

Schroders
capital

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*SCHRODERS CAPITAL
INTRODUCTION TO PRIVATE ASSETS*

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What do we mean by private assets?

Private Equity

Venture Capital

Infrastructure

Private Debt

Real Estate

What do we mean by private assets?

	What is it?	Why can it outperform?	Investment examples	Expected returns
Private Equity	<ul style="list-style-type: none"> - Purchase of private companies which are not listed on the public stock market (FTSE 100, S&P 500 etc) 	<ul style="list-style-type: none"> - Control - Opportunity set: most companies are private - Time & alignment 	<ul style="list-style-type: none"> - Private Equity firm CVC have just purchased Hargreaves Lansdowne. 	<ul style="list-style-type: none"> - 17.5-30%
Venture Capital	<ul style="list-style-type: none"> - Investment in early stage companies with high growth potential. 	<ul style="list-style-type: none"> - Companies at the very start of their growth journey - Higher risk/ higher reward asset class 	<ul style="list-style-type: none"> - Investment in new technologies - Many leading businesses today had venture funding (Deliveroo, Meta, Alphabet etc) 	<ul style="list-style-type: none"> - 25%+
Infrastructure	<ul style="list-style-type: none"> - The tangible assets which drive the modern economy: wind farms, airports, data centres, ports, utilities 	<ul style="list-style-type: none"> - Huge private investment needed to increase investment in infrastructure assets, and decarbonise those we have - Often government backed income 	<ul style="list-style-type: none"> - Investing in a UK wind farm with government backed income 	<ul style="list-style-type: none"> - 9-25%
Private Debt	<ul style="list-style-type: none"> - Lending money to businesses or against assets (such as infrastructure, or equipment) 	<ul style="list-style-type: none"> - Banks are making fewer loans - Private lenders have the control to set the terms and conditions of the loans 	<ul style="list-style-type: none"> - Lending money against a real estate asset: providing a mortgage for a hotel owner to purchase an additional hotel 	<ul style="list-style-type: none"> - 7-15%
Real Estate	<ul style="list-style-type: none"> - Commercial real estate assets - Logistics, hotels, retail, office, self-storage etc. 	<ul style="list-style-type: none"> - Rental income is contractual - Real asset prices linked to inflation over time 	<ul style="list-style-type: none"> - Conversion of an office building in to a mixed used building with residential, gym and ground floor supermarket 	<ul style="list-style-type: none"> - 7-25%

Schroders, November 2024. Expected returns are for illustrative purposes, and shown as gross IRR's.

What are the benefits of private assets within DC defaults funds?

Higher Returns for members

Diversification

Member Engagement

Investing in Private Asset

Considerations for DC investors



Investment governance

- Investing into private assets is more complex than into public markets
- Understanding the different risks associated with private assets
- Managing a total portfolio that combines public and private assets.



Operational

- The non-daily trading nature of the assets doesn't fit with current operational structure of DC
- DC governed by different rules compared to other institutional investors

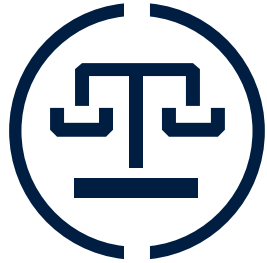


Fees

- Fees are higher compared to public markets
- Fee structures – some private assets typically have a performance fee element

Semi-Liquid Fund Structures

Helping to break down barriers preventing private asset allocation in DC



Improved Access to Liquidity

Semi-liquid funds provide liquidity within pre-agreed thresholds.

Exposure can be tailored over time and dealt at NAV.



Immediate Exposure

Exposure to a diversified portfolio on day one.

Distributions can be automatically reinvested to compound growth.



Simplified Operations

Lower minimum investments, no capital calls, and transparent fees.

Subscription approach simplifies cash management requirements.

Case Study: Leading UK Master Trust Incorporating Private Assets

Case Study:

- **Leading DC Master-trust** with a fast-growing asset base
- Building out their private markets investments; facing challenges in **integrating private equity** into their default given **cost and structuring constraints**

Our Solution:

- Bespoke co-investment only mandate to provide **evergreen private equity exposure** in a DC compatible flat-fee structure
- Targeting small and mid buyout and growth, for a **tailored risk-return profile**
- Co-investment approach help to align deployment **to meet scheme needs**
- **S&I integrated into investment process**, utilising proprietary tools to produce and **report detailed GP and fund ESG assessments.**

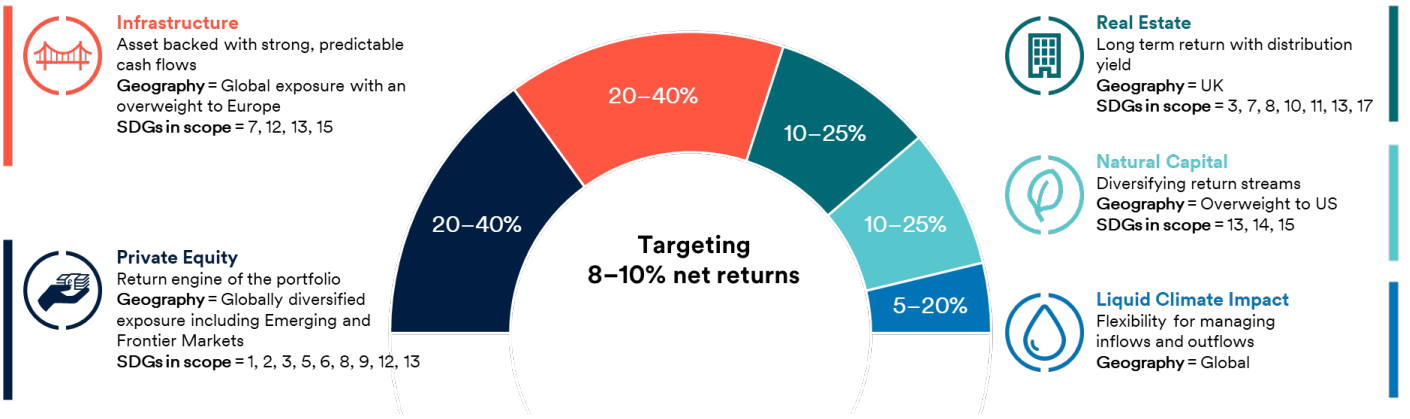
Working in Partnership:

- Providing **open access to senior investors** and pension experts within our business
- Giving the client sight of upcoming pipeline and deal-by-deal reporting for **education and transparency, particularly on S&I**

Case Study: Building a Pooled Multi-Private Asset Solution



- Characteristics:**
- Global **multi-private asset portfolio** investing across private equity, infrastructure, real estate and natural capital
 - **Evergreen, semi-liquid structure** using **Long-Term Asset Fund** offering quarterly subscriptions and redemptions
 - **No performance fees / carry**



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