

product suite. As a result, the fund became an investor in Optium. Optium successfully listed on Nasdaq in October last year. The Accede team now expects to gradually sell down its Optium holding to generate a substantial return for fund investors.

The Accede Capital Ventures Fund I was also the first institutional investor in G2 Microsystems. G2 Microsystems was founded by former employees of Radiata and the fund invested alongside them.

G2 Microsystems is now developing an ultra low-power computer chip that can be combined with an 802.11b radio transmitter in a radio frequency identification (RFID) system. The cost advantages of the low power system, which can be integrated with existing wireless communications, are beginning to be recognised by the market, giving the company considerable revenue and growth potential.

On completing its spinout from DB Capital Partners last year, Accede successfully raised, from both overseas and local investors, a \$27 million Annex Fund to continue to invest alongside Accede Capital Ventures Fund I.

Accede is also one of four firms currently shortlisted for funding of \$20 million each under the Federal Government's Innovation Investment Fund (IIF) program.

### Boutique funds manager attracts strategic investor

St George Bank-backed Ascalon Capital Managers Ltd is to invest in Brisbane-based private equity funds manager MillhouseIAG Ltd.

Ascalon invests in and helps develop boutique fund managers across a range of asset classes. Ascalon picks managers it sees as potential leaders of the next generation. The company was established by St George Bank in 2000 and is now

an equal joint venture with Kaplan Equity Limited.

MillhouseIAG founder and chief executive David Millhouse announced the Ascalon deal on 3 May. He declined to give a value for the investment but described it as a "strategic equity shareholding". As a result of the investment, he said, Ascalon chief executive Nick Basile would join the board.

Mr Millhouse said MillhouseIAG's international growth strategy had attracted Ascalon.

The investment would enable the company to "substantially grow" its funds management operations which are currently seeking additional commitments of more than \$500 million across its funds.

He said: "This transaction will allow MillhouseIAG to capitalise on the substantial investment of both time and money which has been spent to build an international venture capital, private equity and investment banking business."

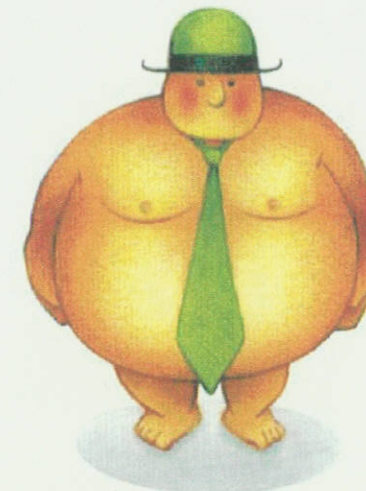
The business now had about 100 employees in Brisbane, Sydney, Singapore, Berlin and Frankfurt.

"To achieve the scope and scale required to be successful in private equity and investment banking, you need to be international with excellent people on the ground in every location and we have achieved all that while remaining headquartered in Brisbane," he said.

Mr Basile said: "We see independent, fast growing boutiques like MillhouseIAG playing a major role in the future of funds management in the alternative asset class segment."

"The fact that MillhouseIAG has multi-country operations and offices, operating over many years is attractive from a stability perspective and demonstrates that the strategic thinking of MillhouseIAG is likely to lead to significant scale opportunities."

Ascalon's senior investment manager Nelson



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Lam said MillhouseIAG's experience in acquiring platform businesses and access to quality deal flow, domestically and abroad, provided the business with a competitive edge. He said the manager's existing retail private equity fund could have strong appeal to Ascalon's distribution links.

The current MillhouseIAG private equity funds are:

- MillhouseIAG Private Equity Trusts 1 and 2 – open to institutional investors
- MillhouseIAG Private Equity Fund – open to Australian retail investors
- Deutsche Life Sciences – a specialist life science venture capital fund in Berlin
- Deutsche IT – a specialist information technology venture capital fund which has a foundation investment in a Berlin-based IT business.

Kaplan Equity's involvement in Ascalon means the investment in MillhouseIAG will bring closer to private equity action a major figure of the Australian sector's early days. Former Patrick Corporation managing director Chris Corrigan is chairman of Kaplan and sits on the Ascalon board.

Mr Corrigan was managing director of Jamison Equity which was Australia's largest development capital fund in the early 1990s. The operations of Jamison Equity were wound down in 1996 so that it could be absorbed by major investor Lang Corporation which then focused on building up what was then Patrick Stevedores.

#### **New Zealand fund seeks NZ\$100 million**

Auckland-based Knox Investment Partners is seeking to raise a new fund of about NZ\$100 million from high net worth and sophisticated investors in Australia and New Zealand.

The fundraising has a commitment of more than NZ\$10 million from directors Bret Jackson, Tim

Sumner and Kevin Podmore.

The fund is expected to be invested in deals on both sides of the Tasman.

The manager says it expects to generate strong deal flow through its "investor club" ethos and is targeting a 25 per cent gross annual IRR across the entire fund.

Knox has already raised two funds with the directors the largest investors in each. The funds have generated a 41 per cent annual average gross IRR.

One investment, in financial advisory network Northplan, returned a gross average equity IRR of 185 per cent a year.

Knox has a flexible investment mandate investing across a wide range of industries and through different equity scenarios from minority to majority stakes and from growth to exit capital.

In contrast to the conventional private equity fund model, Knox does not set end dates for its funds and may plan to invest for longer periods than other fund managers.

#### **\$20.4 million second close for Accretion IV**

Accretion Investment Management has achieved a second close for its Accretion IV Fund; commitments now total \$20.4 million.

Accretion IV was established to invest in secondary direct transactions – the acquisition of interests in unlisted businesses from owners that wish to divest these interests.

Vendors include private equity firms approaching their termination dates and large corporations that decide to exit private equity style investments not relevant to their core businesses.

The fund has attracted a new commitment of \$10 million from AMP Life and an additional

commitment of \$4 million from Quay Australia 3 fund of funds. Accretion principals Peter Chapman and Ant Duncan have also increased their commitment to the fund. Further commitments are to be sought from institutions to take the fund up to \$30 million.

Accretion chief executive Mr Chapman said: "We are delighted to extend our existing investment management relationships with both AMP and Quay through the second close of the Accretion IV Fund.

"We are working hard to identify further unlisted investments below \$10 million in size where the current owners have bigger fish to fry and wish to divest their interest."

The fund recently completed its second investment; see separate story this issue.

#### **HESTA to invest in life science VC funds**

Health industry superannuation fund HESTA has awarded a new \$50 million life sciences venture capital investment mandate to Industry Funds Management (IFM).

HESTA currently invests in a number of IFM's domestic and international fund of fund pooled vehicles.

The new mandate, however, is specifically for investing in venture capital firms that focus on the life sciences space. Managers may be selected that invest in other areas but they should predominantly focus on life sciences.

"We are looking in particular to life sciences as this is an area where new technology is enabling managers to more rapidly assess the potential commercialization of new products and thus to reduce the timeframe from concept to return to investors. Also our membership base has a natural interest in this area," said HESTA executive