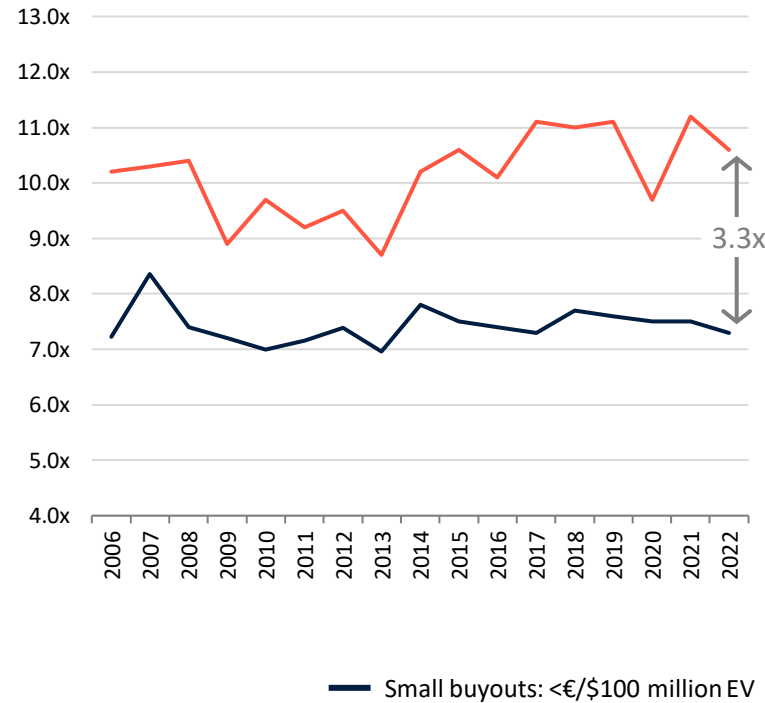
Smaller buyouts more resilient than larger buyouts during GFC

Maximum drawdown from 2007–2010



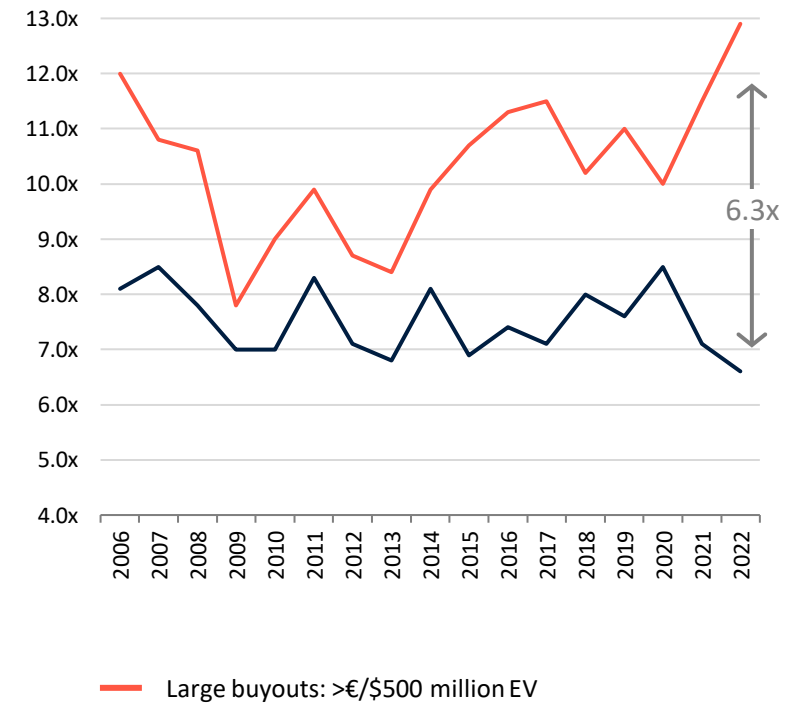
EV/EBITDA entry multiples of small and large buyouts (Europe)

Pro forma trailing EBITDA multiples



EV/EBITDA entry multiples of small and large buyouts (US)

Pro forma trailing EBITDA multiples



Past performance is not a guide to future performance and may not be repeated.

Source: Preqin, Baird 2021, S&P 2020, Schroders Capital, 2023.

¹Equally weighted average of US and European deal multiple.

Some sectors are especially resilient in a stagflation environment

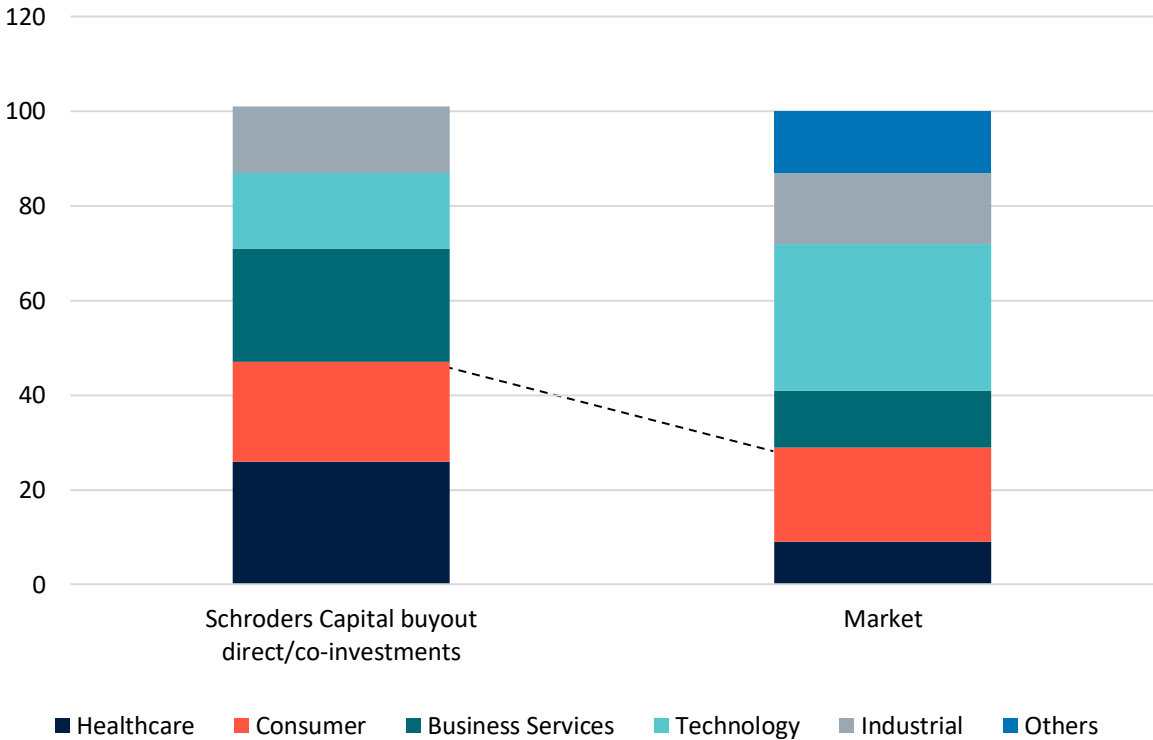
Consumer and healthcare stand out as one of the most resilient sectors

Annualised average sector return vs. MSCI World Index (since 1995), in %

Sector	Beta	Cyclical/defensive	Stagflation performance	Sector relevance for private equity
Consumer staples	0.7	Defensive	14.2	High
Healthcare	0.8	Defensive	6.7	High
Consumer discretionary	1.2	Cyclical	1.0	High
Industrials	1.2	Cyclical	-3.3	High
Communication Services	1.0	Neutral	-3.9	High
IT	1.1	Cyclical	-6.7	High

Schroders Capital with sector bias more resilient sectors

Deal count by industry sector (2019–2021)



Past performance is not a guide to future performance and may not be repeated.

Source: Preqin, Schroders, Schroders Capital, 2022.

Schroders Economics and Strategic Research Unit, from January 1995 to December 2021. Stagflation is calculated as the months where US CPI inflation is above its 10-year average and our Global business cycle indicator is in the slowdown phase; above table excludes utilities, energy, real estate, materials and financials as these are less relevant for private equity Schroders Capital industry split based on deal count of buyout co-investments; market industry split based on buyout deal count.



SUMMARY

Benefits for investors

Potential for higher long-term returns

- Potential to outperform listed markets due to expanded opportunity set, lower entry prices, board intervention and liquidity premium

Diversification

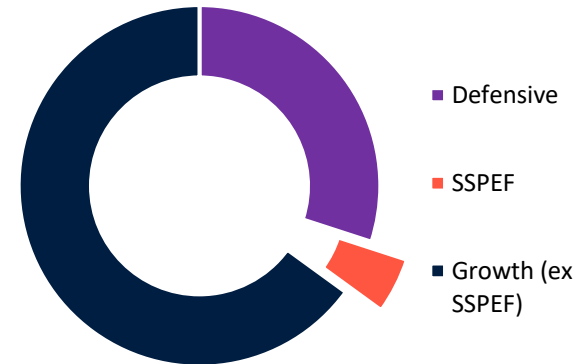
- Opportunity across a broader universe of companies
- Low correlation to listed markets

Stability during times of market turbulence

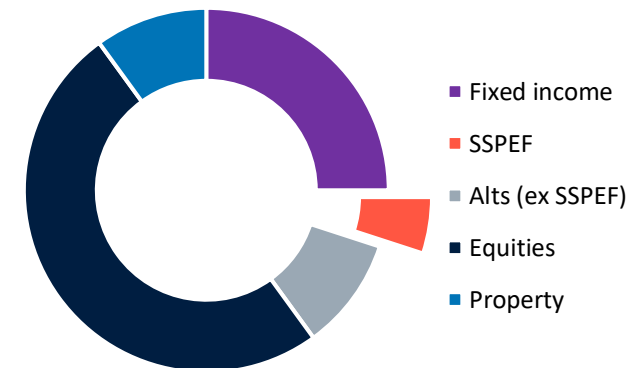
- Access through primary, secondaries, co-investments which gives managers a higher degree of flexibility
- Active portfolio management means private equity managers can intervene in the operations of their portfolio companies in times of crises
- Managers of private equity investments during economic turbulence are often more able to negotiate favourable term

Source: Schroders, 2020.

How can the fund fit in portfolios?



A component of a growth allocation
Can be used within the growth allocation to strengthen the risk-return profile of investment portfolios.



A component of an Alternatives asset allocation
Can be used within the Alternatives allocation to strengthen the risk-return profile of investment portfolios.

We expect our investment philosophy to provide robustness across market cycles



General private asset exposure

+



Portfolio diversification

Diversification across private asset strategies,
Long tail – small/mid-sized investment focus

+



High Level of Selectivity

Proprietary/access restricted deals
Megatrend exposure
Focus on strategies with healthy fund raising/dry powder situation

+



Complexity premium

Matching unique skills with complex investment opportunities
Operational skills to drive long-term sustainable value and income

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Source: Schroders Capital, 2022.

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