

resulted in a US Federal Reserve led bail-out of the bank in November.

### New Funds & Fundraising

## New Zealand firm launches NZ\$370 fundraising

Auckland-based Direct Capital has announced fundraising for two new parallel private equity funds: Direct Capital IV, an institutional fund that has a target of NZ\$250 million, and Pohutukawa II, a retail fund, that is seeking up to NZ\$120 million.

The launches of the two raisings were announced simultaneously on November 27.

As with the first Pohutukawa fund, the retail raising will be carried out in partnership with New Zealand stockbroking and financial planning network ABN AMRO Craigs but the fund will be managed by Direct Capital and will invest alongside the institutional fund.

Managing director of Direct Capital Ross George said he believed both raisings would be well supported after investors reviewed Direct Capital's record in investing more than NZ\$375 million over the past 15 years.

Direct Capital had achieved average returns of 20 per cent per annum for the first ten years and of 30 per cent per annum for the last five years, he said.

The IPO for the retail fund closes on February 20. Minimum retail commitments are \$20,000 but Mr George pointed out that, like the institutional fund, those commitments would be called down progressively over a three to five year investment period.

Mr George said the new funds would be invested following Direct Capital's established strategy of investing in developing New Zealand companies in the NZ\$20 million to NZ\$150 million per annum turnover range – New Zealand's mid market which comprised around 1500 companies,

many of which were as large as some listed on the NZX.

He expected investment hold periods of 3-5 years as had been typical for Direct Capital's investments to date.

Mr George said all of the companies in Direct Capital's target size range would need to raise capital.

"The debt capital portion in today's market has largely retreated so that has left a much larger gap for equity players... the climate has turned back to what we do," he said.

But he stressed that Direct would not be looking for distressed opportunities. Rather, it would be sticking to its established model of only investing in stable good companies with good growth prospects.

Direct Capital III closed in September 2005 after raising NZ\$65.5 million. Investments included New Zealand Pharmaceuticals, EziBuy and Nobilo Wine Group.

The first Pohutukawa fund closed in 2004 after raising NZ\$53 million from retail investors.

Direct Capital III received commitments from nine institutional investors including a number that had not previously invested in private equity. The largest investor, with a commitment of NZ\$20 million was the New Zealand Superannuation Fund advised by asset allocation adviser Quentin Ayers.

ASX-listed private equity investment company ING Private Equity Access Limited (ING PEAL, ASX: IPE) invested NZ\$8 million.

Direct Capital's most recent investment was a 45 per cent stake in New Zealand King Salmon (AVCJ, Nov 08).

### People Moves

## Brakey to join KKR

Head of Macquarie Fund's Management's private equity division John Brakey is to leave to join the Australian office of Kohlberg, Kravis Roberts (KKR).



**Acquisition of Hoyts Group by Pacific Equity Partners**  
Joint Lead Arranger & Underwriter



**Acquisition of Golding Contractors by CHAMP Private Equity**  
Joint Mandated Lead Arranger & Underwriter



**Part acquisition of Bras n Things by Hastings & ANZ Private Equity**  
Joint Lead Arranger & Underwriter



**Acquisition of iNova Pharmaceuticals by Archer Capital & Ironbridge Capital**  
Sole Lead Arranger & Underwriter



**Acquisition of Australian Fast Foods by Quadrant Private Equity**  
Sole Lead Arranger & Underwriter



**Acquisition of Aged Care Homes by AMP Capital Investors**  
Sole Lead Arranger & Underwriter

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KKR established an Australian office in Sydney early this year with an investment team headed by former Japan-based director, Australian Justin Reizes.

Mr Brakey will be in charge of fund raising, product development and investor relations in Australia. He will take up his appointment in February.

Principle Advisory Services is KKR's Australian placement agent. Principle founder Les Fallick does not expect Mr Brakey's appointment to greatly alter his firm's relationship with the large New York-based buyout firm.

He said KKR had its own capital raising executives on the ground in other significant markets so Mr Brakey's appointment simply brought Australia into line with the KKR model elsewhere; it also illustrated that KKR's intention to be involved in the Australian market over the long term.

Mr Fallick said he expected to be working closely with Mr Brakey who had a strong track record in funds raising having raised about \$1.5 billion for Macquarie. Under his leadership, Macquarie private equity funds under management had risen from \$300 million to \$3 billion over seven or eight years.

Macquarie Funds Management currently has about \$5 billion in private equity commitments. About 70 per cent of its investments have so far been made in Australia with the rest being invested globally.

Mr Brakey will be replaced as head of private equity at Macquarie by another executive with long experience in the alternative assets sector, Michael Lukin.

### Investment Activity

#### MYOB holds out against Archer-led bid

Listed small business software company MYOB (ASX: MYO) has recommended shareholders reject an Archer Capital led takeover bid.

The bid has been made by Manhattan Software Bidco Pty Ltd, a partnership between Archer and US-based international fund-of-funds investor HarbourVest Partners.

The bid was announced on October 30.

In a statement issued on December 1, MYOB said the conditional takeover offer was inadequate as it undervalued the company's current business and future prospects.

MYOB directors, who hold 29 per cent of the company, said they intended to reject the offer.

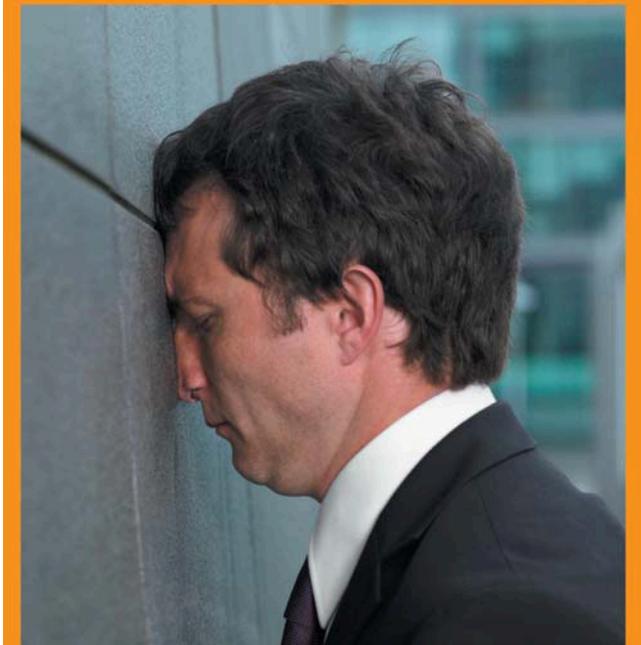
MYOB said its board and management were in discussions with a number of parties in relation to possible alternative proposals that might result in a superior offer. Discussions were also being held with Manhattan.

While it is possible MYOB might attract a higher alternative bid it appears Manhattan would not have to greatly increase its offer to succeed.

MYOB appointed independent expert Lonergan Edwards has valued the company's shares in the range \$1.16 to \$1.29. Manhattan is offering \$1.15 to \$1.25, which values the company at up to \$487 million.

MYOB chairman Simon McKeon said: "Manhattan is seeking to take advantage of the unprecedented volatility in global markets by acquiring MYOB without paying fair value to shareholders. The offer represents an unusually skinny premium and is low relative to comparable trading multiples.

"MYOB is a unique business with leading market positions, strong cash flow and outstanding prospects. MYOB has a proud record of product development and innovation that has generated strong growth in revenues and profit for shareholders over many years. "MYOB is a resilient business that has continued to grow both profit and cash flow despite the recent downturn in business confidence. We



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