

COMPLETING OUR FIRST DEDICATED PE SECONDARY TRANSACTION

February
2020

NAV
PER UNIT¹

\$1.4187

NET RETURN:
1 MONTH²

2.9%

NET RETURN:
SINCE ASX LISTING^{2,3}

15.7%

TARGET DIVIDEND
YIELD⁴

4%

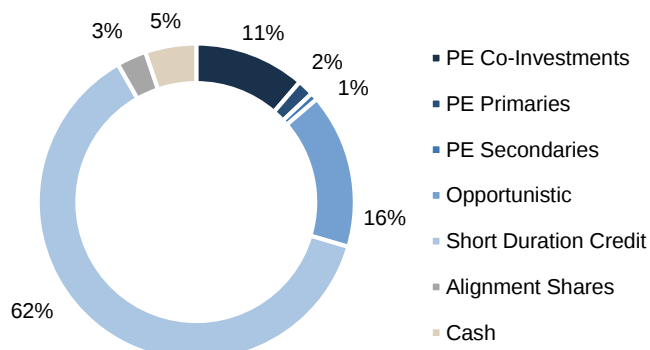
COMMENTARY

The Trust returned 2.9% for the month of February, with both short duration credit investments and co-investments contributing positively. The deterioration in the AUD as a result of market turmoil also contributed strongly to the return as the Trust's private market investments are denominated in USD.

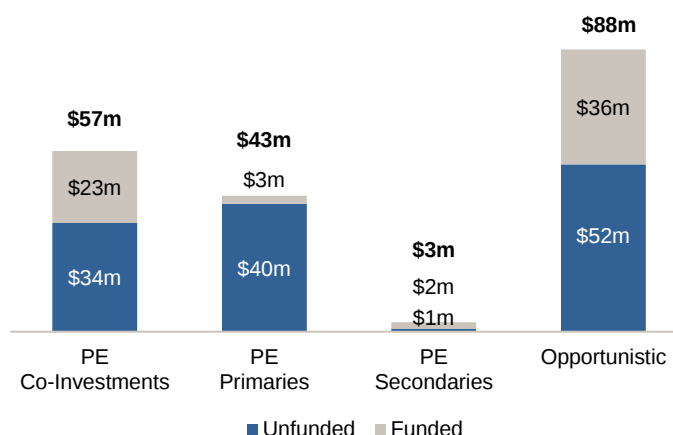
Over February, the Trust completed its first dedicated private equity secondary transaction – PE1 is already exposed to three secondaries via its opportunistic investments – with the purchase of interests in four funds managed by Alpine Investors at a discount of 7% relative to the 30 September NAV although in likelihood this discount is far larger, relative to current market valuations. The Trust also expects to execute further secondary transactions before the end of March 2020.

PE1 also completed commitments to its fifth and sixth private equity primary funds, being Wynnchurch Capital Partners V, L.P. (as detailed in our January update) and Riverside Micro-Cap Fund V, L.P. In addition, PE1 now has 23 opportunistic investments and 13 co-investments after adding two companies to each.

PE1 Allocations by Investment Type



Breakdown of PE Commitments (A\$)



Values may not sum to 100% due to rounding.

INVESTMENT ACTIVITY – SELECTED HIGHLIGHTS⁵

SECONDARY TRANSACTIONS

PE1 completed its first private equity secondary transaction out of the dedicated PE Secondaries sleeve of the portfolio, **Project Northstar**, and is currently expecting to execute one or more additional secondary transactions before the end of the quarter. We note that PE1 already has exposure to three secondary transactions through the Opportunistic sleeve of the portfolio.

ALPINE

Project Northstar is a secondary investment in four funds managed by Alpine Investors, LP, a North America-based private equity firm that seeks to make control buyout investments in corporate carve-outs and founder-owned middle- and lower-middle market North America-based companies in the software and services sectors. GCM purchased the interests in the four Alpine funds (Alpine Investors III, IV, VI and VIII) at an aggregate discount to the 30 September 2019 NAV of 7%, although the discount is expected to be approximately to 20% relative to the 31 December 2019 NAV due to the strong performance of the underlying investments in those funds.

This transaction was consistent with our strategy of targeting niche secondary opportunities with difficult to access, strong performing managers who restrict secondary investors in their funds to investors who are also primary fund investors with such managers.

In addition to the information advantage we had as an existing investor with Alpine, we were able to leverage our existing relationship with the manager during due diligence in order to enable us to granularly assess the underlying companies in the funds and determine the appropriate discount to bid for the portfolio – this discount was based in part on our belief that there is reasonable potential upside within the portfolio that should help drive returns.

PRIMARY FUND INVESTMENTS

PE1 recently closed on its sixth private equity primary fund investment, a US\$4 million commitment to **Riverside Micro-Cap Fund V, L.P.** ("RMCF V").



Founded in 1988, the Riverside Company is a global private equity firm focused on acquiring companies in the smaller end of the middle market. The Riverside Company established RMCF V to invest in fast-growing, North American companies with generally less than US\$10 million in LTM EBITDA ("micro-cap companies") and seeks to grow the EBITDA of such companies organically and through add-on acquisitions. RMCF V targets what they consider to be high-growth companies with compelling value propositions, which often lack the institutional-quality resources required to reach their full potential. The firm aggressively seeks to unlock value by applying active strategic and operational expertise and by giving these companies access to the resources they need to enhance their growth.

Through its core investment strategy of control buyouts, RMCF V will seek to create a diversified portfolio of approximately 12 to 18 micro-cap companies. The firm believes that its local, hands-on approach, supported by significant global resources, provides a distinct competitive advantage in generating attractive returns.

OPPORTUNISTIC INVESTMENTS

During the month of February, GCM Grosvenor Multi-Asset Class Fund II (MAC II) executed two new private equity investments, bringing the portfolio to 23 investments diversified across asset classes and industry sectors. One of the new investments in the MAC II portfolio, **eResearch Technology, Inc. (ERT)**, is detailed below.



Founded in 1977 and headquartered in Philadelphia, Pennsylvania, ERT is a leading global cloud platform solutions provider to pharmaceutical companies and clinical research organisations throughout the clinical trial process. ERT is a leader in each of its three core business lines, which together represented 92% of ERT's 2018 revenue:

- (i) Electronic Clinical Outcome Assessment, which focuses on digitally collecting clinical subjective data from patients or clinicians through diaries or questionnaires that they complete during clinical trials,
- (ii) Cardiac Safety, which focus on collecting and centrally analysing cardiac function data using Electrocardiogram monitors in order to assess potential cardiovascular side effects of drugs, and
- (iii) Respiratory Services, which evaluates a patient's lung function using specific devices such as spirometers in order to measure efficacy and safety of a drug. Over 55% of all new drug approvals in the past five years were supported by ERT.

MAC II co-invested in ERT alongside Nordic Capital, an upper middle market buyout manager with extensive experience in the healthcare sector and deep knowledge of ERT from its prior ownership of the company. In addition to Nordic Capital's clear value add, MAC II pursued this investment opportunity due in part to:

- (i) ERT's market leading position in each of its three core business segments as well as the company's growing footholds in a number of recently entered segments, including imaging and trial oversight, which are fast growing and present excellent opportunities for cross-selling,
- (ii) the company's high revenue visibility and strong cash flow generation with actionable organic opportunities to expand capabilities and enhance service offerings, and
- (iii) the fact that the market is cycle-resistant with high barriers to entry and has been expanding at a rapid pace (which is projected to continue over the next five years).

CO-INVESTMENTS

In February, GCM Grosvenor Co-Investment Opportunities Fund II (GCF II) completed two new co-investments, bringing the well-diversified portfolio's total to 13 co-investments alongside 10 different sponsors in six different industries. GCF II's recent investment into **Innophos, Inc.** is detailed below.



Founded via corporate carve-out in 2004 and headquartered in Cranbury, New Jersey, Innophos is a leading global producer of ingredients, primarily phosphate-based, which are used across the food, health, nutrition, and industrial end markets.

GCF II co-invested in Innophos alongside One Rock Capital Partners (ORCP), a middle-market buyout manager with specialised expertise in the chemicals and process industries. GCM found this co-investment to be compelling for a number of reasons, including:

- (i) Innophos is the #1 phosphate additive player in the highly stable North American food, industrial, and health end markets,
- (ii) there is a significant opportunity for material EBITDA improvement through the execution of operational efficiencies and pricing initiatives that have already been identified by ORCP, and
- (iii) ORCP has assembled a strong team with intimate working knowledge of Innophos, its chief competitor (ICL), and the phosphate industry at large.

1. The NAV per unit 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 distributions reinvested in additional Units.
3. The initial Net Asset Value per Unit for the purpose of determining the net return of the Trust is determined with reference to the initial public offering ("IPO") subscription price, which was \$1.25.
4. It is Pengana's intention to pay \$0.025 per unit for each six month period from listing through to June 2021 with the first distribution payable for the period ending 31 December 2019. Thereafter, Pengana intends to target a cash distribution yield equal to 4% p.a. of the NAV (excluding the total value of the Alignment Shares). 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 PDS.
5. In reviewing the case studies / trade examples ("Examples") provided in this presentation, you should consider the following:

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