

Private Investments & Private Equity

Experience has shown can substantially enhance overall portfolio performance.

Must be done in a manner to keep risk mitigated

Accessed either through Private Equity (aggregated funds) or Private Investments (direct)

Extensive research on UHNW

Private Equity

- offered through select managed funds and listed vehicles (PE1),
- invests in private companies in start-up growth phase prior to IPO listing or larger companies wishing to stay private for the medium term,
- has reasonably wide diversification in a number of ventures to offset extra risks,
- aimed more at the medium to long term (5 to 7 years),
- small portion is appropriate to a large portion of our client base, value add returns and diversification benefits
- funds have varying strategies, e.g. operate in specific industries & can apply niche expertise or focus on adding value through restructuring, operation improvements, corporate governance, financial support to enhance the growth prospects and operations etc.

Private Company Investments

- solely for our Sophisticated Investors (SI),
- focused, select unlisted opportunities we gain exclusive access to via our external professional resources.
- investments carry additional risk but if successful will attract significant returns over short to medium terms to compensate for the risk.
- in order to reduce risk, clients should have exposure to at least 3 private investments

Asset Allocation

- Annual Evolution Financial Investment Strategy gathering to rebalance sector allocations.
- Research providers and HNW individuals' studies to help determine weighting
- Significant allocation to Private Equity (Alternative investments) but not excessive

Asset Class	Sophisticated Investor Zero Drawdown
Cash	5%
Fixed Interest	0%
Defensive Assets	5%
Australian Shares	35%
International Shares	40%
Property	5%
Growth Assets	80%
Private Equity	5%
Private Investments	10%
Alternative Assets	15%
Total	100%

General framework of analysis:

Researched to understand business financials, debt levels, market position, industry trends, corporate structure, existing stakeholders and 'break-even point' that makes offer attractive to both the existing owners and potential investors.

1. Strong management team with proven track record.

- a. We may provide strategic input or guidance but businesses management team exclusively required to execute operating strategy.
- b. Form of existing Relationship crucial to provide certainty of integrity and intentions.

2. Strong market position & sustainable competitive advantages.

- a. Cutting edge market leaders with future sustainable business models.
- b. High barriers to entry, high switching costs, and strong customer relationships.
- c. Significant 'market disruptors' can be attractive, however business must be in operation to the point it's begun generating revenue.

3. Multiple avenues of growth

- a. Could include introduction of new products, increasing number of locations or online geographies, new customers, increasing penetration of existing customers, exploring adjacent industries.

4. Recurring sustainable revenue

- a. Biggest driver to high valuation for a start-up growth company, not one-off revenue hits.
- b. Critically assess the likelihood of sustainable projected growth to drive higher valuations.

5. Favourable industry trends:

- a. Well-positioned to benefit from attractive industry trends e.g. automation, changing customer habits, disruptive technology, digitalization, A.I. etc.
- b. Downside protection.
- c. Being first to market is also a key consideration as this lowers the risk involved and provides a much higher likelihood of success.

6. Usage of funds

- a. Use of investment capital can determine growth & ultimate the success of the business. E.g. expansion into new international geographical locations, increasing efficiency of operation, increasing operational output to meet large distribution/sales opportunities.

At all stages, Evolution Financial critically assesses the business for weaknesses and any compelling reasons not to invest.

Our default position is not to invest unless it's extremely compelling, as opposed to a forgiving optimistic view.

Lifecycle

- Grind period completed 2-5 years. 3 year runway to IPO/Trade sale.
- Early stage Angel Investing avoided.
- Extensive due diligence resulting in very few accepted.
- 8 out of 30+ with extensive due diligence
- A couple a month on average presented to us.

Fees

The key factor here for Evolution Financial is to ensure we act in the client's best interests at all times with transparency with a clear alignment of interests.

- No entry fee payable by the client.
- No placement fee accepted by Evolution Financial from the company raising funds
- No ongoing fee charged
- Principal Brad Stewart personally undertakes every investment
- Only available to existing sophisticated investor clients of Evolution Financial

Evolution Financial Pty Ltd (AFSL 499987)

General Advice Warning

This content has been prepared for information purposes only without taking account of the objectives, financial situation or needs of any particular individual. It does not constitute personal advice nor is it advice or a recommendation to enter into any transaction. You should always consider the PDS or Prospectus before entering any investment and we encourage you to seek advice from Evolution Financial which considers your personal circumstances.