# Pengana Private Equity Trust

ACN 630 923 643

## Appendix 4D - Preliminary Final Report
## for the half year ended 31 December 2019

## Results announcement to the market

| | 31 December 2019 [(A)] $'000 |
|---|---|
| Total investment income | 5,893 |
| Total comprehensive income for the half-year | 3,785 |
| Basic Earnings per unit (cents per unit) | 2.31 |

| **Distribution Information** | **Cents per unit** |
|---|---|
| 2019 Interim distribution | 2.5 Cents |

### Interim Distribution Dates

| | |
|---|---|
| Ex-distribution Date | 2 January 2020 |
| Record Date | 3 January 2020 |
| Last date for DRP | 6 January 2020 |
| Payment Date | 15 January 2020 |

### Distribution Reinvestment Plan

The Distribution Reinvestment Plan (DRP) is active and available to unitholders for the interim dividend of 2.5 cents per unit. Participating unitholders will be entitled to be allotted the number of shares which the cash distribution would purchase at the relevant price. The relevant price will be the NAV price excluding distribution as at 31 December 2019.

### Secondary offer

On 23 October 2019 Pengana Capital Group Limited (ASX: PCG), announced its intention of the wholly-owned subsidiary, Pengana Investment Management Limited ("PIML") which is the Responsible Entity of Pengana Private Equity Trust (ASX: PE1) ("PE1" or "Trust"), to offer additional PE1 units in the first quarter of the 2020 calendar year ("Secondary Offer"). The Secondary Offer will comprise both an entitlement offer for existing unitholders and a placement.

An Extraordinary General Meeting (EGM) of Unitholders was held at 9am on Tuesday 11 February 2020 in relation to the proposed offer. At the EGM, the issue of up to twice the number of Units on issue as at 11 February 2020 pursuant to an offer to subscribe for Units made under a product disclosure statement to be issued by the Responsible Entity of the Trust at the issue price and on the terms and conditions set out in the Explanatory Memorandum, was authorised and approved.

PCG is proposing the introduction of a Loyalty Benefit Program to be offered to investors who hold PE1 units as at the closing date of the Secondary Offer.

It is proposed that the Loyalty Benefit Program will be available to investors who hold PE1 units as at the closing date of the Secondary Offer ("Eligible Investors"), regardless of whether they participate in the Secondary Offer. Under the proposed Loyalty Benefit Program, if an Eligible Investor retains their pre-Secondary Offer unitholding for four months after the closing date of the Secondary Offer, then the Eligible Investor will receive additional PE1 units that are fully paid up by PCG ("Loyalty Units"). It is proposed that the number of Loyalty Units to be issued pro rata to all Eligible Investors will be 1% of the aggregate unitholding of Eligible Investors per complete $100m raised under the Secondary Offer. For example, if $100m is raised under the Secondary Offer, then the percentage will be 1%; if $250m is raised under the Secondary Offer, then the percentage will be 2.5%, and so on.

| **Net Asset Value (NAV) Per Unit** | $1.3115 |
|---|---|

[(A)] The Trust was established on 18 January 2019 and commenced trading on 30 April 2019. The Trust's first interim reporting period covers 1 July 2019 to 31 December 2019 and as a result there are no prior period comparatives.

This report is based on the Half Year Financial Report which has been subject to independent review by the Auditor, Ernst & Young.
All the documents comprise the information required by the Listing Rule 4. 2A.
This information should be read in conjunction with the 30 June 2019 Annual Report.

# Pengana Private Equity Trust

ARSN 630 923 643

# Interim financial report for the half-year ended 31 December 2019

# Pengana Private Equity Trust

ARSN 630 923 643

# Interim financial report
# for the half-year ended to 31 December 2019

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The half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, the report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Pengana Private Equity Trust during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

## DIRECTORS' REPORT

The Directors of Pengana Investment Management Limited ('PIML') the responsible entity for Pengana Private Equity Trust (the 'Trust' or 'PE1') present their report for the half-year ended 31 December 2019.

### Directors

The names of Directors in office at any time during or since the end of the half-year are:

| | |
|---|---|
| Ellis Varejes | Non-Executive Director and Chairman |
| Ilan Zimerman | Non-Executive Director |
| Russel Pillemer | Chief Executive Officer |
| Katrina Glendinning | Executive Director |

Directors have been in office since the start of the half-year to the date of this report, unless stated otherwise.

### Trust Overview and Principal Activities

Pengana Private Equity Trust is a registered managed investment scheme structured as a closed-end unit trust that is listed on the Australian Securities Exchange ('ASX') and was established on 18 January 2019 to invest in a diversified portfolio of global private equity investments.

The Trust's investment objective is to generate over an investment horizon of at least 10 years, attractive returns and capital growth through a selective and diversified approach to private equity investments.

Pengana Capital Limited ('Manager') is the manager of PE1. The Manager has engaged Grosvenor Capital Management, L.P. ('GCM' or 'Investment Manager') as the investment manager of PE1.

The Trust did not have any employees during the half-year.

The various service providers for the Trust are detailed below:

| **Service** | **Provider** |
|---|---|
| Responsible Entity | Pengana Investment Management Limited |
| Manager | Pengana Capital Limited |
| Investment Manager | Grosvenor Capital Management, L.P. |
| Custodian and Administrator | BNP Paribas Securities Services |
| Statutory Auditor | Ernst & Young |

### Significant Changes in the State of Affairs

On 23 October 2019 Pengana Capital Group Limited (ASX: PCG), announced its intention of the wholly-owned subsidiary, Pengana Investment Management Limited ("PIML") which is the Responsible Entity of Pengana Private Equity Trust (ASX: PE1) ("PE1" or "Trust"), to offer additional PE1 units in the first quarter of the 2020 calendar year ("Secondary Offer"). The Secondary Offer will comprise both an entitlement offer for existing unitholders and a placement.

PCG is proposing the introduction of a Loyalty Benefit Program to be offered to investors who hold PE1 units as at the closing date of the Secondary Offer.

It is proposed that the Loyalty Benefit Program will be available to investors who hold PE1 units as at the closing date of the Secondary Offer ("Eligible Investors"), regardless of whether they participate in the Secondary Offer. Under the proposed Loyalty Benefit Program, if an Eligible Investor retains their pre-Secondary Offer unitholding for four months after the closing date of the Secondary Offer, then the Eligible Investor will receive additional PE1 units that are fully paid up by PCG ("Loyalty Units").It is proposed that the number of Loyalty Units to be issued pro rata to all Eligible Investors will be 1% of the aggregate unitholding of Eligible Investors per complete $100m raised under the Secondary Offer. For example, if $100m is raised under the Secondary Offer, then the percentage will be 1%; if $250m is raised under the Secondary Offer, then the percentage will be 2.5%, and so on.

There were no other significant changes in the state of affairs during the half-year.

# DIRECTORS' REPORT

## Operating Results

### Review and results of operations

The performance of the Trust, as represented by the results of its operations was as follows:

| Results | For the half-year ended 31 December 2019[A] $'000 |
|---|---|
| Total investment income | 5,893 |
| Total expenses | (2,108) |
| Net operating profit | 3,785 |
| | |
| Distributions | 4,101 |
| Distributions (cents per unit) | 2.5 |

On 27 December 2019, the Trust announced an interim distribution of 2.5 cents per unit which was paid on 15 January 2020.

The Trust's Distribution Reinvestment Plan was available to eligible unitholders in relation to the interim distribution.

| | |
|---|---|
| **Unit Price (NAV Per Unit) ($)** | 1.3115 |
| **ASX Reported (NAV Per Unit) ($)** | 1.3115 |

[A] The Trust was established on 18 January 2019 and commenced trading on 30 April 2019. The Trust's first interim reporting period covers 1 July 2019 to 31 December 2019 and as a result there are no prior period comparatives.

### Strategy and Future Outlook

The results of the Trust's operations will be affected by a number of factors, including the performance of investment markets in which the Trust invests. Therefore, investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

As markets are subject to fluctuations, it is imprudent to provide a detailed outlook statement of expected results of operations. The Trust provides monthly fund updates, quarterly portfolio disclosure and annual investor reports, which can be found in the ASX website. The Trust updates and investor reports include detailed discussions in relation to some investee funds from time to time along with general outlook commentary.

### Likely Developments and Expected Results of Operations

The Trust will continue to invest in accordance with the investment strategy as set out in the Product Disclosure Statement. The method of operating the Trust is not expected to change in the foreseeable future however the results of the Trust's operations may be affected by a number of factors, including the performance of investment markets in which the Trust invests. Investment performance is not guaranteed and past returns should not be used to predict future returns.

### Events Subsequent to Balance Sheet Date

In the latest release to the ASX on 7 February 2020, the Trust reported a NAV per unit as at 31 January 2020 of $1.3793.

An Extraordinary General Meeting (EGM) of Unitholders was held at 9am on Tuesday 11 February 2020 in relation to the proposed offer. At the EGM, the issue of up to twice the number of Units on issue as at 11 February 2020 pursuant to an offer to subscribe for Units made under a product disclosure statement to be issued by the Responsible Entity of the Trust at the issue price and on the terms and conditions set out in the Explanatory Memorandum, was authorised and approved.

Other than the above, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly or may significantly affect the Trust's operations, the results of those operations or the Trust's state of affairs in future years.

## DIRECTORS' REPORT

**Rounding of Amounts**

The Trust is an entity of the kind referred to in ASIC Corporations *(Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the 'rounding off' amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

**Indemnification and insurance of officers and auditors**

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to either the officers of Pengana Investment Management Limited or the auditors of the Trust. So long as the officers of Pengana Investment Management Limited act in accordance with the Trust's Constitution and the Law, the officers remain fully indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust.

The auditors of the Trust are in no way indemnified out of the assets of the Trust.

**Non-Audit Services**

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

**Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is set out on the following page and forms part of this report.

Signed in accordance with a resolution of the Board of Directors.

Ellis Varejes
Chairman
Sydney
11 February 2020

Ernst & Young
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## Auditor's Independence Declaration to the Directors of the Responsible Entity of Pengana Private Equity Trust

As lead auditor for the review of Pengana Private Equity Trust for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

Ernst & Young

Ernst & Young

Graeme McKenzie
Partner
11 February 2020

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| For the half-year ended: | Notes | 31 December 2019 (A) $'000 |
|---|---|---|
| **Investment Income** | | |
| Interest income | | 5 |
| Net gains on financial instruments at fair value through profit or loss | | 5,607 |
| Net foreign exchange gains/ (losses) | | (5) |
| Other operating income | | 286 |
| **Total investment income** | | 5,893 |
| | | |
| **Expenses** | | |
| Responsible Entity fees and Management fees | | (1,376) |
| Transaction costs | | (732) |
| **Total operating expenses** | | **(2,108)** |
| **Profit for the period** | | **3,785** |
| Other comprehensive income for the half-year | | - |
| **Total comprehensive income for the half-year** | | **3,785** |
| Basic and diluted earnings per unit (cents per unit) | | **2.31** |

(A) The Trust was established on 18 January 2019 and commenced trading on 30 April 2019. The Trust's first interim reporting period covers 1 July 2019 to 31 December 2019 and as a result there are no prior period comparatives.

*The statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

## STATEMENT OF FINANCIAL POSITION

| As at: | Notes | 31 December 2019 $'000 | 30 June 2019 $'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | 462 | 1,220 |
| Receivables | | 498 | 44 |
| Financial assets at fair value through profit or loss | | 218,498 | 214,398 |
| **Total assets** | | **219,458** | **215,662** |
| | | | |
| **Liabilities** | | | |
| Distributions payable | | 4,101 | - |
| Payables | | 241 | 230 |
| **Total liabilities** | | **4,342** | **230** |
| | | | |
| **Total unitholders' equity** | | **215,116** | **215,432** |
| | | | |
| **Unitholders' equity** | | | |
| Issued units | | 205,026 | 205,026 |
| Other equity reserve | | 10,251 | 10,251 |
| Retained earnings | | (161) | 155 |
| | | | |
| **Total unitholders' equity** | | **215,116** | 215,432 |

*The statement of financial position should be read in conjunction with the accompanying notes.*

## STATEMENT OF CHANGES IN EQUITY

| For the half-year ended: | Notes | 31 December 2019 (A) $'000 |
|---|---|---|
| **Total unitholders' equity at beginning of the half-year** | | 215,432 |
| - units issued | | - |
| Distributions paid | | (4,101) |
| Contribution in-kind to other equity reserve | | - |
| Total transactions with unitholders for the half-year | | **211,331** |
| Profit for the period | | 3,785 |
| Other comprehensive income for the half-year | | **-** |
| Total comprehensive income for the half-year | | **3,785** |
| **Total unitholders' equity at end of the half-year** | | **215,116** |

(A) The Trust was established on 18 January 2019 and commenced trading on 30 April 2019. The Trust's first interim reporting period covers 1 July 2019 to 31 December 2019 and as a result there are no prior period comparatives.

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

## STATEMENT OF CASH FLOWS

| For the half-year ended: | Notes | 31 December 2019 (A) $'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Proceeds from sale of investments | | 39,042 |
| Payments for purchase of investments | | (37,965) |
| Transaction costs paid | | (732) |
| Interest received | | 12 |
| Other income received | | 255 |
| Management fees paid | | (1,365) |
| **Net cash outflow from operating activities** | | **(753)** |
| | | |
| Net increase in cash and cash equivalents | | (753) |
| Cash and cash equivalents at the beginning of the half-year | | 1,220 |
| Translation of foreign cash held | | (5) |
| **Cash and cash equivalents at the end of the half-year** | | **462** |

(A) The Trust was established on 18 January 2019 and commenced trading on 30 April 2019. The Trust's first interim reporting period covers 1 July 2019 to 31 December 2019 and as a result there are no prior period comparatives.

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

# NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

## NOTE 1: General Information

These financial statements cover Pengana Private Equity Trust ("the Trust") as an individual entity.

The Responsible Entity of the Trust is Pengana Investment Management Limited (ABN 69 063 081 612) (the "Responsible Entity"). The Responsible Entity's registered office is: Level 12, 167 Macquarie Street, Sydney, NSW 2000 Australia.

The financial statements are presented in the Australian currency.

The financial statements were authorised for issue by the directors on 11 February 2020. The directors of the Responsible Entity have the power to amend and reissue the financial report.

This interim financial report is for Pengana Private Equity Trust (the "Company") for the half-year ended 31 December 2019. The Trust is a for profit entity limited by units, incorporated and domiciled in Australia, whose units are publicly traded.

This half-year financial report does not include all the information and disclosures normally included in the annual financial report. Accordingly, this report should be read in conjunction with the 30 June 2019 Annual Report, any public announcements made in respect of the Company during the half-year ended 31 December 2019 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

## NOTE 2: FAIR VALUE MEASUREMENT

The Trust measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets at fair value through profit or loss

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy;

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

*Fair value in an active market (level 1)*

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

*Fair value in an inactive or unquoted market (level 2 and level 3)*

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm’s length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management’s best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

The Alignment Shares are recognised as a financial asset on the statement of financial position and are included in financial assets at fair value through profit or loss line item of the statement of financial position.

Due to the nature of these Alignment Shares they are valued at parity with the PCG ordinary shares on the ASX. The different characteristics of the Alignment Shares compared to ordinary shares have been considered as valuation factors and any impact deemed immaterial.

The Trust invests in private equity funds that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. Private equity investments are valued at fair value. The method that the Investment Manager uses to determine the fair value of private equity investments is based on the latest information available to the Investment Manager as of the corresponding valuation date and at the time the report for such date is issued.

## NOTE 2: FAIR VALUE MEASUREMENT (continued)

The information from which the Investment Manager derives fair value typically includes but is not limited to:

- independent third party valuations;
- audited (annually) and unaudited (quarterly) financial statements, which include net earnings, earnings before interest, taxes, depreciation and amortisation ("EBITDA"), balance sheets and other financial disclosures;
- recent public or private transactions (especially for venture capital underlying companies);
- valuations for comparable companies;
- historical data; and/or
- other measures, including discounted cash flows, estimated collectability of escrows, sponsor valuation (for comparison purposes only), and consideration of any other pertinent information including the types of securities held and restrictions on disposition.

Where appropriate, the methods used to estimate fair value may utilise the following:

- market approach (whereby fair value is derived by reference to observable valuation measures for comparable companies or assets including any recent transactions in the subject Co-investment);
- income approach (such as the discounted projected cash flow method); or
- cost approach, as the best initial approximation of fair value upon acquisition of an investment.

The Trust classified the fair value of these investments as Level 3.

Investments in unlisted managed investment funds are recorded at the net asset value per unit as reported by the investment managers of such funds. The Trust may make adjustments to the value based on considerations such as: liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Trust holds.

The following table provides an analysis of financial instruments as at reporting date that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable.

| **31 December 2019** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Financial assets** | **$'000** | **$'000** | **$'000** | **$'000** |
| Private equity investments | - | - | 60,131 | 60,131 |
| Unlisted managed investment funds | - | 150,660 | - | 150,660 |
| Unlisted equities | - | 7,707 | - | 7,707 |
| **Total** | **-** | **158,367** | **60,131** | **218,498** |

| **30 June 2019** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Financial assets** | **$'000** | **$'000** | **$'000** | **$'000** |
| Private equity investments | - | - | 25,514 | 25,514 |
| Unlisted managed investment funds | - | 181,471 | - | 181,471 |
| Unlisted equities | - | 7,413 | - | 7,413 |
| **Total** | **-** | **188,884** | **25,514** | **214,398** |

As of 31 December 2019, all investments in private equity funds and unlisted managed investment funds were valued using the NAV reported by the underlying investment manager. The fair value measurements are discussed and assessed during the periodic review by the Investment Manager.

The carrying amount of cash, trade and other receivables and trade and other payables approximate their fair values.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

### NOTE 2: FAIR VALUE MEASUREMENT (continued)

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within level 3 between the beginning and the end of the reporting period:

| **31 December 2019** | **Opening balance** | **Purchases** | **Sales** | **Net transfers in/ (out)** | **Net changes in the fair value of financial instruments measured at fair value through profit or loss** | **Closing balance** | **Total gain/(loss) for the period included in net changes in the fair value of financial instruments attributable to Level 3 instruments held at financial half-year end** |
|---|---|---|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Private equity investments | 25,514 | 34,194 | - | - | 423 | 60,131 | 423 |
| Total | 25,514 | 34,194 | - | - | 423 | 60,131 | 423 |

| **30 June 2019** | **Opening balance** | **Purchases** | **Sales** | **Net transfers in/ (out)** | **Net changes in the fair value of financial instruments measured at fair value through profit or loss** | **Closing balance** | **Total gain/(loss) for the period included in net changes in the fair value of financial instruments attributable to Level 3 instruments held at financial year end** |
|---|---|---|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Private equity investments | - | 25,719 | - | - | (205) | 25,514 | (205) |
| Total | - | 25,719 | - | - | (205) | 25,514 | (205) |

For total gains and losses recognised during the period in the statement of profit or loss and other comprehensive income, the amount that is attributable to the change in unrealised losses relating to assets classified within level 3 at the end of the period is $422,786.

At reporting date, if the unobservable inputs had been 5% lower or higher profit or loss of the Trust would have (decreased)/increased by $10,882.

### NOTE 3 RELATED PARTY TRANSACTIONS

**Responsible Entity**

The Responsible Entity of Pengana Private Equity Trust is Pengana Investment Management Limited (ABN 69 063 081 612). Accordingly, transactions with entities related to Pengana Investment Management Limited are disclosed below.

**Key management personnel unitholdings**

At 31 December 2019, Katrina Glendinning held 40,000 units in the Trust.

## NOTE 3: RELATED PARTY TRANSACTIONS (continued)

**Responsible Entity's fees and other transactions:**

Under the terms of the Trust's Constitution and the current Product Disclosure Statement for the Trust, the Responsible Entity is entitled to receive fees monthly.

Pengana Investment Management Limited is the responsible entity of the Trust. The Responsible Entity has appointed Pengana Capital Limited, also a member of the Pengana Capital Group of Companies, as the Manager of the Trust. The Manager has appointed Grosvenor Capital Management, L.P. ('GCM' or 'Investment Manager') as the investment manager of the Portfolio of the Trust.

The Responsible Entity Fee and Management Fee are payable to Pengana Investment Management Limited for the management and operational oversight of the Trust. Pengana Investment Management Limited will pay a portion of the Management Fee to GCM pursuant to the Investment Management Agreement.

The total value and investment return of the Alignment Shares is not included when calculating the Responsible Entity Fee and Management Fee payable by the Trust. Management fee of 1.25% p.a. is calculated monthly in arrears using the gross value of the investment portfolio. The fees are paid directly from the Trust and reflected in the NAV per Unit.

The costs of the offer ('IPO') and the issue of Alignment shares were paid by PCG and PCG has no intention of claiming reimbursement of such costs.

The performance fee is payable to Pengana Investment Management Limited ('PIML'). The performance fee is potentially payable by the Trust equal to 20% of the Trust Outperformance, namely of the Trust's Total Return in excess of the Hurdle Return (being 8% p.a.) and subject to the NAV being greater than the Trust's High Water Mark ("HWM"). The HWM is equal to the NAV less the value of the Alignment Shares at the end of the latest Performance Fee Payment Period in which the Trust paid a Performance Fee ("Last Payment Period"). The initial HWM is equal to the initial NAV less the initial value of the Alignment Shares. The HWM will be adjusted for capital flows into and out of the Trust (including from distributions) following the Last Payment Period. The Performance Fee is calculated and accrued monthly and payable to Pengana from the Trust each half-year period ending 30 June or 31 December (however the first payment period ends 31 December 2019). The total value and investment return of the Alignment Shares are not included when calculating the Performance Fee payable.

Transactions with related parties have taken place at arm's length and in the ordinary course of business. The transactions during the half-year and amounts at period end between the Trust and the Responsible Entity were as follows:

| | **31 December 2019** |
|---|---:|
| | **$** |
| Responsible Entity fee and Management fee | **1,375,527** |
| Aggregate amount payable for Responsible Entity fee and Management fee | **241,234** |

**Investments**

GCM as the Investment Manager invests the Trust's capital primarily by allocating capital through GCM funds and funds managed by third-party managers who invest in a wide range of different Portfolio Companies.

GCM also makes investments directly on behalf of the Trust.

GCM and, other members of the GCM Group will also serve as the manager of a number of the underlying funds in which the Trust will invest ("GCM funds"). The GCM Group receives management fees and/or incentive compensation from these GCM funds. The Trust will also invest in other underlying funds (other than the GCM funds) and the managers of these other underlying funds will also receive management fees and/or incentive compensation.

The capital commitments the Trust has with GCM funds as at 31 December 2019 are disclosed in Note 5.

The Trust did not hold any investments in Pengana Investment Management Limited and Pengana Capital Limited during the period. The Trust held investments in the following related parties at 31 December 2019 and 30 June 2019.

| | **Fair value of investment $** | | **Interest held** | | **Commitments/ In kind contributions Units/Value $** | |
|---|---:|---:|---:|---:|---:|---:|
| | **31 December 2019** | **30 June 2019** | **31 December 2019** | **30 June 2019** | **31 December 2019** | **30 June 2019** |
| Pengana Capital Group Limited Convertible Preference shares* | 7,707,488 | 7,412,934 | 4.76% | 4.75% | 4,909,228 | 4,909,228 |
| GCM Grosvenor Co-Investment Opportunities Feeder Fund II, L.P. | 24,476,004 | 9,135,823 | 18.02% | 11.09% | 52,635,323 | 52,725,330 |
| GCM Grosvenor Multi-Asset Class Fund II , L.P. | 34,205,757 | 16,378,385 | 5.94% | 4.58% | 81,086,848 | 52,725,330 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

## NOTE 3: RELATED PARTY TRANSACTIONS (continued)

### Investments (continued)

*The investment made in relation Pengana Capital Group Limited Convertible Preference shares is for the alignment shares issued by PCG to the Trust amounting to 5% of the total amount raised from the offer.

PCG has issued the shares to the Trust at a nominal cost, being an aggregate price of $1.00 for all Alignment Shares issued.

The Alignment Shares are recognised as a financial asset on the statement of financial position and are subsequently measured at fair value through profit or loss at the end of each reporting period. Due to the nature of these Alignment Shares they are valued at parity with the PCG ordinary shares on the ASX. The different characteristics of the Alignment Shares compared to ordinary shares have been considered as valuation factors and any impact deemed immaterial.

Approximately two years after the commencement of trading of the Units on the ASX, the Responsible Entity intends to distribute the Alignment Shares to Unitholders in proportion to the size of their Unitholding, subject to a determination by the Responsible Entity to distribute. Alignment Shares will convert into ordinary shares in PCG on such distribution.

For further details on the alignment shares please refer Section 9 of the replacement Product Disclosure statement issue date 22 February 2019.

## NOTE 4: STATEMENT OF OPERATIONS BY SEGMENT

The Trust has identified its operating segments based on the internal reports that are reviewed and used by the Chief Investment Officer of the Investment Manager in assessing and determining the allocation of resources.

The Trust operates in one business segment, being investment in securities.

## NOTE 5: CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities at 31 December 2019 that required disclosure.

At 31 December 2019, the Trust has the following capital commitments:

| 31 December 2019<br>Investee | Total capital commitment<br>$ | Called up capital<br>$ | Unfunded capital commitment<br>$ |
|---|---|---|---|
| GCM Grosvenor Co-Investment Opportunities Feeder Fund II, L.P. | 52,635,323 | 21,902,253 | 30,733,069 |
| GCM Grosvenor Multi-Asset Class Fund II , L.P. | 81,086,848 | 35,370,766 | 45,716,082 |
| Carlyle Credit Opportunities Fund Parallel LP | 7,112,881 | 1,485,043 | 5,805,928 |
| Vista Equity Endeavour Fund II A LP | 5,690,305 | 428,807 | 5,261,498 |
| HIG Middle Market Lbo Fund III LP | 4,111,245 | 47,045 | 4,064,201 |
| The Veritas Capital Fund Vii L.P. | 9,958,034 | - | 9,958,034 |
| | **160,594,636** | **59,233,914** | **101,538,812** |

| 30 June 2019<br>Investee | Total capital commitment<br>$ | Called up capital<br>$ | Unfunded capital commitment<br>$ |
|---|---|---|---|
| GCM Grosvenor Co-Investment Opportunities Feeder Fund II, L.P. | 52,725,330 | 9,135,823 | 43,589,507 |
| GCM Grosvenor Multi-Asset Class Fund II , L.P. | 52,725,330 | 16,378,385 | 36,346,945 |
| Carlyle Credit Opportunities Fund Parallel LP | 7,125,045 | - | 7,125,045 |
| Vista Equity Endeavour Fund II A LP | 5,700,036 | - | 5,700,036 |
| | **118,275,741** | **25,514,208** | **92,761,533** |

The total value of capital commitments in local currency amounts to USD113 million as at 31 December 2019 (30 June 2019: USD83 million).

# NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

## NOTE 6: SUBSEQUENT EVENTS

In the latest release to the ASX on 7 February 2020 the Trust reported a NAV per unit as at 31 January 2020 of $1.3793.

On 23 October 2019 Pengana Capital Group Limited (ASX: PCG), announced its intention of the wholly-owned subsidiary, Pengana Investment Management Limited ("PIML") which is the Responsible Entity of Pengana Private Equity Trust (ASX: PE1) ("PE1" or "Trust"), to offer additional PE1 units in the first quarter of the 2020 calendar year ("Secondary Offer"). The Secondary Offer will comprise both an entitlement offer for existing unitholders and a placement.

An Extraordinary General Meeting (EGM) of Unitholders was held at 9am on Tuesday 11 February 2020 in relation to the proposed offer. At the EGM, the issue of up to twice the number of Units on issue as at 11 February 2020 pursuant to an offer to subscribe for Units made under a product disclosure statement to be issued by the Responsible Entity of the Trust at the issue price and on the terms and conditions set out in the Explanatory Memorandum, was authorised and approved.

PCG is proposing the introduction of a Loyalty Benefit Program to be offered to investors who hold PE1 units as at the closing date of the Secondary Offer.

It is proposed that the Loyalty Benefit Program will be available to investors who hold PE1 units as at the closing date of the Secondary Offer ("Eligible Investors"), regardless of whether they participate in the Secondary Offer. Under the proposed Loyalty Benefit Program, if an Eligible Investor retains their pre-Secondary Offer unitholding for four months after the closing date of the Secondary Offer, then the Eligible Investor will receive additional PE1 units that are fully paid up by PCG ("Loyalty Units").It is proposed that the number of Loyalty Units to be issued pro rata to all Eligible Investors will be 1% of the aggregate unitholding of Eligible Investors per complete $100m raised under the Secondary Offer. For example, if $100m is raised under the Secondary Offer, then the percentage will be 1%; if $250m is raised under the Secondary Offer, then the percentage will be 2.5%, and so on.

The Directors are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly or may significantly affect the Trust's operations, the results of those operations or the Trust's state of affairs in future years.

## DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Pengana Private Equity Trust, I state that:

a) the financial statements of the Trust as set out on pages 6 to 15 are in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the financial position of the Trust as at 31 December 2019 and of its performance as represented by the results of its operations and cash flows for the half-year ended on that date; and

ii) complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ended 31 December 2019.

This declaration is made in accordance with a resolution of the Directors of the Responsible Entity.

On behalf of the Board

Ellis Varejes
Chairman
Sydney
11 February 2020

Building a better working world

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# Independent Auditor's Review Report to the Members of Pengana Private Equity Trust

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the accompanying half-year financial report of Pengana Private Equity Trust (the Trust), which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Trust is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Trust's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the Responsible Entity of the Trust are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Graeme McKenzie
Partner
Sydney
11 February 2020

## CORPORATE DIRECTORY

**PRINCIPAL AND REGISTERED OFFICE**

**Pengana Private Equity Trust**
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| | |
|---|---|
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| Website | www.pengana.com |
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**DIRECTORS**

**Ellis Varejes**
*Non-Executive Director and Chairman*

**Ilan Zimerman**
*Non-Executive Director*

**Russel Pillemer**
*Chief Executive Officer*

**Katrina Glendinning**
*Executive Director*

**COMPANY SECRETARY**

**Paula Ferrao**

**AUDITOR**

**Ernst & Young**
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**UNIT REGISTRY**

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