

CO-INVESTING WITH DOWNSIDE PROTECTION AND UPSIDE OPTIONALITY

NAV
PER UNIT¹

\$1.6215

1 MONTH
PERFORMANCE²

-0.4%

SINCE INCEPTION
PERFORMANCE (P.A.)^{2,3}

13.2%

TARGET DISTRIBUTION
YIELD⁴

4%

COMMENTARY

The Trust returned a net -0.4% over the month of May driven by a slight appreciation in the AUD:USD.

During the month, we co-invested in Florida-based **Cirkul**, a producer of specialty reusable water bottles with proprietary disposable flavour cartridges, which is seeking to pursue additional retail distribution. The company operates an attractive razor-razorblade business model, with the cartridges generating the substantial majority of total revenue. Cirkul's unique product has seen strong initial growth as well as initial success in the retail channel, with sales exceeding expectations in both Walmart and Bed Bath & Beyond following recent launches. Our investment in Cirkul is in a senior preferred structured security that offers strong asymmetry with an attractive minimum return as well as a put right back to the company in year 5, resulting in meaningful downside protection with upside optionality.

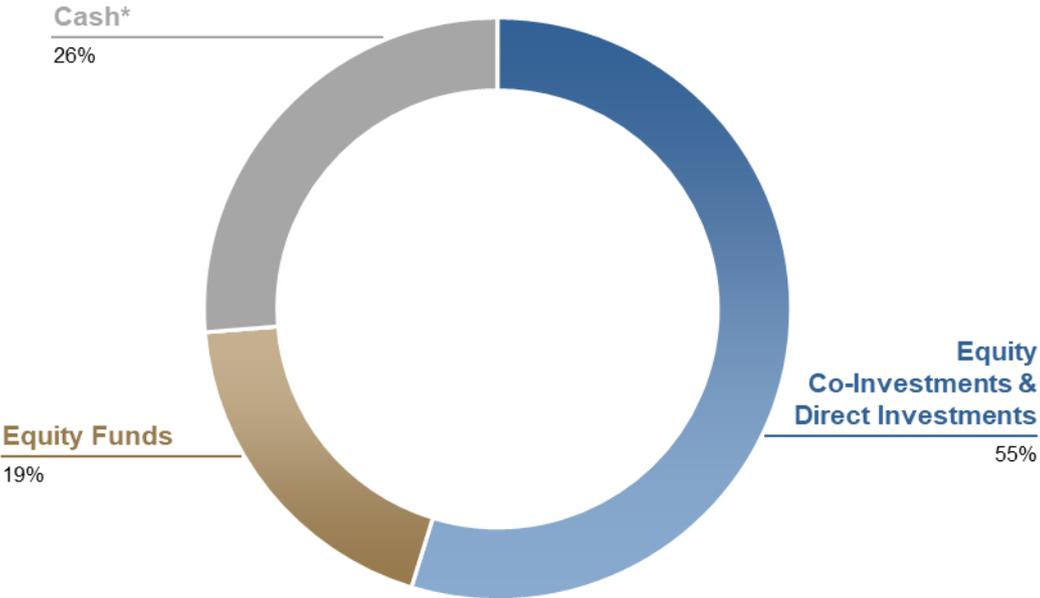
We also committed to a secondary transaction, an investment in a continuation fund organised by KKR to finance the acquisition of **Internet Brands**. Internet Brands is a vertically integrated internet and software company that provides marketing platforms and SaaS solutions across several high-value end markets, including health, legal, dental, and auto. Its largest brands include Medscape and WebMD. The company has a very attractive financial profile with a very stable revenue base that drives significant revenue predictability. The company also has favourable free cash flow dynamics, including limited capex and favourable working capital dynamics. KKR plans to grow the core verticals, continue to drive margin improvements, and complete accretive add-on acquisitions.

Finally, we participated in a distressed private credit investment in **Talen Energy**, a large, multi-asset independent power producer that owns and operates power generation facilities in wholesale US power markets. Recent margin calls exhausted Talen's liquidity and left the company unable to set new hedges ultimately forcing Talen to file for Chapter 11 bankruptcy protection. We believe our investment offers attractive distressed dynamics given the business's strong performance despite being in a liquidity crunch, with the Chapter 11 process allowing Talen to set new hedges and reject unfavourable contracts. As a bondholder we are entitled to participate (at a 25% discount to EV) in the company's rights offering and join the backstop group that supports the rights offering earning additional compensation.

Cumulative NAV Per Unit Return Since Inception (23 April 2019 to 31 May 2022)^{2, 3}



Portfolio Allocations by Investment Type (31 May 2022)



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

INVESTMENT ACTIVITY – SELECTED HIGHLIGHTS ⁵

EQUITY CO-INVESTMENTS



We recently co-invested in Tampa, Florida-based **Cirkul**, a producer of specialty reusable water bottles with proprietary disposable flavour cartridges. The beverage company allows consumers to add a variety of flavours combined with vitamins, caffeine, or other nutritional elements to their water. Customers are able to toggle the flavour intensity based on individual preference, and each flavour cartridge makes ~6-10 600ml drinks. The company operates an attractive razor-razorblade business model, with the cartridges generating the substantial majority of total revenue. Moreover, more than 100% of customer acquisition costs are returned immediately with a customer's first order and over 75% of total revenue comes from repeat customers.

Cirkul's unique product has seen strong initial growth as well as initial success in the retail channel, with sales exceeding expectations in both Walmart and Bed Bath & Beyond following recent launches. Cirkul intends to pursue additional retail distribution, where visibility may help re-engage any lapsed bottle owners and increase unaided brand awareness without additional spend. Our investment in Cirkul is in a senior preferred structured security that offers strong asymmetry with an attractive minimum return as well as a put right back to the company in year 5, resulting in meaningful downside protection with upside optionality.

EQUITY FUNDS



We recently committed to Project Angel, a secondary transaction involving an investment in a continuation fund organised by Kohlberg Kravis Roberts & Co. L.P. ("KKR") to finance the acquisition of **Internet Brands** from KKR North America Fund XI, L.P. Internet Brands is a vertically integrated internet and software company that provides marketing platforms and SaaS solutions across several high-value end markets, including health, legal, dental, and auto. The company has best-in-class digital assets across its end markets and its largest brands include Medscape (#1 digital resource for health care professionals globally) and WebMD (#1 digital destination for consumer health and information services), as well as #1 market positions in the legal marketing network, dental practice management software, and specialty finance auto leads.

Internet Brands has a very attractive financial profile with a very stable revenue base (nearly 100% of total annual revenue comes from returning customers), which drives significant revenue predictability. The company also has favourable free cash flow dynamics, including limited capex and favourable working capital dynamics. KKR, which has owned Internet Brands since 2014 and therefore knows the asset extremely well, plans to execute the same strategy going forward which includes (i) growing the core verticals, (ii) continuing to drive margin improvements, and (iii) completing accretive add-on acquisitions. We believe that both KKR and the company's management team are extremely well-aligned with investors in this transaction, with KKR rolling 100% of the carried interest over which it has discretion and the entire stake in Internet Brands held by one of its younger-vintage funds, and the company's management team rolling substantially all their equity proceeds.



Last month we participated in a distressed investment in **Talen Energy**, a large, multi-asset independent power producer that owns and operates a portfolio of >13,000 MW of power generation facilities in wholesale US power markets, principally in the Mid-Atlantic, Texas, and Montana. The Russia/Ukraine conflict in early 2022 caused a rapid increase in natural gas prices, resulting in a power price spike that required Talen to post additional cash collateral against out-of-the-money hedges. These most recent margin calls exhausted Talen's liquidity and left the company unable to set new hedges for the rest of 2022 and 2023 to capitalise on the elevated power price environment. Strange as it may seem, rising power prices, which are typically a credit positive for a company like Talen, ultimately forced Talen to file for Chapter 11 bankruptcy protection.

We believe our investment in Talen offers attractive distressed dynamics given the business's strong performance despite being in a liquidity crunch. The Chapter 11 process will allow Talen to set new hedges and reject unfavourable contracts, thereby allowing Talen to take advantage of current market dynamics. Moreover, as a bondholder, we are entitled to participate in the company's rights offering and join the backstop group that supports the rights offering earning additional compensation. The backstop compensation and rights offering investment come at a 25% discount to the enterprise value set for Talen pursuant to the bankruptcy plan.

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.
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Authorised by: Paula Ferrao, Company Secretary



**PENGANA INVESTMENT
MANAGEMENT LIMITED**
ABN 69 063 081 612 AFSL 219 462
Levels 1, 2, 3
60 Martin Place
Sydney NSW 2000

T: +61 2 8524 9900
F: +61 2 8524 9901
E: clientservice@pengana.com
pengana.com