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RESEARCH
INDEPENDENT INVESTMENT RESEARCH

Pengana Private Equity Trust (ASX: PE1)

Review

28 March 2022

INDEPENDENT
INVESTMENT RESEARCH

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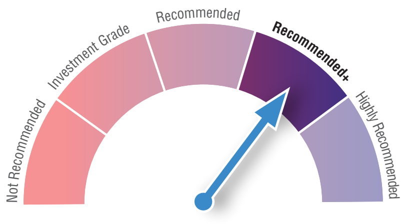
Note: This report is based on information provided by Pengana Investment Management Limited and Grosvenor Capital Management, L.P.

Rating



Key Investment Information (as at 28 February 2022)	
ASX Code	PE1
Unit Price	$1.60
NAV	$1.535
Shares on Issue (m)	240.5
Market Cap ($m)	384.8
Listing Date	April 2019
Structure	Listed Investment Trust (LIT)
IIR Classification	Private Equity
Responsible Entity	Pengana Investment Management Limited
Manager	Pengana Capital Limited
Investment Manager	Grosvenor Capital Management, L.P.
Target Distribution	4%p.a.
Distribution Frequency	Semi-annual
Fees:	
Management Fee & RE Fee (p.a incl. GST & net of RITC	1.25%
Performance Fee	20.0%
Performance Fee Hurdle	8.0%p.a.

Key Exposure	
Underlying Exposure	Portfolio of private market investments.
FX Exposure	The Trust will have direct foreign currency exposure. The Investment Manager may hedge the currency exposure in relation to capital calls, however, will be typically unhedged.

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

PRODUCT SUMMARY

The Pengana Private Equity Trust (ASX: PE1) is a listed investment trust (LIT) providing exposure to a portfolio of global private market investments. The Trust is coming up to its three-year anniversary with the Trust listing in April 2019, raising $205m through the issue of 164m units. The Trust raised a further $93.5m through a secondary market capital raising in mid 2020 and is seeking to raise up to $74m through an Entitlement Offer. The Responsible Entity of the Trust is Pengana Investment Management Limited, who appointed Pengana Capital Limited as the Manager of the Trust, both of which are wholly-owned subsidiaries of Pengana Capital Group Limited (ASX: PCG). The Manager in turn appointed Grosvenor Capital Management, L.P. ("Grosvenor") as the Investment Manager of the portfolio. Grosvenor is a specialist alternative investments manager based in the US with over US$72b in AUM.

The Trust seeks to generate attractive returns and capital growth over the long-term through an investment in a diversified portfolio of private market investments, including private equity, private credit and other opportunistic investments. The Trust generally provides exposure to these asset classes via funds, however has the ability to invest directly. The Investment Manager can invest in funds issued and managed by Grosvenor or vehicles managed by third parties. The majority of the portfolio at 31 December 2021 was invested in Grosvenor funds. The Investment Manager has a long-term target return of 8%-14%p.a. The Trust has a target distribution of 4%p.a of the NAV just prior to the financial period the distribution is to be paid, with the distribution to be paid on a semi-annual basis. The Trust pays a Responsible Entity (RE) fee of 0.05%p.a. and a management fee of 1.20%p.a. including GST and net of RITC. The Manager is also eligible for a performance fee of 20% of returns in excess of the Hurdle Rate of 8%p.a, subject to a High Water Mark.

INVESTOR SUITABILITY

An investment in PE1 is suitable for those investors seeking access to an alternative investment that offers potential diversification benefits to an investors' broader investment portfolio. Private equity investments typically require a 5-10 year period to realise the value of investments. As such, investors should have a long-term investment horizon to realise the full potential value of an investment in the Trust. Private equity investments have an additional layer of risk to listed companies due to the lack of liquidity and limited transparency. A diversified portfolio reduces the risk associated with any single investment. The Trust provides exposure to a diversified portfolio with exposure to over 400 underlying companies. The Trust has been successful thus far in mitigating the J-curve effects of private equity returns through investments in secondary market investments and opportunistic investments which have the potential to reduce the time to realisation of returns and enhance returns by investing in funds at a discount. Given the limited transparency of the underlying investments, investors should have confidence in the investment capabilities of the Investment Manager in the asset class.

RECOMMENDATION

Independent Investment Research (IIR) has reaffirmed its **Recommended Plus** rating for the Pengana Private Equity Trust (ASX: PE1). The Trust has performed strongly in its nearly three-years since listing, delivering on its strategy to mitigate the J-curve nature of private equity returns through its investment across a range of private market strategies to deliver returns in the initial years of the Trust. The Trust provides access to a highly diversified portfolio of private market investments with the benefit of a regular distribution expected to be paid semi annually. IIR views Grosvenor to be a highly experienced manager of private market investments with a strong track record across private market asset classes. Grosvenor has developed a sizable investment platform that provides it with unprecedented access to fund managers and co-investment opportunities in the private equity market which retail investors have access to through the Trust. The Entitlement Offer currently underway will provide the Trust the ability to capitalise on opportunities arising from the current market environment, increase portfolio diversification and provide improved liquidity for investors.

SWOT

Strengths

- PE1 provides institutional grade investments to retail investors.
- The Investment Manager has an expansive private markets platform with a strong track record which extends more than 20 years in private markets. The Investment Manager has a disciplined and robust investment and due diligence process providing a level of confidence in the quality of the underlying investments. The Investment Manager has long-term relationships with private equity managers providing access to investment opportunities and provides the ability for the Investment Manager to be highly selective in relation to investments.
- The Investment Manager is well resourced with 524 employees and 169 investment professionals.
- The Trust provides exposure to a portfolio diversified by underlying investments as well as by investment style. Style diversification provides an additional form of diversification on top of the number of investments.
- The Trust has performed strongly to date with a total cumulative NAV return of 12.5%p.a. from 30 April 2019 to 28 February 2022. The Trust has delivered on their objective of mitigating the J-curve return effect of private equity investments through investment in secondary private equity funds, co-investments and opportunistic investments, resulting in the time to generate returns being accelerated when compared to solely investing in primary private equity funds, the returns of which take time to materialise.
- The listed investment trust structure is beneficial to both investors and the Investment Manager. The LIT structure provides the benefits of providing liquidity to an illiquid asset class and the Investment Manager is able to implement the investment strategy without having to manage redemptions.
- For IPO investors, the alignment shares issued in PCG have added additional value.
- The Trust has met its objective of being at least 70% invested in private equity within four years of listing.

Weaknesses

- The Trust generally gains access to the underlying investments through an investment in funds. As with all fund of fund structures there is a double layer of fees, the fees associated with the Trust plus the fees associated with the underlying funds. We note that the fees are being reduced to some extent through the investment in the Grosvenor funds which are able to invest at a lower cost compared to third party funds.
- The Trust is complex with limited transparency into the underlying investments.

Opportunities

- PE1 offers access to an investment that is typically not available to retail investors and provides access to an asset class that can provide diversification to an investors broader investment portfolio.
- The Trust is seeking to raise additional capital through an Entitlement Offer. The issue of new units will have the benefit of providing increased liquidity to unitholders, as well as satisfying excess demand that has resulted in the Trust trading at a premium to NAV in the past.
- In addition to the improved liquidity from the additional units the additional capital raised will provide investors the opportunity to benefit from the pipeline of investments that the Investment Manager has identified as a result of the market environment, specifically higher than expected US inflation,which the Investment Manager believes provides the opportunity to offer structured solutions to high quality growth companies.

Threats

- There is a conflict of interest with a significant portion of the capital invested in funds managed by the Investment Manager for which they receive fees. While the conflict exists we note that investments in the Grosvenor funds provides access to deals sourced from the Grosvenor platform and access to potentially reduced fees/costs due to the relationships fostered with private market managers over its operating history.
- The listed investment trust structure provides many benefits for investments with limited liquidity, however may trade at a premium or discount to NAV. Trading at either to a substantial degree for prolonged periods of time can pose challenges for investors. In September 2021, PCG announced that it will purchase PE1 units on-market from

time to time, suggesting PCG will purchase units when trading at a discount. This has the potential to provide support to the Trust when trading at a discount and assist with reducing the risk of the Trust trading at a discount for a prolonged period of time.

- The Trust invests in global private equity and credit investments with the portfolio weighted to investments in North America. The Trust typically does not hedge the currency exposure. As such, movements in the value of relevant foreign currencies will have an impact, either positively or negatively, on the Australian dollar value of the portfolio.
- The Trust does not currently intend to payout returns in excess of the target distribution of 4%p.a., which it is entitled to do under the AMIT regime. However, unitholders may still be required to pay tax on the full distributable income earned by the Trust despite not receiving the full distributable amount. We note that while this may have tax consequences for investors which may require them to source funds to pay the tax requirements from sources outside of the income earned from the Trust, this enables the Trust to reinvest returns in excess of the target distribution which has the potential to compound returns for investors.

OVERVIEW & UPDATE

The Pengana Private Equity Trust (ASX: PE1) is a listed investment trust (LIT) providing exposure to a portfolio of global private market investments. The Trust is coming up to its three-year anniversary with the Trust listing in April 2019, raising $205m through the issue of 164m units. The Trust raised a further $93.5m through a secondary market capital raising in mid 2020 and is seeking to raise up to $74m through an Entitlement Offer. The Responsible Entity of the Trust is Pengana Investment Management Limited, who appointed Pengana Capital Limited as the Manager of the Trust, both of which are full owned subsidiaries of Pengana Capital Group Limited (ASX: PCG). The Manager in turn appointed Grosvenor Capital Management, L.P. ("Grosvenor") as the Investment Manager of the portfolio. Grosvenor is a specialist alternative investments manager based in the US with over US$72b in AUM.

The Trust provides exposure to a diversified portfolio of private market investments, including private, equity private credit and other opportunistic investments, sourced through the Grosvenor private markets platform. The Investment Manager can invest in funds issued and managed by Grosvenor or vehicles managed by third parties. The majority of the portfolio at 31 December 2021 was invested in Grosvenor funds. To date, the Trust has provided exposure to the underlying investments primarily through funds, however has the ability to invest directly.

The table below shows the long-term target portfolio allocation of the Trust. For detailed information on each of the investment categories refer to Appendix A. The Investment Manager expected that it would take up to four years to reach the long-term target portfolio. The Investment Manager has achieved the private equity allocation, however the portfolio allocations are not at the long-term guidelines as yet. For example, the Investment Manager has allocated 43% of the total committed capital to Opportunistic strategies, well above the long-term allocation of 10%-25% and 12.6% to Co-Investments strategies which is below the 15%-30% long-term target allocation. We note that we refer to the allocation according to total capital committed to date and the weightings to these strategies in the portfolio will fluctuate as a result of performance. The Manager has taken the opportunity to deploy the capital where it believed the best risk-adjusted returns could be generated for unitholders.

Long-term Portfolio Target Allocation	
Strategy	
Private Equity Co-Investments	15%-30%
Private Equity Primaries	15%-30%
Private Equity Secondaries	15%-30%
Opportunistic	10%-25%
Private Credit	5%-15%
Cash	2%-10%

The Trust will seek to generate attractive returns over the long-term which is considered to be a period of at least 10 years. The Investment Manager has a long-term target return of 8%-14%p.a. The Trust will seek to pay a distribution of 4%p.a of the NAV of the Trust just prior to the period the distribution is to be paid. Distributions are expected to be paid semi annually. The Trust will seek to fund the distribution primarily from income and realised capital gains generated from the portfolio, however, will pay a return of capital if sufficient income has not been generated to meet the target distribution yield.

The Trust pays a Responsible Entity (RE) fee of 0.05%p.a. and a management fee of 1.20%p.a. including GST and net of RITC. The fees are calculated monthly in arrears based on the gross value of the portfolio. The Trust will also pay a performance fee to the Manager equal to 20% of the outperformance of the Trust's total return in excess of the Hurdle Rate of (8%p.a), subject to a High Water Mark. The performance fee is calculated and accrued monthly and payable semi-annually. We note that the Trust invests primarily in funds to gain exposure to the underlying asset classes which also incur fees that are not included in the stated management and performance fees.

Alignment Shares

In August 2021, the RE announced the distribution of 4.9 million shares in Pengana Capital Group Limited (ASX: PCG) pro rata to PE1 unitholders. The Alignment Shares were issued as part of the IPO. The RE intended to convert the Alignment Shares into ordinary PCG shares approximately two years post listing. Eligible unitholders received an in-specie distribution of one PCG share for every 48.9 PE1 units held at the record date. At the time of the in-specie distribution, the PCG shares were valued at $1.95 or $0.04 based on the conversion of 1 PCG share for 48.9 PE1 units. At the date of this report, PCG shares were trading at $2.14 per share with a trailing 12-month dividend yield of 9.35%.

Capital Raisings

Post the IPO, the Trust raised a further $93.47m through an Entitlement Offer, Short Fall Facility and Additional Placement in mid-2020.

The Trust is seeking to raise up to $74m through an Entitlement Offer to take advantage of investment opportunities that have arisen due to the market environment, in particular the higher than expected inflation thematic in the US. The capital raising is being undertaken as a result of the Trust's capital being fully deployed.

The Entitlement Offer will provide eligible unitholders the ability to acquire new units in PE1 on a 1-for-five basis at a price of $1.54 per unit. The capital raised is expected to be invested predominantly in co-investment and direct investment opportunities. The Trust will seek to target specific sub-strategies that will enable the Trust to strategically increase diversification in the portfolio. The Trusts expects to invest capital raised in 4-6 investments with capital to deployed within six months following the completion of the Offer in combination with an increase to Grosvenor funds which remain open for investment and one primary equity fund investment. The Offer opened on 16 March 2022 and closes on 31 March 2022.

At 31 December 2021, the portfolio had unfunded capital commitments of $181.7m and cash holdings of $51.2m. The Manager has confirmed that the current portfolio is expected to be able to meet the unfunded capital commitments and that the capital raised through the Entitlement Offer will be dedicated to new investments and scaling up investments in a selection of Grosvenor funds.

PE1 Capital Raisings

Date Completed	Type	Issue Price	Units Issued (m)	Amount Raised ($m)
April 2019	IPO	$1.25	164.02m	$205.03m
July 2020	Entitlement Offer, Short Fall Facility & Additional Placement	$1.25	74.77m	$93.47m
March 2022	Entitlement Offer	$1.54	Up to 48.1m	Up to $74m

Investment Manager Update

There have been no material changes to the Investment Manager since listing. The Manager has a large team and extensive resources with 169 investment professionals and US$72b FUM invested in alternative strategies spanning Private Equity, Infrastructure, Real Estate, Absolute Return and Credit.

Investment Committee

The Trust has a dedicated Investment Committee (IC) that consists of senior investment professionals from all verticals within the Investment Manager. The IC is responsible for selecting investments for inclusion in the Trust, reviewing and approving investments and portfolio construction/allocation. We recognise that the there is a conflict of interest with the members of the IC being employees of the Investment Manager and making decisions about allocations to funds issued and managed by the Investment Manager.

Frederick Pollock is the dedicated Portfolio Manager for PE1 and is responsible for the day to day management of the Trust

The IC members are detailed below and have remained unchanged since PE1 listed. The IC members have a significant amount of experience in private markets and an average tenure of in excess of 10 years with the Investment Manager. We note that in addition to the IC, there is an Operations IC made up of the firm's Chief Operating Officer, Chief Financial Officer, General Counsel and Vice Chairman that are responsible for reviewing operational due diligence for investment opportunities.

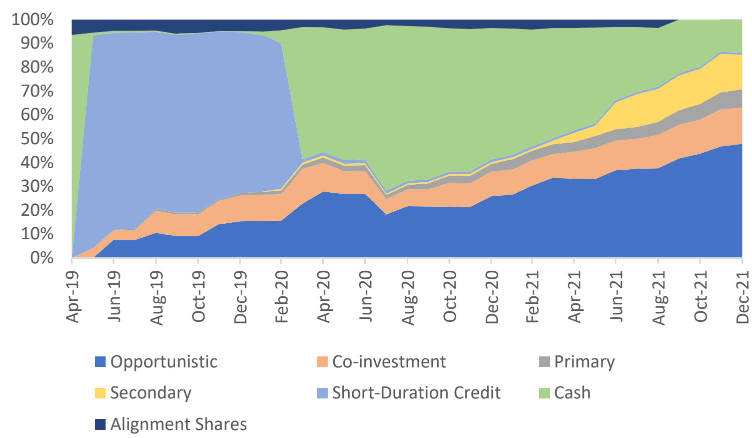
Investment Team

Name	Position	Industry Experience (Years)	Tenure with Manager (Years)
Frederick Pollock	Chief Investment Officer, PE1 Portfolio Manager	17	6
Jonathan Levin	President	18	10
Jason Metakis	Managing Director	22	12
Bradley Meyers	Managing Director	24	19
Brian Sullivan	Managing Director	25	7

PORTFOLIO POSITIONING

PE1 provides diversified exposure to a range of private market investments including private equity, private credit and opportunistic investments. As can be seen in the below chart, the position of the Trust's portfolio has evolved since listing. Initially, the portfolio was significantly exposed to short-term credit to generate a return while the capital raised at IPO was deployed and offset the J-curve nature of private equity returns.

Historical Investment Type Allocation



Source: Pengana Investment Management Limited

At 31 December the portfolio was weighted to Opportunistic investments with 47.8% of the Trust's capital allocated to this investment type. As shown by the above chart, the cash levels decline as the allocated capital is called for investment by the underlying funds. The Trust is largely invested at present with the Trust having less than 10% cash. The current capital raising being undertaken by the Trust is to be able to invest in new opportunities. The capital raised will not be used to meet existing capital commitments with the Investment Manager advising that the remaining current capital commitments will be met by realisations and distributions from existing investments.

Portfolio Allocation by Investment Type as at 31 December 2021	
Opportunistic	47.82%
Co-investment	15.14%
Primary	7.70%
Secondary	14.57%
Short-Duration Credit	0.81%
Cash	13.96%

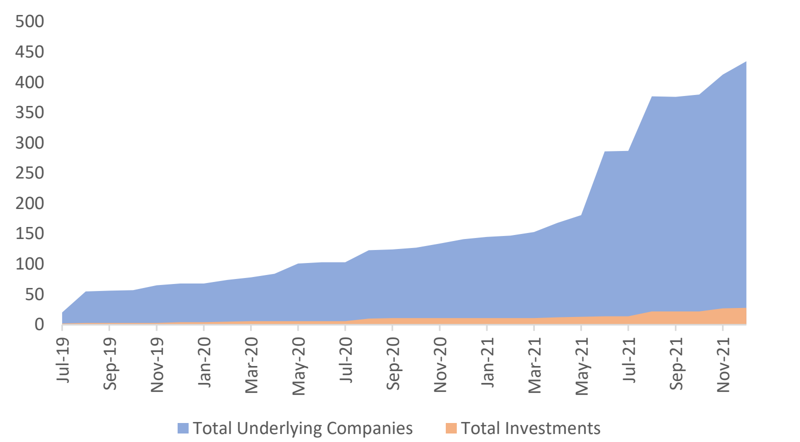
Source: Pengana Investment Management Limited

The long-term target portfolio allocation of the Trust as per the PDS is tabled below. The current portfolio is substantially different from the long-term target, with the exposure to the primary and secondary private equity funds below the long-term target allocation range and the allocation to Opportunistic investments much greater than targeted. The higher than expected allocation to Opportunistic investments is primarily a result of attractive opportunities that were identified by the Manager as a result of the dislocation in markets directly resulting from the COVID-19 pandemic. We would expect the allocations to revert to the long-term target allocations over time.

Long-term Portfolio Target Allocation	
Strategy	
Private Equity Co-Investments	15%-30%
Private Equity Primaries	15%-30%
Private Equity Secondaries	15%-30%
Opportunistic	10%-25%
Private Credit	5%-15%
Cash	2%-10%

The portfolio is highly diversified with the level of diversification increasing as the capital has been deployed by the underlying investments. At 31 December 2021, the portfolio comprised investments in 28 funds with exposure to 435 companies.

Portfolio Diversification



Source: Pengana Investment Management Limited

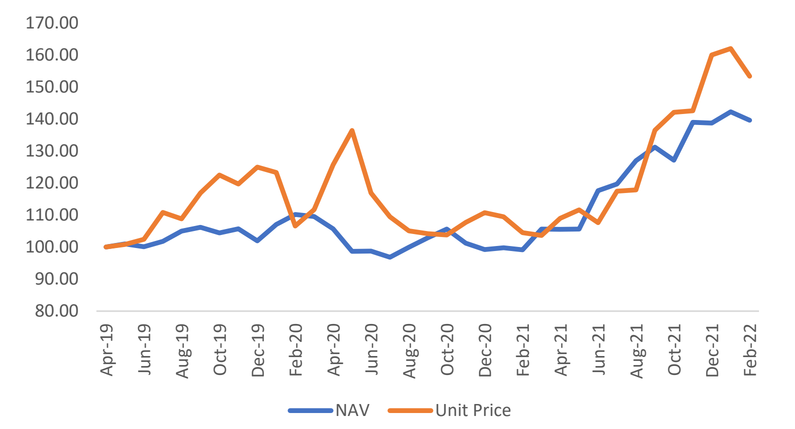
The below table details the investments of the Trust as at 31 December 2021. Of the $405.5m capital committed, 54%of the capital had been called at 31 December 2021. The portfolio is primarily invested in Grosvenor funds with approximately 70% of the portfolio allocated to Grosvenor funds at 31 December 2021. The largest investment being to the Grosvenor Multi-Asset Class Fund II, L.P. with 23.7% of the capital committed to this fund. There is substantial diversification within the Grosvenor funds. For example, the Grosvenor Secondary Opportunities Feeder Fund III, L.P had a portfolio of 128 investments at 31 December 2021.

Underlying Investments as at 31 December 2021				
Investment	**Total Commitment**	**% of Total Committed Capital**	**Called Capital**	**Unfunded Capital Commitment**
GCM Grosvenor Multi-Asset Class Fund III, L.P.	96,279,486	23.7%	38,511,795	57,767,691
GCM Grosvenor Multi-Asset Class Fund II, L.P.	78,399,010	19.3%	78,399,010	-
GCM Grosvenor Co-Investment Opportunities Feeder Fund II, L.P.	50,890,585	12.6%	38,844,169	12,046,416
GCM Grosvenor Secondary Opportunities Feeder Fund III, LP.	45,388,900	11.2%	8,774,873	36,614,027
GCM Grosvenor SP Mid-Market Opportunities Fund L.P.	27,171,746	6.7%	13,506,713	13,665,033
The Veritas Capital Fund VII, L.P.	9,627,949	2.4%	6,600,833	3,027,116
GCM Grosvenor CPP Investment Board Mid-Market Opportunities Fund II, L.P.	9,109,713	2.2%	6,168,082	2,941,631
Carlyle Credit Opportunities Fund (Parallel), L.P.	6,877,106	1.7%	4,520,873	2,356,233
Falfurrias Capital Partners V, LP	6,877,106	1.7%	887,147	5,989,959
Wynnchurch Capital Partners V, L.P.	6,877,106	1.7%	2,027,413	4,849,693
WPEF VIII Feeder LP	6,655,369	1.6%	1,017,269	5,638,099
H.I.G. Europe Middle Market LBO [Feeder] Fund, L.P.	5,713,200	1.4%	142,830	557,370
Riverside Micro-Cap Fund V, L.P.	5,537,446	1.4%	3,655,672	1,881,774
Cobalt Strategic Partners I, L.P.	5,501,685	1.4%	4,821,603	680,082
Cornell Capital Partners II Parallel LP	5,501,685	1.4%	-	5,501,685
Peak Rock Capital Fund III LP	5,501,685	1.4%	1,145,308	4,356,377
TSG9 Parallel L.P	5,501,685	1.4%	-	5,501,685
Vista Equity Endeavor Fund II-A, L.P.	5,501,685	1.4%	1,117,047	4,384,638
Valiant Peregrine Fund 2, L.P	5,501,685	1.4%	616,189	4,885,496
H.I.G. Middle Market LBO Fund III, L.P.	3,974,967	1.0%	827,840	3,147,127
ICONIQ Strategic Partners VI-B, L.P.	2,888,385	0.7%	1,690,639	1,197,746
GCM Grosvenor CPP Investment Board Mid-Market Opportunities Fund, L.P.	2,255,123	0.6%	296,061	1,959,062
MC Private Equity Partners I-A, LP	1,981,627	0.5%	1,453,575	528,052
GCM Grosvenor CPP Investment Board Co-Investment Fund, L.P.	1,492,416	0.4%	183,236	1,309,180
Alpine Investors III LP	1,352,497	0.3%	1,261,459	91,038
MIC Capital Partners III Parallel (Cayman), LP	1,021,689	0.3%	904,174	117,515
Alpine Investors Ingenio CV, LP	730,102	0.2%	452,979	277,123
Alpine Investors VII, LP	687,711	0.2%	466,220	221,491
Alpine Investors IV, L.P.	343,855	0.1%	282,346	60,509
Alpine Investors VI, LP	343,855	0.1%	227,409	116,446
	405,487,059	**100%**	**218,802,764**	**181,670,294**

PERFORMANCE ANALYTICS

PE1 is approaching it's three-year anniversary since listing. The Trust has generated strong returns to date with the NAV generating a total cumulative return of 12.5%p.a. from 30 April 2019 to 28 February 2022. The unit price total cumulative return has outperformed the NAV with a return of 16.3%p.a.

Cumulative Total Returns



Source: PE1, Iress, IIR

There is limited performance history for the Trust and therefore not necessarily a meaningful track record yet, however the Trust's portfolio has performed well to date with a NAV return (including distributions) of 40.8% over the 12-months to 28 February 2022 and a unit price return (including distributions) of 46.8%. This compared to the ASX All Ordinaries Accumulation Index and MSCI World Index, which returned 10.0% and 18.2%, respectively.

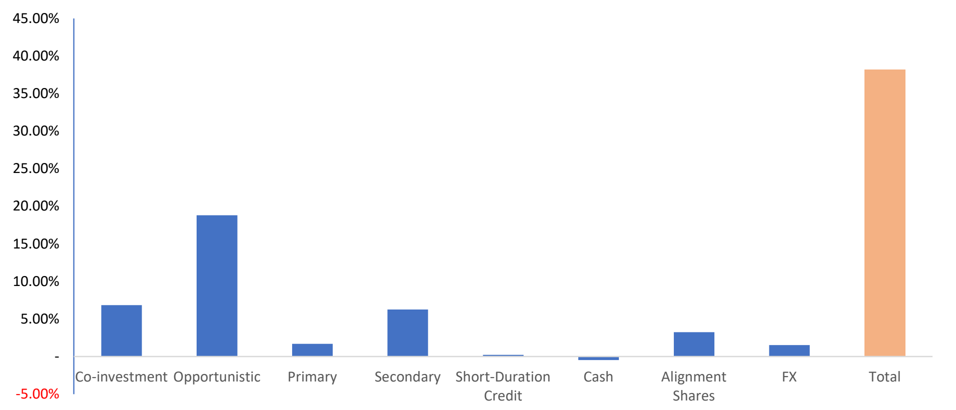
Performance Analytics (30 April 2019 to 28 February 2022)

	NAV	Unit Price	ASX All Ordinaries Accumulation Index	MSCI World Index, Net Return, AUD
Cumulative Total Return:				
1 Year	40.8%	46.8%	10.0%	18.2%
Since Listing (p.a)	12.5%	16.3%	8.6%	12.2%
Standard Deviation:				
1 Year	15.6%	21.8%	9.6%	11.4%
Since Listing (p.a)	13.0%	22.8%	18.1%	12.1%

Source: Iress, IIR

Opportunistic investments generated the greatest net contribution to the NAV of the Trust to 31 December 2021, with a total net contribution of 18.8%. Co-investments and Secondary investments have each contributed 6.85% and 6.27%, respectively, on a net basis. Secondary fund investments have provided a greater net contribution than Primary fund investments. During the early stages of the Trust, Secondary fund investments are expected to generate greater returns than Primary funds given the potential for investments to be acquired at a discount to par value in addition to Secondary funds being in the latter stages of the investments (closer to exit) than the Primary funds. Primary funds may take up to five year to fully deploy capital and a further five years before exit. As such, Primary fund returns are a long-term investment prospect. For details regarding the private market investment types see Appendix A.

Total Net Contribution to NAV Since Listing to 31 December 2021



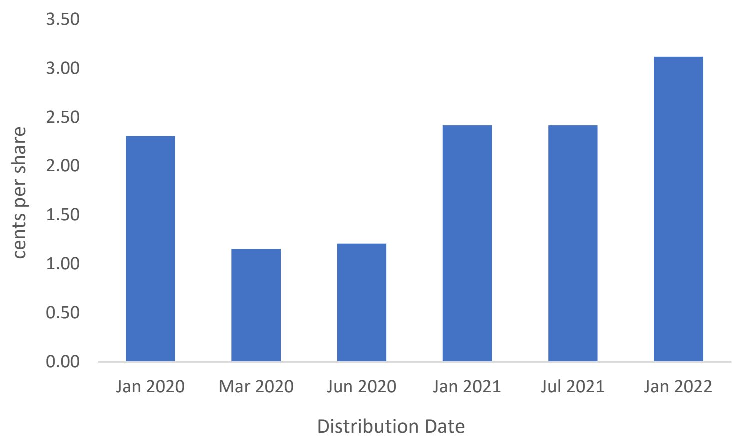
Source: Pengana Investment Management Limited

Distributions

The Trust has a target distribution of 4%p.a., to be paid semi-annually. The Trust paid an inaugural distribution in January 2020 followed by two further distributions in 2H'FY20. The Trust has paid semi-annual distributions post June 2020. As per the PDS issued at IPO, the first four total half year distribution payments were 2.5 cents per share.

The distribution is based on the NAV prior the end of the semi-annual financial period and therefore as the NAV increases or decreases, so does the distribution amount received by unitholders.

Historical Distributions

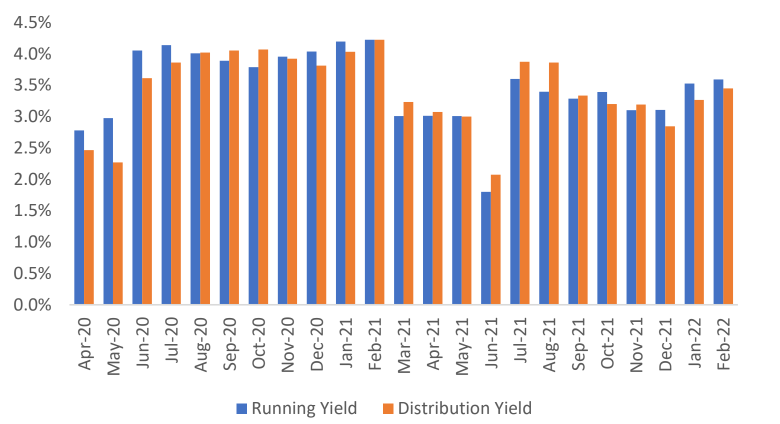


Source: Iress, PE1, IIR

The below chart details the historical running yield and distribution yield for the Trust to 31 December 2021. The running yield represents the yield based on the NAV of the Trust while the distribution yield represents the sum of the distributions over the 12-month periods and the unit price. The running yield and distribution yield will differ during periods when the unit price trades at a premium or discount to NAV.

The target distribution of 4.0%p.a. is based on the NAV prior the end of the semi-annual financial period. Therefore as the NAV and unit price increase/decrease throughout the year this will result in a declining/increasing distribution and running yield.

Rolling 12-month Running & Distribution Yield

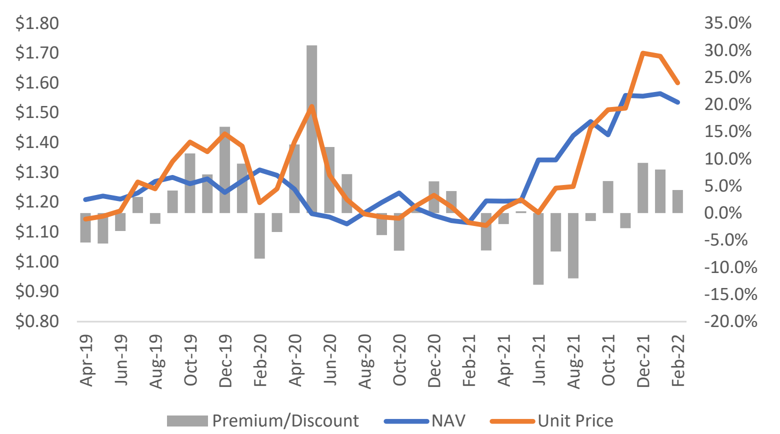


Source: Iress, PE1, IIR

Premium/Discount

During the first 18-months of listing, the Trust traded at a material premium to NAV at times. This was attributed to latent secondary demand from IFAs and brokers. The Trust traded at a month-end premium as high as 31.0% in May 2020. The premium reduced after the Trust completed a secondary market raise at NAV in mid 2020. The Trust was trading at a modest premium of 4.2% at February-end 2022.

Historical Premium/Discount



Source: Iress, PE1, IIR

PEER COMPARISON

There are limited opportunities to invest in listed investments that provide exposure to private equity. The closed-ended structures provide manager's certainty of capital without the need to manage withdrawals to be able to manage the strategy effectively. The first ETF providing exposure to private equity was launched on the ASX in November 2021, the VanEck Global Listed Private Equity ETF (GPEQ). The ETF seeks to track the IPX50 Index which measures the performance of the 50 largest and most liquid global listed private equity managers. GPEQ offers a vastly different offering to the current closed-ended Private Equity investments. Given it's short history, we have not included the ETF in our peer analytics.

There are currently five other closed-ended LMIs on the ASX that provide exposure to private equity, two of which are company structures (BTI and WMA) and three which have a trust structure (CD1, CD2 and CD3). Each of the LMI's provides a unique exposure to private markets. BTI invests directly in private investments whereas the other LMIs invest primarily in funds to gain exposure to the asset class. One of the key differences between these structures relates to the payment of dividends/distributions. The company structure provides the opportunity to reserve capital gains and income and pay out dividends over a period of time. The trust structure is a 'pass through' structure and therefore capital gains and income received during the year are typically required to be distributed, which can result in distribution volatility.

Peer Comparison (as at 28 February 2022)							
LIC Name	**ASX Code**	**Structure**	**Market Cap ($m)**	**Premium/ Discount**	**Management Fee, excl GST. (% p.a)**	**Performance Fee (%)**	**Performance Fee Hurdle**
Bailador Technology Investments Limited	BTI	LIC	167.8	-32.4%	1.75%	20.0%	8%p.a
CD Private Equity Fund I	CD1	LIT	44.7	-15.2%	2.33%	0.0%	na
CD Private Equity Fund II	CD2	LIT	84.4	-20.7%	2.15%	0.0%	na
CD Private Equity Fund III	CD3	LIT	117.4	-22.4%	1.33%	0.0%	na
Pengana Private Equity Trust	**PE1**	**LIT**	**384.8**	**4.2%**	**1.14%**	**20.0%**	**8%p.a.**
WAM Alternative Assets Limited	WMA	LIC	209.7	-13.5%	1.00%	0.0%	na

Source: ASX, Iress, IIR

The below chart shows the dividend/distribution differential between the LMIs and their respective structures. PE1 has a target distribution yield of 4%p.a. of the NAV prior to the end of the semi-annual financial period. The Trust will seek to pay this out of realised capital gains and income, but may pay back capital to achieve the target. Under the AMIT regime, the Trust intends not to payout returns in excess of the target distribution in any given year, however unitholders may still be required to pay tax on the full distributable income earned by the Trust in any given year even though unitholders have not received payment of the full distributable amount. The Trust seeks to provide a regular income through the distribution yet gain the benefit of compounding through the reinvestment of returns in excess of the target distribution.

CD1, CD2 and CD3 have high distribution yields on the back of special distributions as a result of realisations from investments in the portfolio. This highlights the potential volatility in distributions for closed-ended trust structures upon the realisation of investments in the underlying funds. This may have tax consequences for investors. Trust structures are also unlikely to pay franking, particularly if the investments have an international focus. The company structures pay tax and therefore have the potential to frank dividends.

Peer Group Trailing 12-month Dividend/Distribution Yield (as at 28 February 2022)			
LIC Name	**ASX Code**	**Dividend/Distribution Yield**	**Franking**
Bailador Technology Investments Limited	BTI	1.18%	100%
CD Private Equity Fund I	CD1	55.46%	0%
CD Private Equity Fund II	CD2	45.42%	0%
CD Private Equity Fund III	CD3	40.18%	0%
Pengana Private Equity Trust	**PE1**	**3.44%**	**0%**
WAM Alternative Assets Limited	WMA	2.78%	100%

The NTA/NAV of CD1, CD2, CD3 and PE1 all performed strongly over the 12-months to 28 February 2022. We note that PE1 has generated the strong return over the period with lower volatility than CD1, CD2 and CD3.

The peer group has largely outperformed PE1 over the period since listing which is to be expected as the peer group portfolios were much more established, with PE1 deploying capital in the initial period post listing.

Peer Group Returns (to 28 February 2022)						
	BTI	**CD1**	**CD2**	**CD3**	**PE1**	**WMA**
Total NTA/NAV Cumulative Returns:						
12-months	23.4%	49.3%	47.0%	70.9%	**40.8%**	15.8%
Since Listing of PE1 (p.a.)	16.7%	18.4%	12.5%	25.0%	**12.5%**	7.9%
Standard Deviation:						
12-months	14.2%	20.6%	16.0%	26.6%	**15.6%**	2.3%
Since Listing of PE1 (p.a.)	15.6%	31.7%	18.3%	24.3%	**13.0%**	3.4%

APPENDIX A – INVESTMENT CATEGORIES

There are three broad categories that the Trust will exposure to. These categories are detailed below:

1) Private Equity: The portfolio will include three types of private equity investments:

- **Primary Fund Investments:** Investments in newly established private equity funds. Primary investors subscribe for interests in private equity funds during an initial fundraising period and their capital commitments are then used to fund investments in several individual companies during a defined Investment Period. The investments of the fund are usually unknown at the time of commitment and investors typically have little or no ability to influence the investments that are made during the fund's life. The life cycle of Primary Funds is typically 10-12 years.
- **Co-Investments:** Investments in a single private company alongside a private equity fund. Co-investments allow investors to gain direct exposure to a company with the potential to do so with reduced fees. Exposure to Co-investments for the Trust will be provided through an investment in Grosvenor's Co-investment fund series.
- **Secondary Fund Investments:** Investments in a fund that purchases private equity funds with an existing portfolio. The fund is acquired from existing unitholders as opposed to the issuer. Investments can often be acquired at a discount to the NAV of the fund as the unitholder is seeking to exit from the illiquid investment. The benefit of Secondary investments in addition to being able to acquire the units at a discount to NAV is that the portfolio is typically at least partially deployed meaning the time to realise the investment is reduced. The Trust provides exposure to secondary funds through the Grosvenor Secondary fund series.

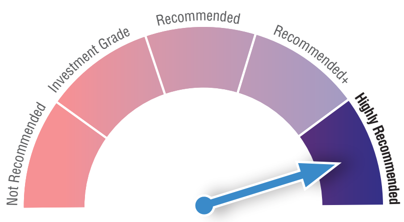
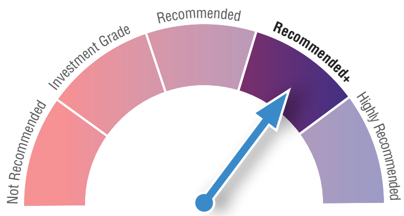
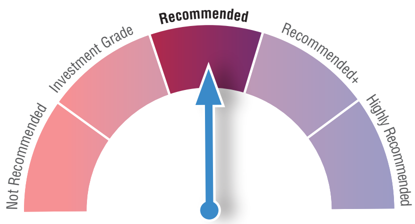
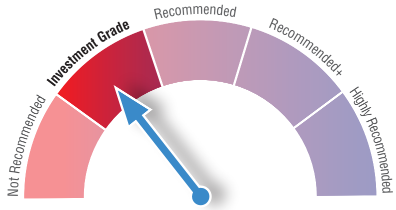
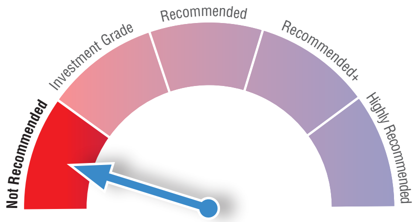
2) Opportunistic Investments: Opportunistic investments represent those investments that the Manager believes are the best relative value investments across the Grosvenor platform. The Trust will gain exposure to opportunistic investments through an investment in the Grosvenor Multi-Asset Class (MAC) funds, which are a series of funds managed by the Strategic Investments Group within Grosvenor. The objective of MAC Funds is to deploy capital tactically, exploiting what the team considers to be the most compelling risk-adjusted return opportunities from across the Grosvenor platform. The mandate is unconstrained yet the portfolio will be managed to avoid reliance on any single risk factor to generate the target return.

3) Private/Alternative Credit: Includes corporate credit, structured credit, distressed credit, mezzanine debt and direct lending to corporates. The Trust will invest in a number of private/alternative credit funds, including both short-and-longer duration credit investments.

APPENDIX B – RATINGS PROCESS

INDEPENDENT INVESTMENT RESEARCH PTY LTD "IIR" RATING SYSTEM.

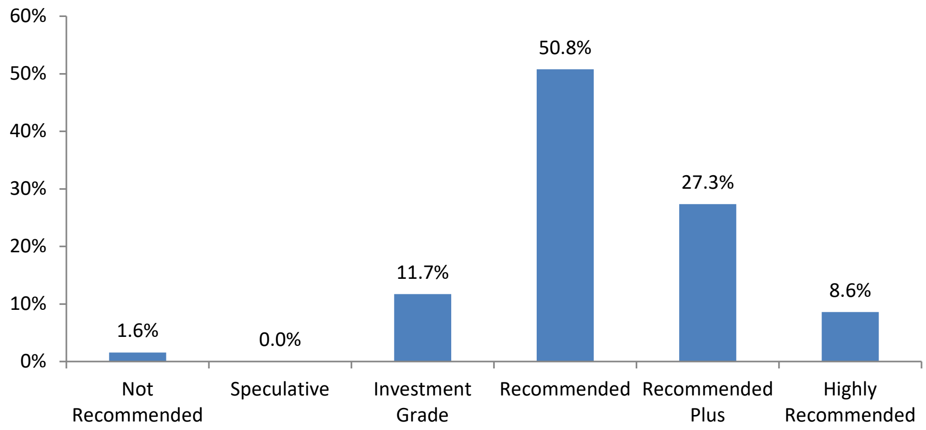
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
Highly Recommended	**83 and above**
	This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.
Recommended +	**79–83**
	This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.
Recommended	**70–79**
	This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.
Investment Grade	**60-70**
	This rating indicates that IIR believes this is an average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an average risk/return trade-off and should be able to consistently generate average risk adjusted returns in line with stated investment objectives.
Not Recommended	**<60**
	This rating indicates that IIR believes that despite the product's merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.

APPENDIX C – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

Spread of Managed Investment Ratings



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