

A photograph of three reflective spheres on a dark surface. The sphere on the right is in sharp focus and shows a clear reflection of a window with a grid pattern. The two spheres to its left are out of focus, appearing as soft, glowing shapes.

Macquarie Investment Management Private Markets Introduction to Secondaries

Hugh Dyus
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PERFORMANCE INFORMATION

Macquarie Asia Pacific Private Equity strategy includes Macquarie Asia Pacific Private Equity Fund ("MAP"), Macquarie Asia Pacific Co-Investment Fund ("MAPCF") and two advisory accounts which invest in primary funds, secondaries and co-investments in the Asia Pacific region since 2006.

All performance is calculated in US dollars using the exchange rates as per the US Federal Reserve as the cashflows occurred.

IRRs presented are net of all fees and carried interest charged by the underlying managers and gross of all fees and carried interest charged by MIMPM. Please refer to the relevant fund's offering documents for a discussion of fees charged to the Fund.

The returns shown in the presentation are not necessarily indicative of those MAP II and MAPCF II will achieve. MAP II and MAPCF II's performance may differ substantially from that achieved by the Manager's existing strategy resulting from differences in sectors and geographic markets.

All valuations/performance data is prepared by MIMPM based on International Private Equity and Venture Capital Guidelines which may differ from valuations based on US Generally Accepted Accounting Principles ("US GAAP").

Distributions Paid In ("DPI") represents the ratio of distributions received from underlying investments compared to capital paid in to underlying investments.

Total Value to Paid-In ("TVPI") represents the ratio of unrealised value of the underlying investments plus distributions received from the underlying investments compared to invested capital paid in to the underlying investments.

Residual Value to Paid-In ("RVPI") represents the ratio of unrealised value of the underlying investments compared to invested capital paid in to the underlying investments.

DISCLAIMER



Investments have been made in the local currency appropriate to the base currency of MIMPM funds, i.e. \$A investments have been made for \$A denominated funds.

KEY RISK FACTORS

General. The future earnings of the Fund and the value of the investments of the Fund may be affected by the general economic environment, commodity prices, currency movements, short and long term interest rates, changing government policy and other economic and geopolitical factors beyond the control of the Fund. No guarantee can be, or is given in respect of the value of the investor's original capital investment, the future earnings of the Fund or the earnings and capital appreciation of the Fund's investments.

Asia Pacific Region. Investments in the Asia Pacific region are subject to a higher risk than investments in developed market economies such as Europe and the U.S. Many Asia Pacific countries and economies may be considered emerging markets, and hence may be subject to heightened political and economic instability, considerable currency volatility, high correlation across markets, influence by local government, significant changes in laws and regulations, different corporate governance and legal framework, low liquidity, etc. Whilst Asia Pacific markets have performed relatively well in recent years, there is no guarantee that such performance will continue."

Private Equity Market Risk. Downturns can often affect one particular sector of the private equity market if too much capital is raised by managers and investment discipline deteriorates. This can adversely affect returns from investments that the Fund has exposure to in that sector. The Manager may not have access to, or be able to identify, investments that are suitable for the Fund. This may result in the Fund holding an exposure to cash or cash equivalents for longer than intended, which may affect Fund performance. Investment in companies and assets in the private equity sector involves risks and volatility that are greater than investments in other equity market sectors.

Liquidity Risk. The Fund investments are usually not liquid and most are not listed on a stock exchange which means it may be difficult to sell those investments quickly or at an attractive price. Additionally the illiquidity of the Fund's investments may mean that the disposal price achieved is materially different from that assumed for Fund valuation purposes. In addition, in some cases the funds may be prohibited by contract or regulatory reasons from selling certain securities for a period of time.

Investment Management Risk. The past performance of private equity fund of funds managed by the Manager or investments made by the Investment Team is not necessarily a guide to the future performance of the strategy. In some cases, these investment decisions were made under the operating framework of investment managers other than Macquarie Funds Group, who may apply significantly different investment decision making processes. Many of the underlying investee companies in which the private equity managers selected by the Manager will be investing funds, will have a limited or small capital base. Investment in companies and assets in the private equity sector involves risks and volatility that are greater than investments in other equity market sectors. Some of these investments will be start up companies with no proven track record. There are a number of factors which may contribute to poor performance of an underlying manager including the effectiveness of their risk management systems and the level of diversification of their investments across countries, sectors, industries, managers and vintage and individual investment diversification. There is no guarantee that the investment ranges and risk management strategies adopted by the strategy will be successful in ensuring effective risk management.

Risk of Limited Number of Investments. The Fund is not subject to any strict obligation with respect to diversification. While the Manager will seek to diversify the investments of the Fund across a number of sectors, industries and managers, the Fund may participate in a limited number of investments. In particular, during the Fund's initial investment period and during the winding down of the Fund, investment ranges and targets presented herein may not apply or may be exceeded. As a consequence, the investments of the Fund may be concentrated and the aggregate return of the Fund may be substantially adversely affected by the unfavourable performance of even a single investment. Where the Fund makes investments through part or wholly owned intermediary vehicles, the Fund will also be exposed to the solvency risk of that vehicle.

Valuation Risk. Determining accurate valuations of investments made by the Fund may be difficult, due to the nature of the proposed investments, and their relative illiquidity. There may be a relative scarcity of market comparables with which to validate the valuations of the Fund's investments. The Fund will rely on the Manager to provide valuations for the determination of its net asset value. The Manager will in turn rely on several external sources for valuations, including, but not limited to, the lead manager of the Fund Investments and/or the lead manager of the Co-Investments.

No Assurance of Investment Return. The past performance by the Investment Team is not necessarily a guide to the future performance of the Fund. There can be no assurance that the Fund will be able to generate returns for its investors. There can be no assurance that any Limited Partner will receive any distribution from the Fund. Accordingly, an investment in the Fund should only be considered by persons who can afford a loss of their entire investment. Past activities of investment entities associated with Macquarie Group provide no assurance of future success.

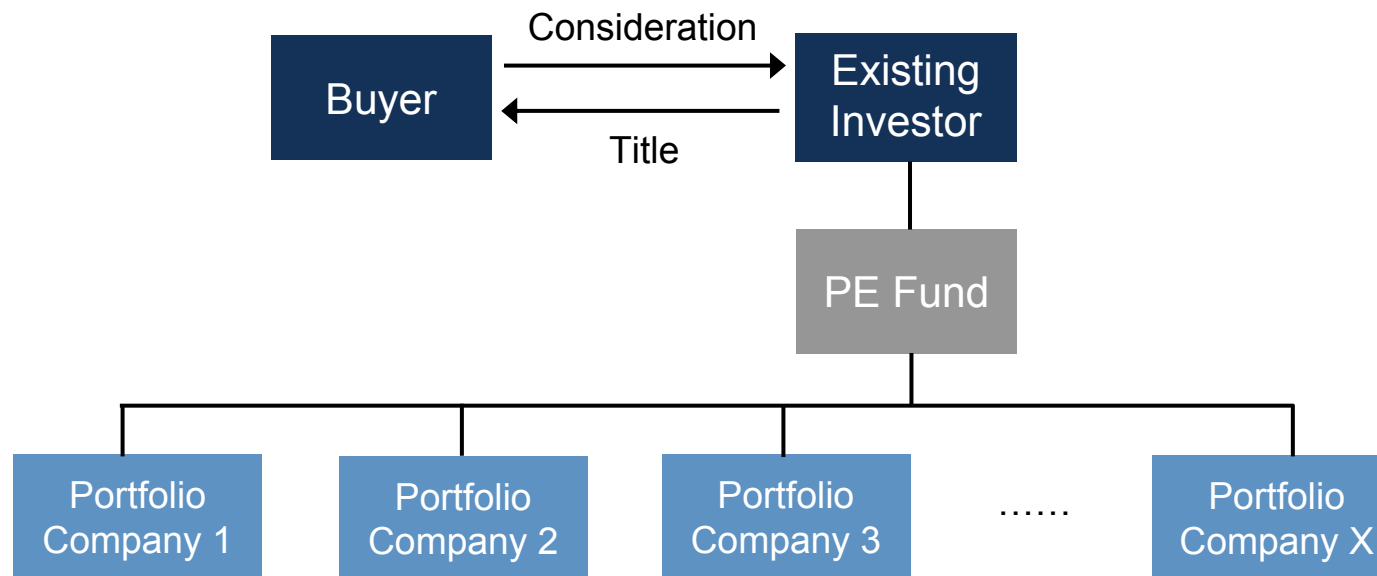
Legal, Tax and Regulatory Risk. Prospective investors are urged to consult their own legal and tax advisors with specific reference to their own situations concerning an investment in the Fund. The Fund will invest in countries that have legal and taxation systems different to those of the domicile of a Limited Partner. Foreign investments may be exposed to the risk of unfavourable legislative and/or taxation changes or rulings, and difficulties in enforcing contractual rights against third parties. Furthermore, it may be difficult to obtain and enforce a judgment in certain countries in which assets of the Fund are invested. Regulatory controls and corporate governance of companies in some developing countries may provide minimal investor protection.

SECONDARIES OVERVIEW

Definitions



Structure of a Secondary PE Fund Investment



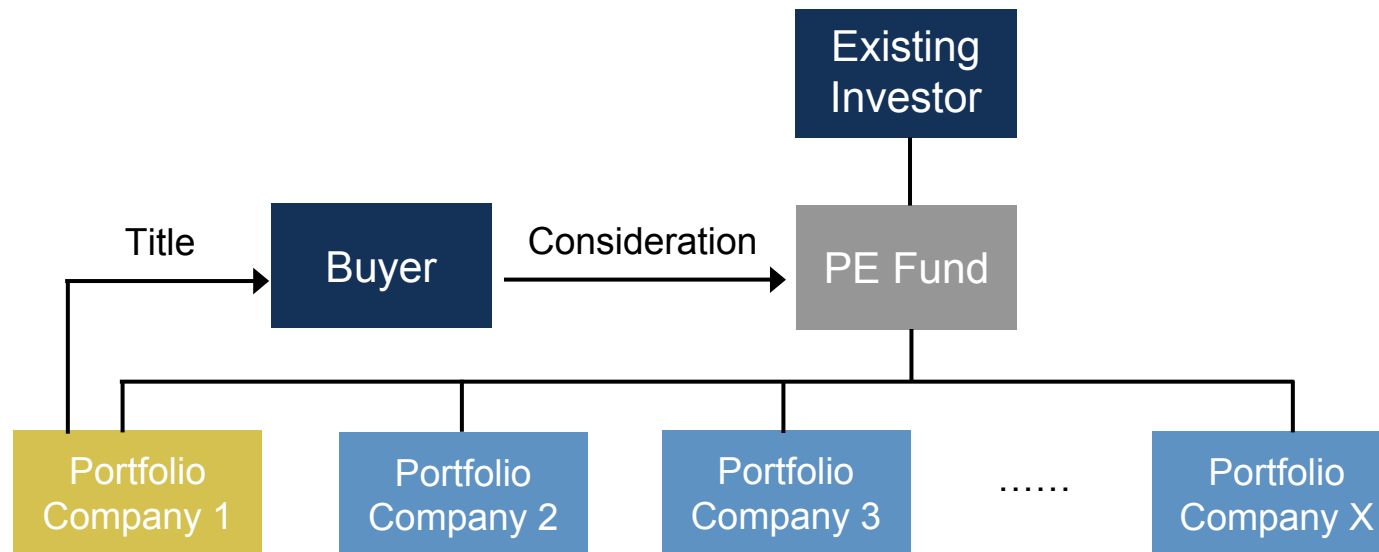
Secondary = Purchase of an existing interest in a fund

SECONDARIES OVERVIEW

Definitions



Structure of a Direct Secondary Investment



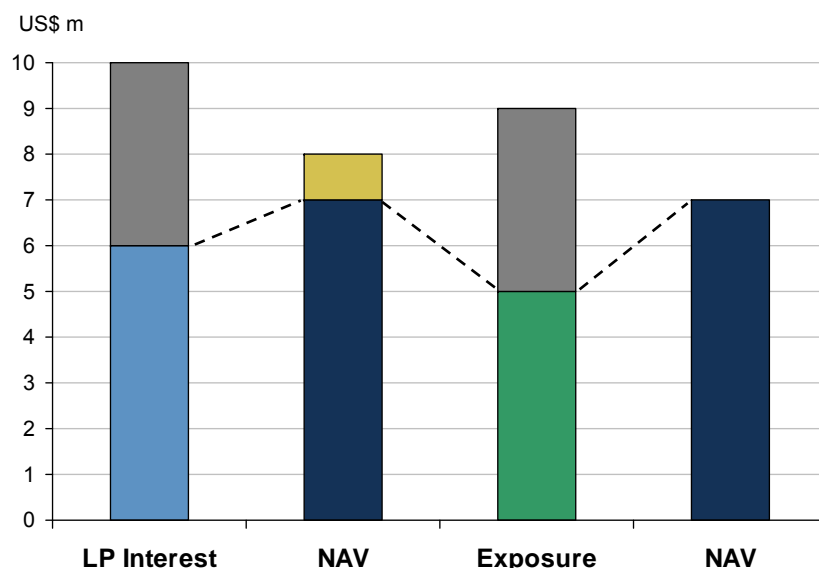
Direct secondary = Purchase of an existing interest in a business/company from PE owners

SECONDARIES OVERVIEW

Definitions



Example of a Secondary PE Fund Investment



- Drawn / cost of investment to date
- Unfunded commitments
- Distribution prior to cut off date
- Net asset value (NAV)
- Purchase price

$$\text{Commitment} = \text{Drawn} + \text{Unfunded} (= 6 + 4 = \$10\text{m})$$

$$\text{Called} = \frac{\text{Drawn}}{\text{Commitment}} = \frac{6}{10} = 60\%$$

$$\text{Discount} = \frac{\text{NAV} - \text{Price}}{\text{NAV}} = \frac{7 - 5}{7} = 28.6\%$$

$$\text{Exposure} = \text{Price} + \text{Unfunded} (= 5 + 4 = \$9\text{m})$$

$$\text{TVPI (original investor)} = \text{DPI} + \text{RVPI} (= \frac{1 + 7}{6} = 1.33\text{x})$$

$$\text{TVPI (seller)} = \text{DPI} + \frac{\text{Price}}{\text{Drawn}} (= \frac{1 + 5}{6} = 1.0\text{x})$$

$$\text{TVPI (buyer)} = \text{DPI} + \frac{\text{NAV}}{\text{Price}} (= \frac{0 + 7}{5} = 1.4\text{x})$$

SECONDARIES OVERVIEW

Reasons for Selling



	Liquidity	Value	Internal
Generate cash	√		
Reduce liabilities	√		
Accelerate monetization	√	√	
Lock in performance		√	
Asset class rebalancing			√
PE portfolio rebalancing			√
Portfolio clean up			√
Concentrate GP relationships			√

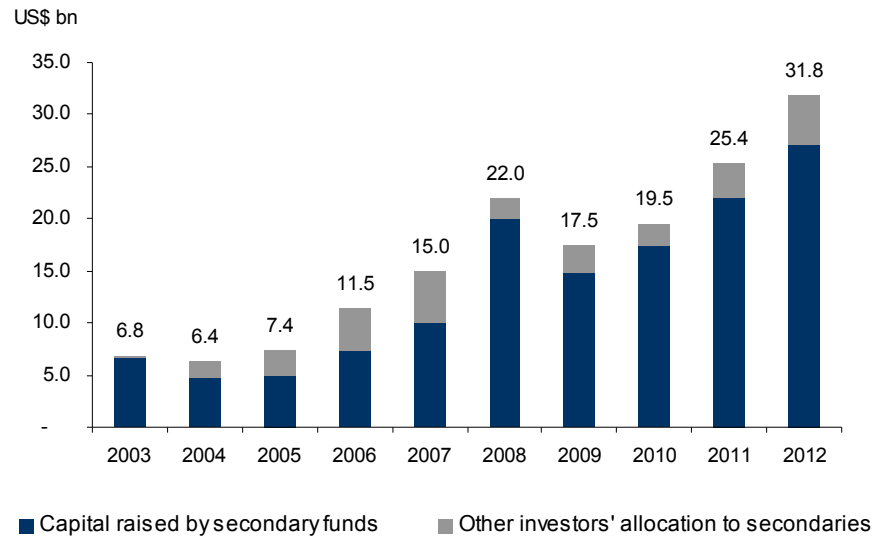
➤ Changes in financial position, regulation, investment strategy and investment personnel generate secondary deal opportunities

SECONDARIES OVERVIEW

Market Size

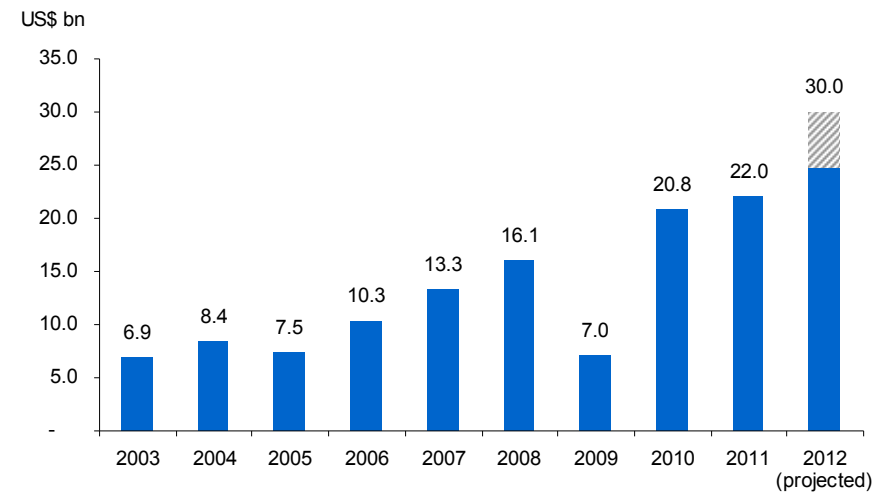


Estimated Capital Raised for Secondaries



Source: Campbell Lutyens

Estimated Secondaries Transaction Volume



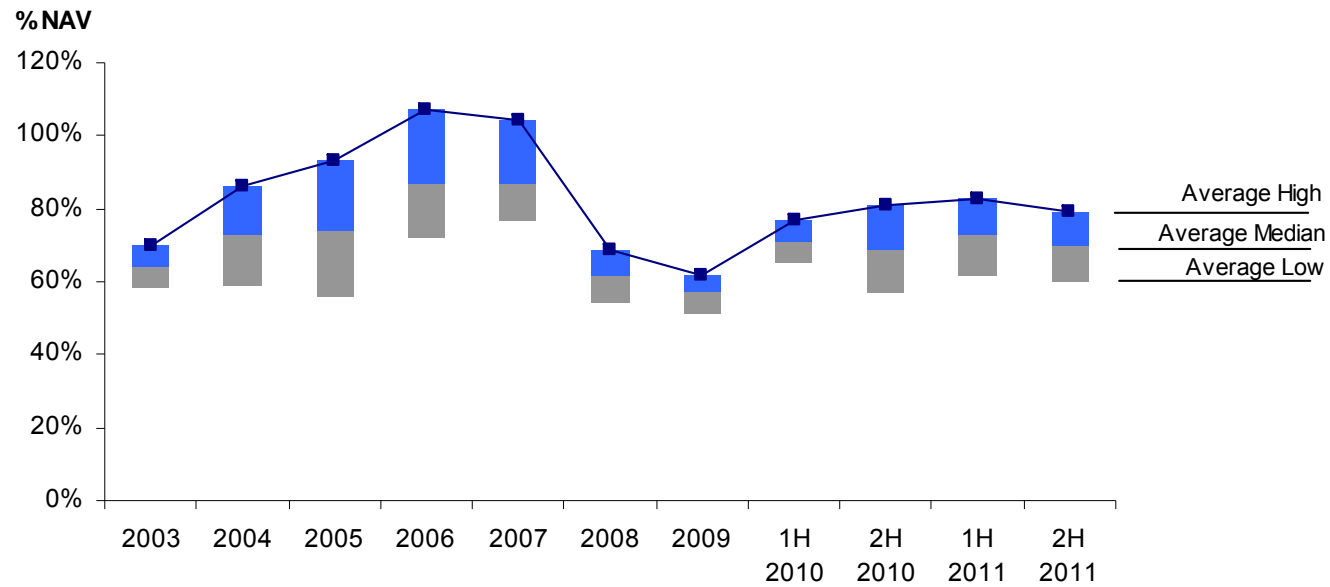
- 5% of primary capital commitments typically trade in the secondary market

SECONDARIES OVERVIEW

Market Pricing



Secondary Bid Spreads Over Time



Source: Cogent Partners

SECONDARIES OVERVIEW

Advantages



- **Higher IRR**
 - **Shorter holding period**
 - **Lower fees**
 - **Establishment costs**
 - **Management fees prior to cut off date**
- **Visibility**
 - **Blind pool risk only on unfunded commitments**
 - **Information on portfolio companies**
 - **Type of business**
 - **Quality of management**
 - **Competitive position**
 - **Performance under PE ownership**
 - **Entry price and terms**
 - **Prospects**
- **NAV**
 - **Valuation methodology**
 - **Subsequent events**
 - **Underperformers already written down or written off**
- **Discount**
 - **Margin of safety**

SECONDARIES OVERVIEW

Disadvantages



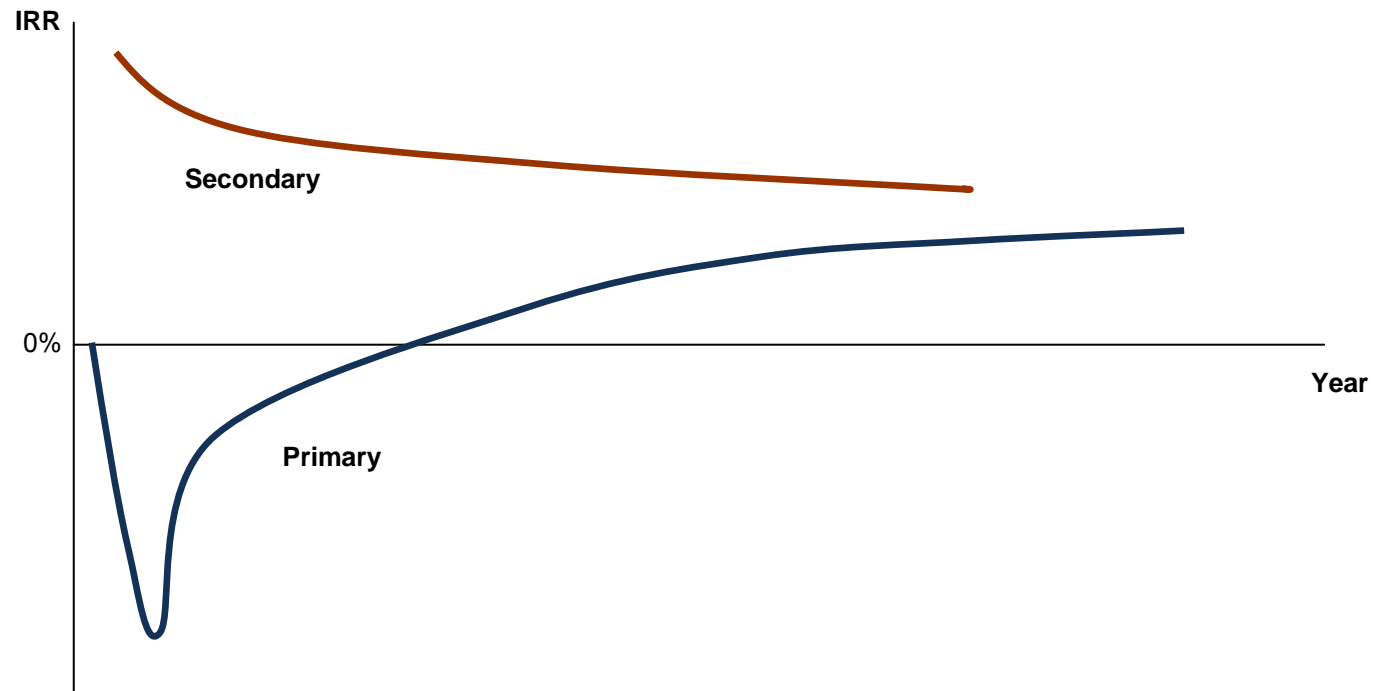
- **Specialist skills required**
 - Sourcing
 - Due diligence
 - Deal execution
 - GP relationships / consent
- **Time and effort per dollar invested**
 - Work required
 - Success rate
- **Costs**
 - Transaction costs
 - Manager's fees

SECONDARIES OVERVIEW

Return Profile



Illustrative Return Profile of Secondary vs Primary Investment



SECONDARIES OVERVIEW

Types of Secondaries

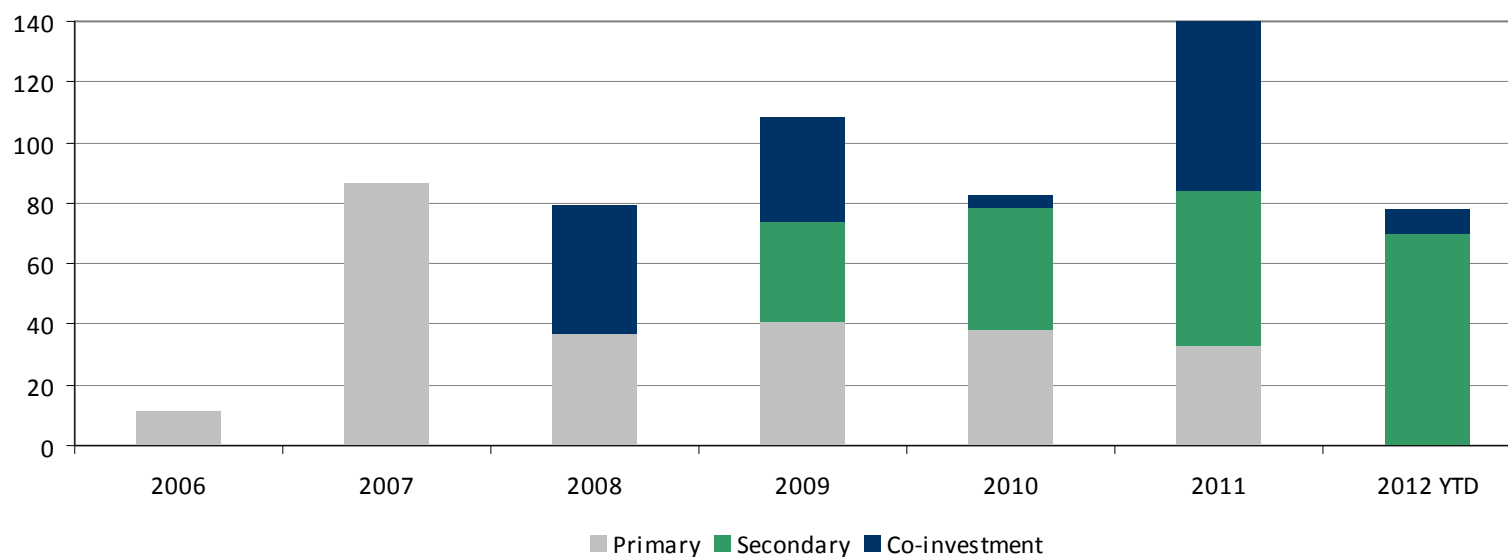


Criteria	Types	MIMPM Sweetspot
Portfolio	Single fund positions	✓
	Portfolio of funds	
Maturity / Vintage	Immature	✓
	Mature	✓
GP	Strategic	✓
	Opportunistic	✓
Structure	Vanilla	✓
	Structured	
Size of fund	Small and mid-cap	✓
	Large cap	
Size of deal	Small	✓
	Large	

MAP II STRATEGY Evolution of Strategy



Commitments by Year (US\$ m)



69% Secondary Investments & Co-investments

- High proportion of Secondary Investments and Co-investments achieved since 2008
- Increased focus and resource dedicated to generating transaction deal flow

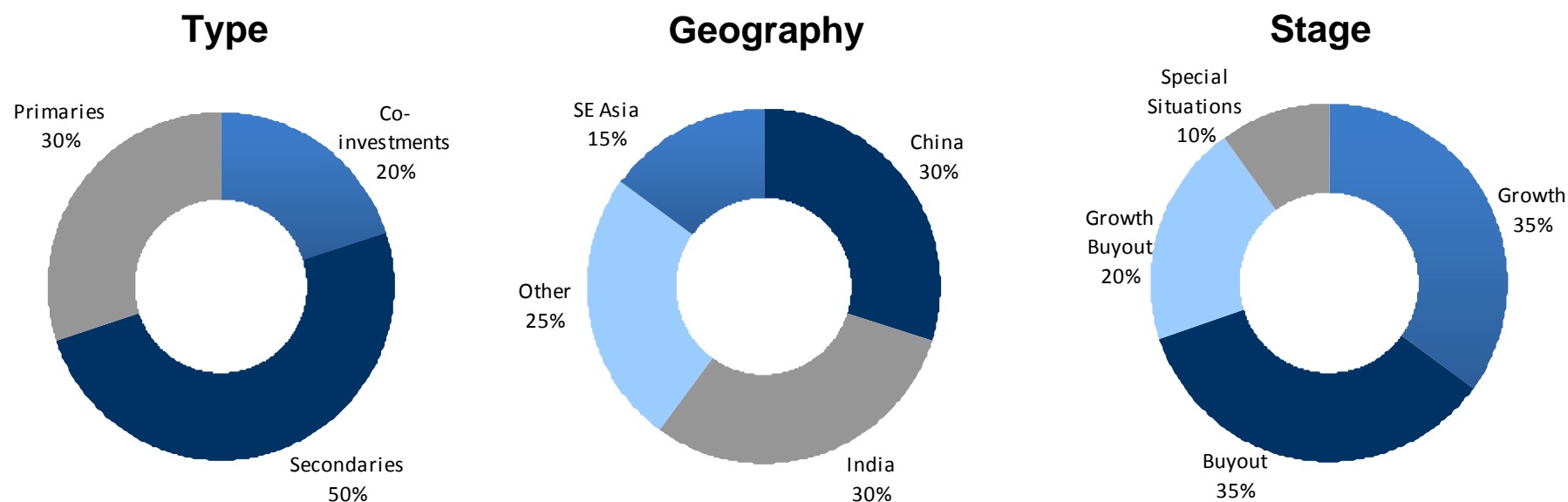
Source: MIMPM. As of 30 April 2012. Includes all primary funds, secondaries and co-investments that are completed or at advanced stages of completion since 2006.

MAP II STRATEGY

Portfolio Overview



Target US\$300 million Asia Pacific secondary and co-investment fund



- 50% target allocation to Secondaries
- 20% allocation to Co-investments via Macquarie Asia Pacific Co-Investment Fund II (MAPCF II)

Allocations are indicative ranges only and do not represent fixed limits for MAP II. Actual portfolio compositions may vary.

MAP II STRATEGY

Secondaries Track Record



Investment (US\$ m)	Geography	Strategy	Year	Original Vintage	Original Commitment	Drawn at Entry	NAV	Purchase Price	Discount to NAV	Exposure (US\$ m)	Source
Secondary 1	Regional	Buyout	2009	2007	25.0	17%	2.9	-	100%	21.5	Vendor
Secondary 2	China	Growth	2009	2007	5.0	27%	1.2	0.4	65%	4.1	Vendor
Secondary 3	Japan	Buyout	2009	2006	12.2	54%	3.3	2.0	40%	7.5	GP
Secondary 4	India	Growth Buyout	2010	2007	12.5	57%	6.2	4.4	29%	9.8	Broker
Secondary 5	India	Growth	2010	2006	17.5	51%	9.0	4.9	45%	13.7	GP
Secondary 6	Regional	Buyout	2010	2008	10.0	28%	1.6	-	100%	7.3	Broker
Secondary 7	India	Growth Buyout	2010	2007	10.0	63%	5.8	5.8	0%	9.6	Vendor
Secondary 8	India	Growth Buyout	2011	2010	4.0	7%	0.2	0.2	8%	3.9	Vendor
Secondary 9	China	Growth	2011	2005	6.0	90%	8.1	8.1	0%	8.7	GP
Secondary 10	India	Growth	2011	2007	2.0	87%	1.9	1.4	25%	1.7	Vendor
Secondary 11	Regional	Growth	2011	2006	5.0	89%	5.1	4.6	10%	5.2	Broker
Secondary 12	India	Growth Buyout	2011	2006	15.0	97%	16.1	12.9	20%	13.2	GP
Secondary 13	Japan	Buyout	2011	2009	18.3	17%	9.3	3.1	66%	18.3	GP
Secondary 14	Regional	Growth	2012	2006	25.0	90%	27.4	23.1	16%	25.5	Vendor
Secondary 15	Japan	Buyout	2012	2006	12.2	88%	18.3	7.6	59%	8.9	Vendor
Secondary 16	Japan	Buyout	2012	2003	30.4	99%	20.4	11.1	46%	11.3	Vendor
Total					210.0	62%	136.8	89.6	35%	170.1	

NM = not meaningful

Source: MIMPM. As of 31 March 2012. Performance is net of all fees and carried interest charged by the underlying managers and gross of all fees and carried interest charged by MIMPM. Past performance is not an indication of future performance.

MAP II STRATEGY

Secondaries Track Record



Investment (US\$ m)	Year	Exposure	Invested	Proceeds	Value	Multiple	IRR	% Gain on	
								Discount	Revalue
Held for more than 1 year									
Secondary 1	2009	21.5	13.9	1.0	22.1	1.66x	32%	32%	68%
Secondary 2	2009	4.1	3.6	1.3	4.9	1.74x	42%	29%	71%
Secondary 3	2009	7.5	6.1	-	18.2	2.98x	86%	11%	89%
Secondary 4	2010	9.8	8.9	1.6	10.6	1.37x	20%	54%	46%
Secondary 5	2010	13.7	11.7	-	13.0	1.11x	8%	100%	0%
Secondary 6	2010	7.3	3.5	1.0	5.3	1.82x	67%	57%	43%
Secondary 7	2010	9.6	8.8	1.3	8.5	1.11x	8%	0%	100%
Secondary 8	2011	3.9	0.4	0.1	0.3	0.80x	-23%	NM	NM
Sub Total		77.3	56.9	6.3	82.8	1.57x	33%	39%	61%
Held for less than 1 year									
Secondary 9	2011	8.7	8.1	1.2	8.2	1.15x	21%	0%	100%
Secondary 10	2011	1.7	1.4	-	1.3	0.93x	-12%	NM	NM
Secondary 11	2011	5.2	4.7	-	5.5	1.18x	40%	62%	38%
Secondary 12	2011	13.2	13.0	0.3	13.8	1.08x	29%	NM	NM
Secondary 13*	2011	18.3	0.8	-	0.5	NM	NM	NM	NM
Secondary 14	2012	25.5	23.1	-	27.4	1.18x	NM	100%	0%
Secondary 15	2012	8.9	7.6	-	18.2	2.40x	NM	100%	0%
Secondary 16	2012	11.3	11.1	-	19.4	1.75x	NM	100%	0%
Sub Total		92.8	69.8	1.5	94.3	1.37x	217%	100%	0%
Grand Total		170.1	126.7	7.8	177.1	1.46x	49%	70%	30%

➤ Only 39% of the returns on mature secondaries is attributable to pricing on entry

➤ Deal selection has been equally important

NM = not meaningful

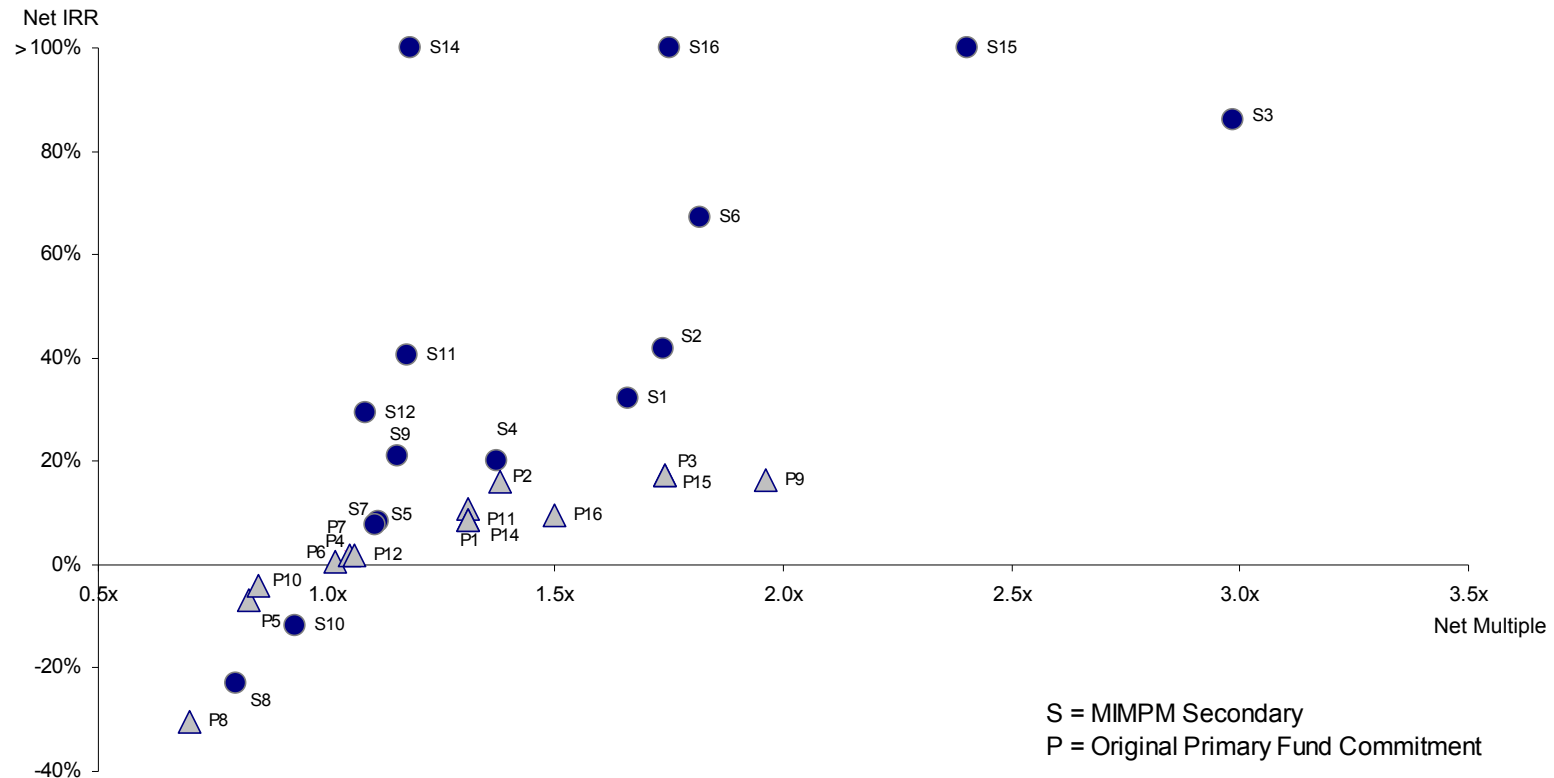
Source: MIMPM. As of 31 March 2012. Performance is net of all fees and carried interest charged by the underlying managers and gross of all fees and carried interest charged by MIMPM.17
Past performance is not an indication of future performance.

MAP II STRATEGY

Secondaries vs Primaries



MIMPM Secondary Investments vs Corresponding Primary Fund Investments



- MIMPM secondary investments have generated higher returns than primary fund commitments in the same funds

Source: MIMPM. Based on underlying managers' latest available valuations as of 31 March 2012. Past performance is not a reliable indicator of future performance.

MAP II STRATEGY Initial Portfolio



Investment	Geography	Strategy	Closing Time	Commitment (US\$ m)	Invested (US\$ m)	Proceeds (US\$ m)	Value (US\$ m)	Multiple	Status
As of 31 March 2012									
Secondary 1	Regional	Growth	Mar 2012	7.7	6.9	-	8.2	1.18x	Completed
Secondary 2 [#]	Japan	Buyout	Mar 2012	3.4	3.3	-	5.8	1.75x	Completed
Secondary 3	Japan	Buyout	Mar 2012	2.7	2.3	-	5.5	2.40x	Completed
MAPCF II	Regional	Co-investment	Jan 2012	5.1	2.1	0.1	2.3	1.20x	Completed
Total*				18.8	14.6	0.1	21.8	1.50x	
Post 31 March 2012 Investments									
Secondary 4 ^{##}	Japan	Buyout	Apr 2012	5.0	2.5	-	4.4	1.75x	Completed
Grand Total*				23.8	17.1	0.1	26.2	1.54x	

A distribution of ~US\$0.58m is expected to be paid in Q2 2012

Value based on expected NAV reported by the underlying manager as of 30 June 2012

Source: MIMPM estimates based on underlying managers' latest available valuations as of 31 March 2012. Performance is net of all fees and carried interest charged by the underlying managers and gross of all fees and carried interest charged by MIMPM. Past performance is not an indication of future performance. MAP II held its 1st closing on 31 January 2012 with US\$25.45 million in capital commitments.

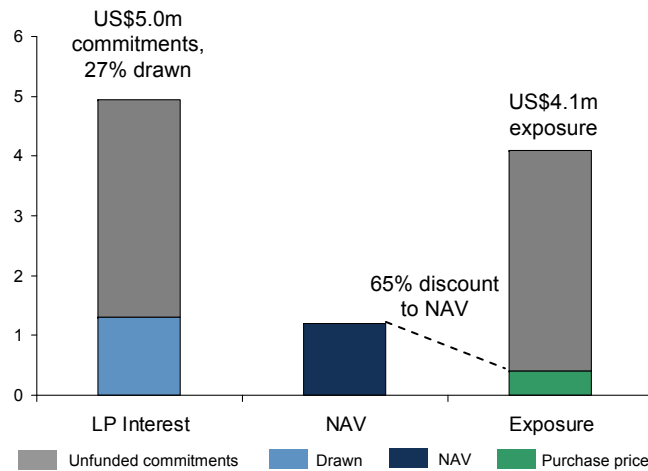
* The total multiple is gross of MAP II's fees and expenses and will change over time as additional funds are raised and new investments are completed.

CASE STUDY

Transaction Summary



Transaction Summary

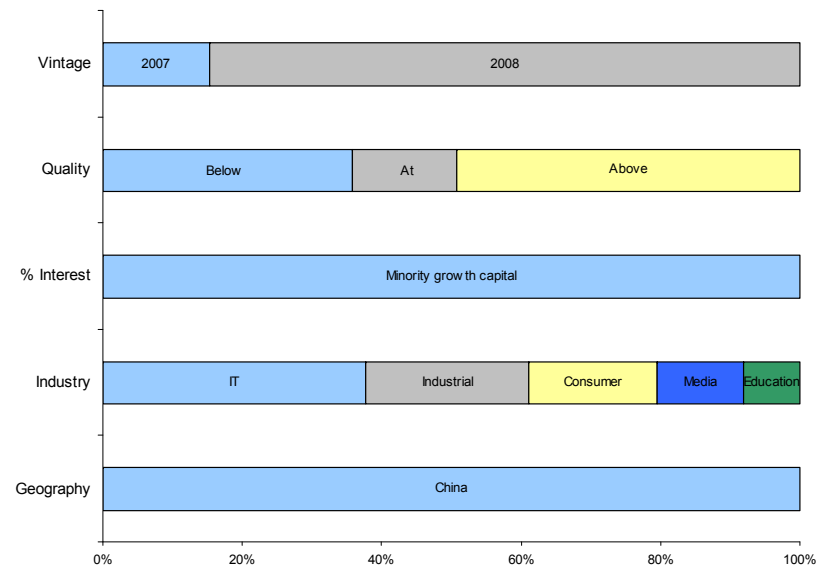


Investment Rationale

- > Preferred disciplined GP
- > Deep 65% discount to NAV
- > Portfolio conservatively valued at cost
- > Good alignment of interest with GP's focus on investment performance rather than fund size

Portfolio Snapshot

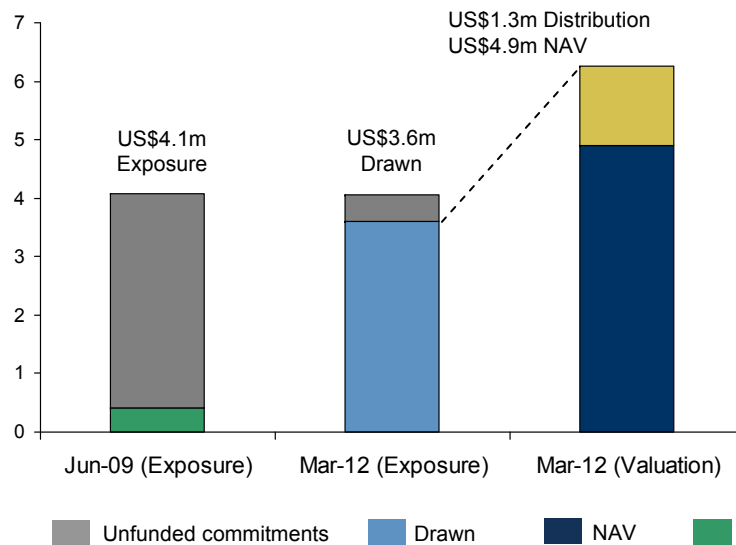
- > China growth capital fund (vintage: 2007) with >US\$400m in capital commitments
- > 7 portfolio companies
- > Two potential "stars", trading ahead of plan



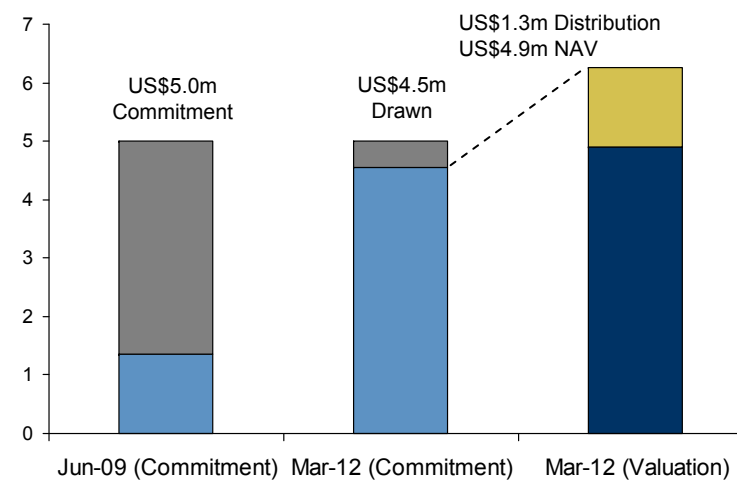
CASE STUDY Performance



Return on the Secondary Investment



Return on the Primary Investment



	Secondary	Primary
DPI	0.37x	0.30x
TVPI	1.74x	1.38x
IRR	41.6%	16.1%