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.

MARCH 2022

COMPLETION OF RIGHTS ISSUE & A NEW ERA

NAV PER UNIT[1]	1 MONTH PERFORMANCE[2]	SINCE INCEPTION PERFORMANCE (P.A.)[2,3]	TARGET DISTRIBUTION YIELD[4]
$1.6026	4.4%	13.5%	4%

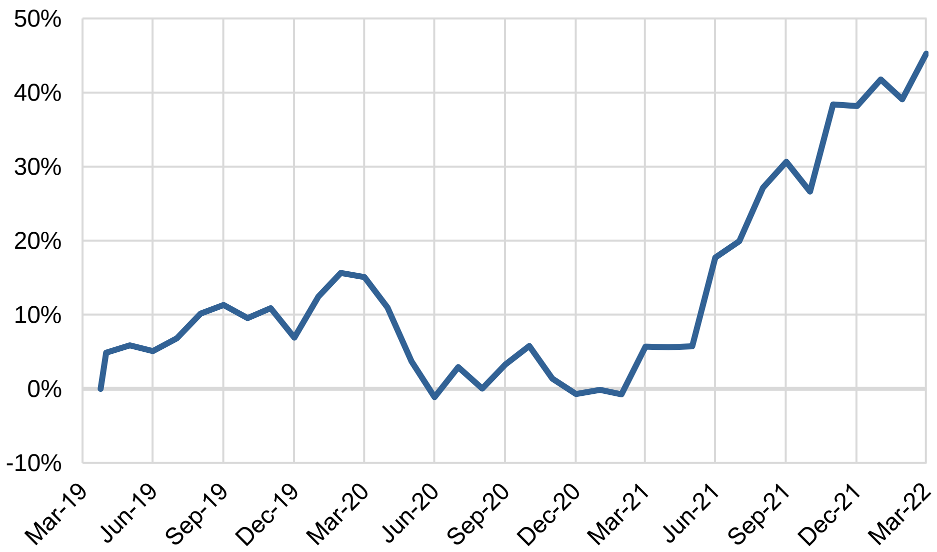
COMMENTARY

The Trust returned +4.4% over March, with the strong performance of our equity co-investments and direct investments more than offsetting the AUD's +3.5% rally versus the USD. In early March, we announced a rights issue which has since completed. In total, $58 million was raised through the issue of new units pursuant to the rights issue and wholesale investor shortfall placement, with funds now available to be tactically deployed into pockets of near-term opportunities, including the offering of structured solutions to high-quality businesses.

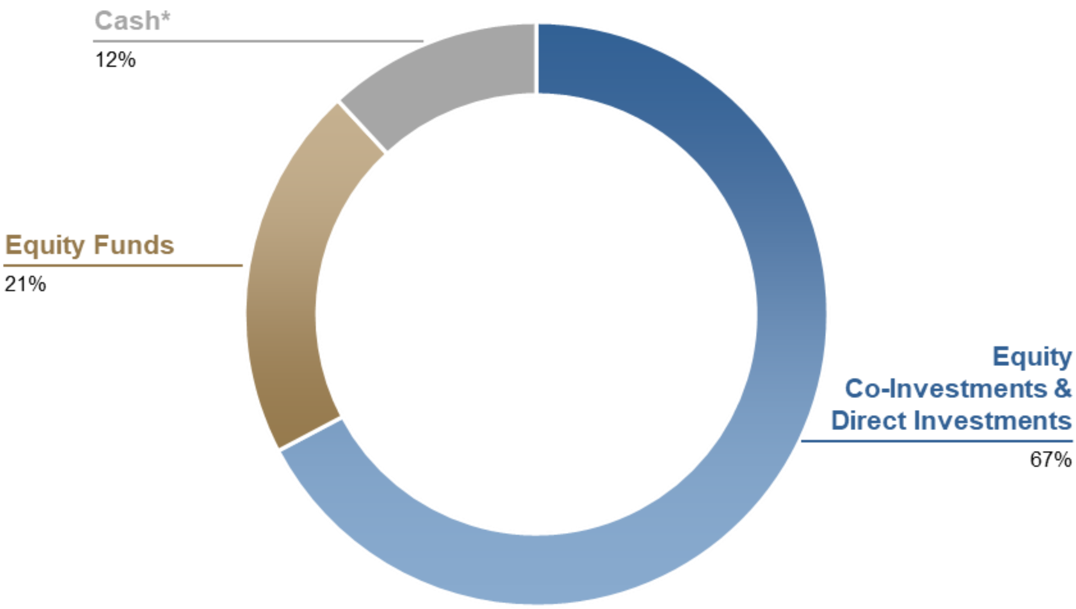
Over the month, we committed to a secondary transaction to acquire the common equity of the **New Era Cap Company**, the leading authority for authentic licensed headwear in the world. Given the off-market nature of the opportunity, we believe the sponsor, ACON, was able to secure the transaction at a significant discount to comparable public companies and precedent transactions. The business is conservatively leveraged and defensively positioned as the dominant market player, and has long-term contracts in place with key US major sporting leagues. Furthermore, New Era has seen strong growth in international sales, which have more than doubled in the last five years, and now represent approximately 40% of total revenue.

PE1 is also in the process of closing a co-investment alongside a top credit sponsor to acquire a regional grocer. The grocer has been a family-owned business since its founding and operates more than 150 stores. We believe the grocer has been significantly undermanaged and represents an opportunity for a strong operator to orchestrate a turnaround through relatively straightforward initiatives.

Cumulative NAV Per Unit Return Since Inception (23 April 2019 to 31 March 2022) [2, 3]



Portfolio Allocations by Investment Type (31 March 2022)



* Cash includes short duration credit which may be used as a cash management tool.

IMPLICATIONS OF THE FALL IN LISTED EQUITY MARKETS

Global equity markets experienced substantial losses during the March quarter with the S&P 500 falling -4.60% and technology/growth heavy NASDAQ Composite plummeting -8.95%. Some PE market segments also experienced compression, although to a much lower extent than listed equity markets. Similar to listed equities, high growth companies with low levels of free-cash flows were hit hardest. Due to valuation lags in the PE world, in many cases, updated valuations will only be reported around the end of the June quarter.

For PE1 investors, it is important to note, that whilst a portion of the portfolio is exposed to high growth companies, PE1 is mostly orientated to profitable businesses in defensive sectors. In addition, we generally structure our growth investments to mitigate downside risk while still maintaining strong upside. The financial impact of inflation, increasing interest rates, and the rotation of market preference away from growth businesses is accordingly expected to be limited across the portfolio as a whole.

Our only material individual exposure to such high-growth companies is **Instacart** (which is a result of large increases in its valuation over the last 3 years based upon increasing pricing in various capital raisings). In this regard, our Instacart co-investment partner, D1 Capital, reduced their carrying value as at 31 March, which when it flows-through into the PE1 portfolio (around the end of the June quarter) is likely to negatively impact the NAV by circa 2%.

INVESTMENT ACTIVITY – SELECTED HIGHLIGHTS [5]

EQUITY CO-INVESTMENTS

We are in the process of closing a co-investment alongside a top credit sponsor to acquire a regional grocer ("the Company"). The Company has been a family-owned business since its founding and operates more than 150 stores. We believe the Company has been significantly undermanaged (as suggested by a 1.4% EBITDA margin compared to peer margins of approximately 6.5%) and represents an opportunity for a strong operator to orchestrate a turnaround through relatively straightforward initiatives.

The sponsor expects to implement a margin expansion plan that includes the introduction of a cohesive pricing strategy, supply-chain improvements, and more methodical evaluation of corporate costs. The sponsor will also aim to increase margins by winding down pharmacy operations and focusing on high-margin organic and private-label offerings. In addition to this core plan, we believe there is an opportunity to generate return by monetising two distribution centers in the near-term.

We are excited about this co-investment given the sponsor's exceptional overall track record and directly applicable experience in the grocery industry.

EQUITY FUNDS

We recently committed to **Project Dime**, the secondary acquisition of the common equity of the **New Era Cap Company** ("New Era") through a continuation vehicle sponsored by ACON Investments. Based in Buffalo, New York, New Era is the leading authority for authentic licensed headwear in the world. ACON established a relationship with the company through support during the early stages of the COVID-19 pandemic, which they followed with a strategic minority investment in early 2021. The sponsor now has the opportunity to acquire joint ownership of New Era through a proprietary transaction.

Given the off-market nature of the opportunity, we believe ACON was able to secure Project Dime at a significant discount to comparable public companies and precedent transactions. The business is conservatively leveraged and defensively positioned as the dominant market player, and has long-term contracts in place with key US major sporting leagues. Furthermore, New Era has seen strong growth in international sales, which have more than doubled in the last five years and now represent approximately 40% of total revenue. Sports-licensed and branded headwear segments in South Korea, Japan, and China are expected to grow at a 14% CAGR and to nearly double by 2024.

In addition to the compelling nature of the transaction and company profile, we believe ACON is extremely well-suited to partner with New Era. The sponsor has significant experience with branded retail investments, e-commerce operations, and international retail growth through five prior transactions representing US$360 million of invested capital. Both the sponsor and management teams are heavily aligned with Project Dime and have rolled significant capital into the new transaction.

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1. The NAV is unaudited. The reported NAV is prior to adjustments relating to the subsequently closed rights issue. Following adjustments relating to the rights issue, the diluted NAV per unit is $1.5942.
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:

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Authorised by: Paula Ferrao, Company Secretary

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