

ASX: PE1

PENGANA PRIVATE EQUITY TRUST

A diversified portfolio of global private market investments, managed by one of the largest and most diversified asset managers in the world - Grosvenor Capital Management.

NOVEMBER 2020

INVESTING IN GREAT TECH COMPANIES PRE-IPO

NAV PER UNIT ¹	1 MONTH PERFORMANCE ²	SINCE INCEPTION PERFORMANCE (P.A.) ^{2,3}	TARGET DIVIDEND YIELD ⁴
\$1.2202	-4.2%	0.8%	4%

Positive returns in the underlying portfolio of +0.4% were overshadowed by a surge in the AUD/USD exchange rate from 0.70 to 0.74, resulting in a net loss of 4.2% for the month. Returns were positive across most of our private market investments (in particular our secondary fund investments) and also the Alignment Shares.

The lack of significant change in the underlying portfolio is reflective of the fact that there were few valuation changes – PE1 uses the most recent valuations received from the underlying managers, which are typically received at the end of each quarter, with a quarterly lag. The changes for the September quarter will therefore be factored into PE1’s NAV in the next few months.

Arguably, the most significant aspect of investment markets over the last few months has been the extreme demand for technology-based businesses, resulting in flood of IPO’s at historically high valuations.

PE1 is extremely well placed to benefit from this dynamic, due to our material exposure to numerous investments in this space. It is important to note that while there appears to be significant potential upside in these investments, very little of this upside is incorporated into the current NAV of the Trust, for example, in the case of Stripe due to a future funding round being still in discussions, or in the case of Instacart due to a 2021 IPO being still in the works. (Both companies are held by GCM Grosvenor Multi-Asset Class Fund II.)

We are pleased to include a video showcasing some of our Pre-IPO investments →



INVESTING IN GREAT TECH COMPANIES PRE-IPO

 PLAY VIDEO



The Impact of the AUD/USD Exchange Rate

The strengthening of the AUD/USD exchange rate has had a material negative impact on PE1's returns over the past several months, with a 6.4% increase since 30 June 2020 (around the time of the close of our rights issue on 6 July). In spite of this, and over the same period, the underlying portfolio has performed well, with the NAV of the Trust rising by 2.5%. It is important to note that PE1 is purposefully unhedged, not because we are taking a bet on currency, but rather because we believe that over time, this will provide PE1 investors with the optimal risk-return profile. This was illustrated earlier this year, when PE1's NAV rose rapidly in the midst of an equity market (COVID) crash. We retain this conviction.

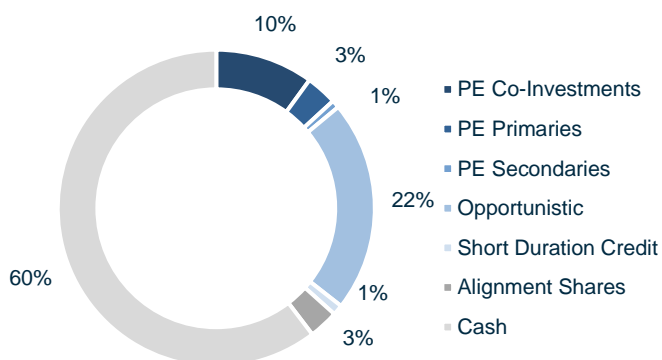
New Investments

PE1 closed on its tenth private equity primary fund investment during November, with a US\$4 million commitment to Peak Rock Capital Fund III LP, which focuses on opportunistic, underperforming, and distressed investments in the lower middle market and will seek to control or significantly influence the target company as it undertakes an operational improvement plan / financial restructuring.

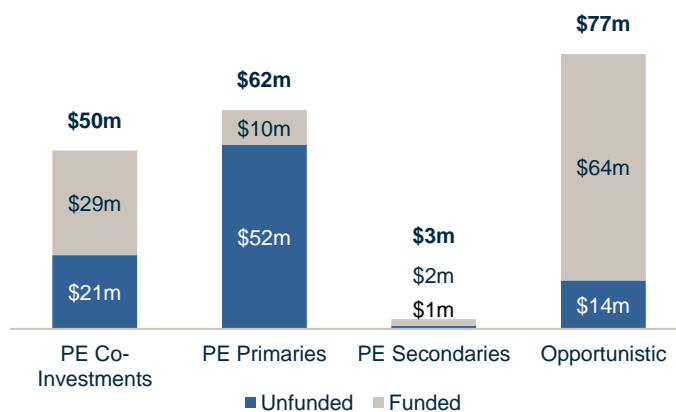
GCM Grosvenor Multi-Asset Class Fund II partnered with D1 Capital and Nat Turner to take collectibles-grading company Collectors Universe Inc. private. The company is the market leader in card grading with an ~80% market share (with more than 37 million cards graded since inception) and has seen a recent surge in demand.

Finally, two of GCM Grosvenor Co-Investment Opportunities Fund II's co-investments received regulatory approvals to proceed. The fund has now committed 80% of its capital to 19 co-investments alongside 13 different sponsors across seven different industry sectors.

PE1 Allocations by Investment Type



Breakdown of PE Commitments (A\$)



Values may not sum to 100% and/or subtotals may not aggregate precisely due to rounding.

INVESTMENT ACTIVITY – SELECTED HIGHLIGHTS⁵

PRIMARY FUND INVESTMENTS

PE1 closed on its tenth private equity primary fund investment during November, a US\$4 million commitment to **Peak Rock Capital Fund III LP** (“Fund III”).



PEAK ROCK CAPITAL

Founded in 2012 and based in Austin, Texas, Peak Rock Capital LLC (“Peak Rock”) is a private equity firm that makes debt and equity investments in lower middle market companies (companies with US\$50 million to US\$500 million of revenue and greater than US\$15 million of EBITDA prior to recent challenges). Consistent with the firm’s predecessor funds, Fund III will focus on opportunistic, underperforming, and distressed opportunities in the lower middle market where Peak Rock will seek to control or significantly influence the target company as it undertakes an operational improvement plan and/or financial restructuring.

As part of its strategy, Peak Rock seeks to invest in higher quality businesses with leading market positions that are underperforming due to identifiable, non-recurring and addressable issues, but that otherwise possess strong business fundamentals. These businesses likely have experienced stress due to strategic and/or operational errors, over-levered balance sheets, weak management teams or catastrophic events. Peak Rock specifically seeks to avoid “falling knife” type investments where a company is on a downward spiral with little potential for improvement. The firm maintains a clear set of target investment characteristics when evaluating and prioritising investment opportunities, which characteristics typically include:

- (i) a prior history of business success, with a recent period of underperformance,
- (ii) problems or opportunities that can be clearly identified and addressed in an initial 100-Day Plan,
- (iii) EBITDA growth based on controllable cost improvements and share gain,
- (iv) a path to early monetisation, and
- (v) poor recent management decisions and a weak prior management team.

Fund III will seek to build an investment portfolio of 15-20 platform investments, with a typical investment size of US\$40 million to US\$200 million.

OPPORTUNISTIC INVESTMENTS

During the month of November, GCM Grosvenor Multi-Asset Class Fund II (“MAC II”) partnered with D1 Capital and Nat Turner to take collectibles-grading company **Collectors Universe Inc.** (“CLCT”) private.



CLCT is the leading provider of authentication for trading cards (PSA) and coins (PCGS). While the coin business has been largely stable, PSA recently experienced a surge in demand as a result of renewed interest in sports trading cards as a hobby and speculative activity. PSA is the market leader in card grading with an ~80% market share and more than 37 million cards graded since inception.

CLCT’s unique role at the centre of the ecosystem positions it to build a leading marketplace for trading cards. MAC II believes PSA is well positioned to benefit from the resurgence in trading card interest, with demonstrated pricing power and identified opportunities to increase throughput with technology and capacity investments. Moreover, should card enthusiasm decline, CLCT’s coin grading business provides stable baseline revenue and cash flow. Finally, Nat Turner, the new Chairman of CLCT, is a highly successful tech entrepreneur and avid card collector who we believe is well-suited to execute on these opportunities.

Please note that this transaction is expected to close in the first calendar quarter of 2021, subject to satisfaction of relevant closing conditions.

There can be no guarantee that the transaction will close on this timeframe or at all.

CO-INVESTMENTS

Although GCM Grosvenor Co-Investment Opportunities Fund II (“GCF II”) did not execute any new co-investments in November, two co-investments that GCF II previously committed to that were subject to receiving applicable regulatory approval prior to closing, a co-investment in **StarStone U.S.**, a specialty Property & Casualty insurance company, and a co-investment in **Mehler Vario System GmbH**, the European market leader in personal ballistic protection equipment, related tactical equipment and other ballistic protection solutions, both received the approvals they needed and closed during the month of November. Following the closing of these transactions, GCF II has now committed 80% of its capital to 19 co-investments alongside 13 different sponsors across seven different industry sectors.

1. The NAV is unaudited.
2. Past performance is not a reliable indicator of future performance, the value of investments can go up and down. The net return has been determined with reference to the increase in the Net Asset Value per Unit, as well as of the reinvestment of a Unit's distribution back into the Trust pursuant to the Trust's distribution reinvestment plan (“DRP”). Pengana has established a DRP in respect of distributions made by the Trust. Under the DRP, Unitholders may elect to have all or part of their distribution reinvested in additional Units.
3. The NAV per unit at inception is based on the subscription price per unit which is equal to \$1.25.
4. From 1 July 2020, Pengana intends to target a cash distribution yield equal to 4% p.a. (prorated on a non-compounded basis) of the NAV (excluding the total value of the Alignment Shares but including the cash distribution amount payable) as at the end of the period that a distribution relates to. The targeted distribution is only a target and may not be achieved. Investors should read the Risks summary set out in Section 11 of the IPO PDS.
5. In reviewing the case studies / trade examples (“Examples”) provided in this presentation, you should consider the following:

This presentation does not purport to make any recommendations regarding, or to serve as a basis or analysis on which persons might make investment decisions regarding, specific securities, investment strategies, industries or sectors. It is prepared for informational purposes only to provide background, data and topical comment on various aspects of the alternative investments industry. References to specific securities, strategies, industries or sectors contained in this presentation, whether successful or unsuccessful, are presented solely for illustrative and educational purposes only and should not be relied on in connection with making any investment decisions. The returns (actual or hypothetical) described in the Examples, if any, should not be taken as any indication of the performance of any investment in any strategy described herein. Further, potential outcome scenarios described in each Example represent only certain possible outcomes for the given trade. Additional outcomes may include severe or total losses.

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Authorised by: Paula Ferrao, Company Secretary



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