ASX: PE1

PENGANA PRIVATE EQUITY TRUST

A listed portfolio of diversified global private market investments.

January 2020

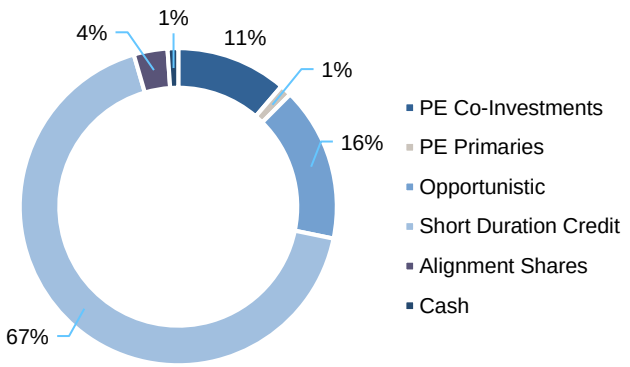
NAV PER UNIT[1]	NET RETURN: 1 MONTH[2]	NET RETURN: SINCE ASX LISTING[2,3]	TARGET DIVIDEND YIELD[4]
$1.3793	**5.2%**	**12.4%**	**4%**

COMMENTARY

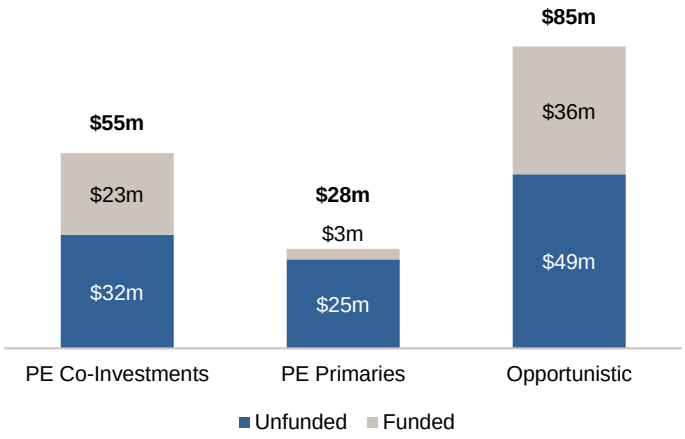
The Trust posted its strongest monthly return of 5.2% since its listing on the ASX. While the depreciation in the AUD generated the bulk of returns, co-investments also contributed positively, and strong returns were posted by the Trust's short duration credit investments.

The Trust is in the process of making a US$5 million commitment to its fifth private equity primary fund, Wynnchurch Capital Partners V, L.P. GCM continues to perform due diligence on a number of investment opportunities for GCM Grosvenor Multi-Asset Class Fund II and GCM Grosvenor Co-Investment Opportunities Fund II. We envisage closing on at least one more co-investment during the current quarter.

PE1 Allocations by Investment Type



Breakdown of PE Commitments (A$)



Values may not sum to 100% due to rounding.

INVESTMENT ACTIVITY – SELECTED HIGHLIGHTS[5]

PRIMARY FUND INVESTMENTS

PE1 is in the process of closing on its fifth private equity primary fund investment, with a US$5 million commitment to **Wynnchurch Capital Partners V, L.P.** ("Wynnchurch V").

Founded in 1999, and headquartered in Rosemont, Illinois (a suburb of Chicago), Wynnchurch is a privately-owned investment management firm with more than US$2 billion in committed capital under management that specialises in management buyouts, recapitalisations, restructurings, acquisitions, and growth capital investments. Wynnchurch V will continue the Wynnchurch's prior strategy of making value investments in complex, overlooked, and underperforming middle-market businesses in the United States and Canada. Wynnchurch V will seek to invest in companies that demonstrate many of the following characteristics:

(i) defensible positions in niche markets with significant barriers to entry;
(ii) scalable business models with potential for organic revenue growth;
(iii) recurring revenue streams;
(iv) meaningful switching costs; and
(v) highly engineered products with long lifecycles.

Wynnchurch V will target approximately six platform investments of US$30 million to US$150 million per year in companies with enterprise values ranging from approximately US$50 million to US$300 million. Wynnchurch's strategy hinges on sourcing attractive opportunities at below-market valuations, developing performance-improvement plans for portfolio companies, and implementing effective management and operational processes.

OPPORTUNISTIC INVESTMENTS

GCM Grosvenor Multi-Asset Class Fund II (MAC II) is currently performing due diligence on a number of potential private equity investment opportunities. One of the investments in the MAC II portfolio, **Lineage**, is detailed below.

Founded in 2008, Lineage is a global warehouse and logistics company specialising in cold storage. As an industry, cold storage provides critical infrastructure in the supply chain between food producers and consumers, and is defensive in nature. Lineage operates temperature-controlled warehouses for both perishable and frozen goods in exchange for ongoing fees from the company's over 2,800 customers. It currently operates 109 locations across 23 U.S. states and 4 countries.

MAC II's private equity investment in Lineage helped facilitate the acquisition of Preferred Freezer, the third largest cold storage company in North America. Following the Preferred Freezer acquisition, Lineage became the largest global cold storage business, creating significant economies of scale, which should allow for continued consolidation of this fragmented sector. MAC II invested in Lineage at a 14.4x entry EBITDA multiple, which compared quite favourably to its closest public comparable, Americold (17.3x EBITDA multiple at the time of MAC II's initial investment in Lineage), given Lineage's superior asset mix, higher growth rate and margins, and younger fleet.

Since MAC II's initial investment in Lineage in February 2019, there have been several major developments. First, the integration of Preferred Freezer is going better than anticipated, leading to meaningful operational improvements and cost synergies which should become a tailwind in 2020. Additionally, Lineage's public comparable, Americold, has traded up 50% and its multiple has re-rated significantly, to 21x 2020E EBITDA, as investors get more comfortable with the asset class. Finally, the company continues to do new builds and is identifying M&A opportunities that are accretive to equity value. MAC II participated in another capital raise in October 2019 at a 25% premium to its initial investment in order to help enable Lineage pursue some larger investments.

CO-INVESTMENTS

GCM Grosvenor Co-Investment Opportunities Fund II (GCF II) is in the late stages of due diligence on a number of potential co-investment opportunities and expects to close at least one more co-investment during Q1 2020. GCF II's co-investment in **Transact**, which closed in April 2019, is detailed below.

TRANSACT

Transact is a payment and campus management software platform in the higher education market, serving ~1,300 unique institutions and over 12 million students globally. The company operates in two segments: Integrated Payment Solutions (IPS), which is associated with the tuition, fees, room and board revenues of an institution, and Campus Commerce & Engagement Solutions (CC&E), which offers closed-loop products like meal plans and facility access. As a market leader in the payments solutions and campus engagement business and first-mover in products such as mobile credentialing, Transact enables institutions to identify and engage students, elevating the student experience through mission-critical transactions. Transact is headquartered in Phoenix, Arizona and has served the education community for over 25 years.

GCM co-invested in Transact alongside Reverence Capital Partners, a middle-market buyout manager with specialised financial services and carve-out expertise. We found this opportunity to be interesting due in part to the fact that:

(i) the higher education end-market is quite stable with an opportunity for growth in student enrolment as well as tuition, fees, and room and board expenses,
(ii) Transact has a recurring revenue model that is supported by a sticky customer base with 95%+ customer retention over the last three years, and
(iii) we believe that significant upsell and cross-sell opportunities exist between the IPS and CC&E business segments.

1. The NAV per unit 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 distributions reinvested in additional Units.

3. The initial Net Asset Value per Unit for the purpose of determining the net return of the Trust is determined with reference to the initial public offering ("IPO") subscription price, which was $1.25.

4. It is Pengana's intention to pay $0.025 per unit for each six month period from listing though to June 2021 with the first distribution payable for the period ending 31 December 2019. Thereafter, Pengana intends to target a cash distribution yield equal to 4% p.a. of the NAV (excluding the total value of the Alignment Shares). 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 PDS.

5. In reviewing the case studies / trade examples ("Examples") provided in this presentation, you should consider the following:

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