PENGANA
CAPITAL

ASX: PE1

PENGANA PRIVATE EQUITY TRUST

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

Positioning the Portfolio for a Changed World

Dear Investor,

We hope that you, your family and your friends are in good health.

You will be pleased to know that PE1 continues to be well placed to cope with current market conditions.

Whilst we have been very satisfied with the development of the portfolio and its performance thus far, we recognize the uncertainty that exists around the progression of COVID-19 and its economic impact, and so have not remained static. Having only invested approximately 31% of PE1's capital to date we are in a strong position to take advantage of market dislocation with high-quality opportunities that present themselves as market conditions develop.

You can be confident that we have undertaken a number of key actions in an effort to protect your existing investment in PE1 and position the portfolio for continued success:

1. The market correction is likely to create a wealth of new compelling PE opportunities. GCM is spending a significant amount of time re-evaluating our existing PE1 pipeline to make sure the risk/return profile of any existing investments compares favourably to the abundance of new opportunities that the current macro environment will create. While our pipeline remains robust, it is likely that we will take a measured pace with respect to new investments within the portfolio as we and our PE managers properly assess the evolving market conditions and their potential impact on specific sectors and industries.

2. We have chosen a highly conservative approach, converting almost all of the remaining short-duration credit into USD cash. While these predominately investment grade credit securities performed significantly better than most credit asset classes, we began to witness concerning behaviour in credit market movements and spreads. In combination with historically low yields, we are concerned that there is limited upside in holding these assets and an increased risk of capital impairment. As we have always prioritized capital preservation for our credit investments, this quick action further demonstrates our priority on liquidity to fund PE capital calls as new opportunities arise. Although this was not an optimal time to be disposing of the assets as the short duration credit portfolio lost approximately 7% during the month, we were still able to be approximately flat in the USD returns over the past 11 months irrespective of this loss.

3. We have continued to maintain our un-hedged currency position which (as we had predicted would provide ample upside in a market crash scenario) delivered a large gain of approximately +11% month to date. This more than offset any weakness in the credit portfolio.

As at today's date (20 March 2020), we estimate that since the start of the month the net impact on the NAV of the portfolio (from the combination of the loss on liquidation of the credit portfolio as well as the gain on the currency exposure) is an increase of mid-single-digit percentages.

In summary, PE1 investors now have exposure to an asset that:

- Has already generated a substantial increase in NAV since inception.
- Has ~69% exposure to cash (USD) that will be opportunistically and selectively deployed over the next few years to invest in high potential opportunities as they arise. We anticipate that there will be an abundance of such opportunities to choose from.
- Is ~31% invested in what we consider to be a high-quality diversified portfolio of middle-market U.S. companies.

We thank you for your support over the last 11 months and commit to doing our utmost to ensure that PE1 continues to deliver strong returns for you over the coming years.

Wishing you and your family good health and prosperous times ahead.

Kind regards,

Russel Pillemer

Chief Executive Officer, Pengana Capital Group Limited
Executive Director, Pengana Investment Management Limited

By order of the Board

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