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.

APRIL 2022

INVESTING IN LATAM DISTRESSED PRIVATE CREDIT

NAV PER UNIT[1]	1 MONTH PERFORMANCE[2]	SINCE INCEPTION PERFORMANCE (P.A.)[2,3]	TARGET DISTRIBUTION YIELD[4]
$1.6272	**1.5%**	**13.7%**	**4%**

COMMENTARY

The Trust returned a net +1.5% over the month of April, driven primarily by two opposing forces. On the upside, the depreciation of the AUD:USD exchange rate contributed over 5% to performance. Whereas on the downside (as foreshadowed in our previous newsletter), a number of our holdings in high-growth companies were written down at 31 March, detracting approximately 3% from performance.

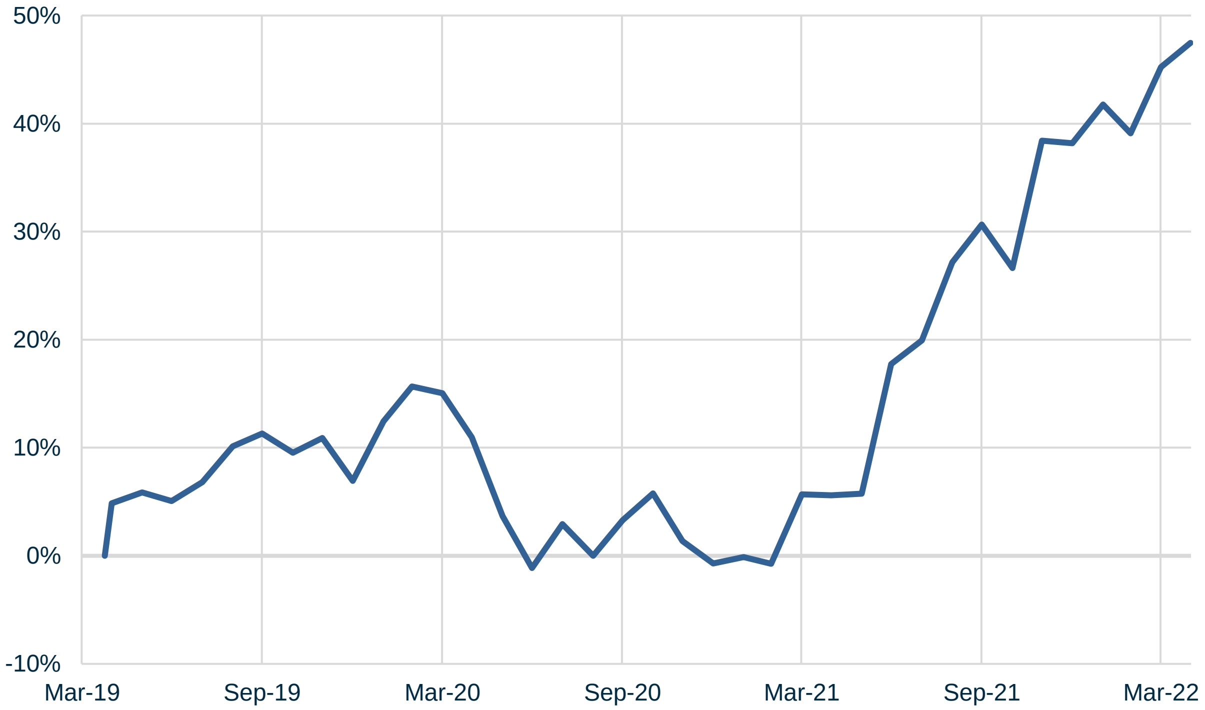
Whilst exchange rate movements are impossible to predict, we note that the positive performance of PE1 in April can be attributed to the purposeful structuring of the portfolio as an unhedged vehicle with the aim of providing downside protection to PE1 unitholders in the event of falling equity markets. This is due to a generally recognised historical inverse correlation between equity markets and the USD:AUD exchange rate.

The primary driver of the decline was our holding in **Instacart** which was written down by our co-investment partner D1 Capital. Another detractor was **Rivian**, the electric vehicle maker that went public in November (in what was the world's biggest IPO of 2021). We note that whilst our remaining holding in Rivian has been written down in line with a fall in the listed stock price, we were able to successfully realise a portion of our investment that was acquired in the IPO – see commentary below.

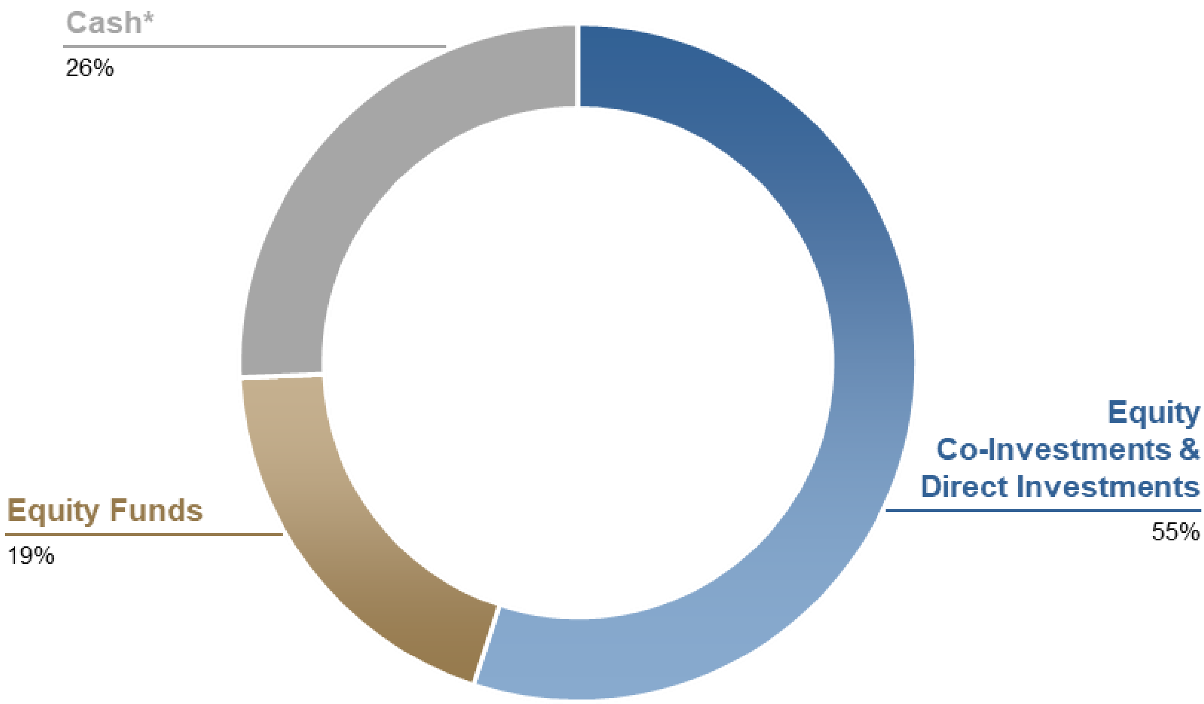
We recently committed to a continuation fund to finance the acquisition of **Sevita**. Headquartered in Boston, Sevita is the leading provider of home and community-based specialty healthcare services, focused on serving individuals with intellectual and developmental disabilities, traumatic brain injuries, and spinal cord injuries. Sevita has delivered strong operating results since its initial acquisition and is forecasted to continue this performance and further outpace its recent top-line growth through a combination of both organic expansion and M&A activity, continued operational improvement, and favourable industry trends.

Last month we participated in the debtor-in-possession financing of **LATAM Airlines**, the largest South American airline. LATAM is currently going through a Chapter 11 bankruptcy process to reorganise the business and make improvements to its fleet and cost structure. We expect the company to emerge from this restructuring with a strategic advantage over competing airlines.

Cumulative NAV Per Unit Return Since Inception (23 April 2019 to 30 April 2022) [2, 3]



Portfolio Allocations by Investment Type (30 April 2022)



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

INVESTMENT ACTIVITY – SELECTED HIGHLIGHTS [5]

EQUITY CO-INVESTMENTS

GCM Grosvenor Multi-Asset Class Fund II ("MAC II") detracted approximately 3% from PE1's April performance, representing MAC II's estimated decline in value between 31 December 2021 and 31 March 2022. This was due to write-downs of a number of our holdings in high-growth companies, driven primarily by **Instacart** (as discussed in our previous newsletter).

RIVIAN

Another detractor was **Rivian**, the electric vehicle maker that went public in November in what was the world's biggest IPO of 2021. Rivian raised nearly US$12 billion in the IPO, with the company post-IPO being valued at more than US$100 billion. However, the stock price dropped considerably during the Q1 market volatility due in part to supply chain bottlenecks, news that Amazon has secured some electric delivery vehicles from other vendors, and a desire by investors to see Rivian deliver the vehicles it has received orders for.

Despite the fall in Rivian's share price, we believe the business model remains sound, and with its strong liquidity position (as a result of funds raised through the IPO) it is well placed to meet its production targets over the next three to four years.

We also benefited from having an ownership interest in Rivian that granted us the right to acquire a meaningful amount of additional shares in the company at the time of the IPO. We acquired these shares at US$78 per share, which was then followed by a sale at US$115-120 per share, generating a ~1.5x return on the trade in just a couple of days.

It is important to note that despite this decline in value during Q1, the MAC II portfolio continues to show strong inception to date performance for PE1. Also last month, MAC II distributed to PE1 approximately US$2.3 million of proceeds, or ~4% of PE1's commitment to MAC II, stemming from several realisations within the portfolio.

EQUITY FUNDS

Sevita

We recently committed to Project Seaport, a continuation fund organised by Centerbridge Capital Partners and The Vistria Group to finance the acquisition of **Sevita** from their respective funds. Headquartered in Boston, Massachusetts, Sevita is the leading provider of home and community-based specialty healthcare services, focused on serving individuals with intellectual and developmental disabilities, traumatic brain injuries, and spinal cord injuries. Sevita's mission is to empower individuals who classify as medically complex to live a full, independent life without having to leave their homes and communities.

Both Centerbridge and Vistria are highly familiar with the asset and have already achieved strong operating results since their initial acquisition of Sevita. Sevita is forecasted to continue this performance and further outpace its recent top-line growth through a combination of both organic expansion and M&A activity, as well as continued operational improvement. Sevita is also experiencing favourable industry trends stemming from a growing addressable market and increasing life expectancy, further buoyed by a shift in government funding towards home and community-based care. We believe both firms are exceptionally well-aligned with investors in this transaction, having rolled 100% of the interests of active team members from both firms into the transaction, along with making an incremental commitment to the new vehicle.

PRIVATE CREDIT

Last month we participated in the debtor-in-possession financing of **LATAM Airlines**, the largest South American airline. LATAM is currently going through a Chapter 11 bankruptcy process to reorganise the business and make improvements to its fleet and cost structure. We expect the company to emerge from this restructuring with a strategic advantage over competing airlines. GCM Grosvenor was able to source this investment directly through our participation in the airline's parent claimholder group.

We believe this investment is well-secured by a collateral package that includes real estate, inventory, equipment, fixtures, and cash. In addition, the terms require that the refinancing be fully discharged in order for LATAM to exit Chapter 11 status, and the capital to fund this paydown has already been committed by equity investors.

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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:

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Authorised by: Paula Ferrao, Company Secretary

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