

### Executives outline the German advantage

Representatives of three German investee businesses of Brisbane-based MillhouseIAG visited Australia in August to brief funds investors on their activities. MillhouseIAG chief executive David Millhouse has made all investments in his firm's two private equity funds in the German IT and life sciences sectors. Mr. Millhouse maintains that the German investments offered better value and greater potential than similar investments in Australia.

So far he appears to be on the right track.

London-based Private Equity Performance Monitor recently ranked MillhouseIAG Private Equity Trusts 1 and 2, which form a single fund, second or third – depending on the basis of comparison – among 44 similar venture funds for the 2006-07 financial year.

The wholesale fund achieved a net return for the year of 26.22 per cent according to Private Equity Performance Monitor.

Managing director of Deutsche Life Sciences GmbH, Sven Jozefowski, and board members of IT company Condat AG Peter Deumlich and Dr Christof Peltason recently visited Brisbane.

They told AVCJ that, although they had little knowledge of the Australian IT and life sciences sector, they were confident that Germany offered some special advantages for investments in science and technology.

The German higher education system focused strongly on natural sciences and a substantial volume of research carried out in universities was state funded, said Mr. Jozefowski. Also, the German Federal Government had responded to the challenges of reunifying east and west by providing additional support to the many universities and state research institutes in and around Berlin. This, combined with the slow growth of the country's economy in recent years, had ensured scientific commercialisation projects were being carried out at much lower costs there than elsewhere in western Europe or the US. As a consequence, there was strong investment inflow from the US and the UK. Dr. Peltason pointed out that Germany also has a long tradition of excellence in engineering and technology based products and remained the world's biggest exporter of technical products by volume, as it had been for many years. The big difference today was that re-unification had brought down relative labour costs and in some sectors unit labour costs were equivalent to those in India.

*Private Equity Media 2007, Australian venture Capital Journal no. 168, September 2007.*