

Runs on the board for first placement agency

Australia's first private equity placement agency, Principle Advisory Services, has assisted in the raising of around \$1.5 billion by five of its clients since it launched its placement service two years ago in August 2003.

The clients include three international firms as well as two local firms.

Principle assisted GBS Venture Partners with the recent close at \$150 million, well over target, of its GBS BioVentures III Fund. Principle assisted GBS to coordinate the fund raising and reach its maximum target, said Veronik Verkest, consulting director with Principle.

The firm also assisted local infrastructure investor, ANZ Infrastructure Service, to make the transition to a funds manager. Until then it had only invested ANZ Bank capital.

Ms Verkest said the relationship started in late 2003 and during 2004 Principle advised ANZIS on how to transform itself to be able to attract third party institutional money.

"In 2004 Principle worked on product development and positioning, the marketing materials and the sales plan," she said. "During the first quarter of 2005, we raised \$51.5 million, the first tranche of institutional money. We are now ready to raise the second tranche as ANZIS wins more infrastructure deals."

ANZIS manages the Energy Infrastructure Trust and in coming months will launch the Diversified Infrastructure Trust. The Energy Infrastructure Fund attracted seven investors at the first close, said Principle director, Lachlan Douglas.

The capital raised was used to acquire existing units initially funded by ANZ Bank. Between March and July these rose in value by 17 per cent and are now worth \$60

million, said Mr Douglas. ANZ is committed to further investment in the fund, and as an open ended vehicle the fund will soon reopen to investors with capacity for up to \$100 million in new units, he said.

On the international front, Principle has assisted VenCap International plc which raised \$350 million for its VenCap 10 fund, Montagu Newhall which raised \$156 million for its Montagu Newhall Global Partners II fund, and Energy Investors Funds Group LLC (EIF) whose US Power Fund II, its sixth fund, held a first close in April this year and is expected to hold a final close this month at \$750 million.

Three Australian institutions invested at the first close: Statewide, Westscheme and MTAA, all of whom are clients of Access Economics. Ms Verkest said Julian Widop of Access Economics did extensive due diligence on EIF before recommending it to his clients.

The three investors committed US\$100 million in total, a significant percentage of the first close.

Principle's relationship with EIF began in late 2003 when it outlined the importance of the Australian market and the rising interest of institutional investors in infrastructure.

"We helped promote this quality manager, considered a private equity manager in the US, as an infrastructure manager in this market. We introduced them to key consultants, investors and then followed up with EIF due diligence materials, said Ms Verkest."

However, "access has been a real issue", she said.

"Pre-fundraising marketing started in earnest in June 2004. The official launch was in September 2004. Three Australian institutional investors were ready for the first close in April 2005. It was good for them to be early as after the first close there has been a rush to the final close, expected this month," she said.

"Principle's access with this manager will see two

more Australian institutional investors get an allocation. Few Europeans got an allocation."

This should raise the Australian commitments to the fund to between US\$130-150 million.

Founded in 1987, EIF describes itself as a private equity fund manager targeting the electric power industry, an over US\$1 trillion industry contributing 4 per cent of US GDP.

"Corporate merger and acquisition activity in the US power sector is causing restructuring and divestiture of power assets," it says. "Over US\$20 billion of generation asset sales have been announced since the beginning of 2002, culminating in US\$8 billion in asset sales in 2003 alone. There are more than 7,000 independently owned power plants and over 16,000 power generation facilities in the US, many with multiple owners," says EIF.

The US Power Fund II is targeting a return of 20 per cent per annum net of fees, expenses and carry.

At one time EIF was an investor in the Millmerran power station in Qld.

In terms of current fund raising, Principle is acting as placement agent for ABN AMRO and a US opportunistic property manager, Townsend Group, as well as ANZIS.