AUSTRALIAN RESEARCH
INDEPENDENT INVESTMENT RESEARCH

Pengana Private Equity Trust - Secondary Offer Review (ASX code: PE1)

February 2020

INDEPENDENT INVESTMENT RESEARCH

WHO IS IIR?

Independent Investment Research, "IIR", is an independent investment research house based in Australia and the United States. IIR specialises in the analysis of high quality commissioned research for Brokers, Family Offices and Fund Managers. IIR distributes its research in Asia, United States and the Americas. IIR does not participate in any corporate or capital raising activity and therefore it does not have any inherent bias that may result from research that is linked to any corporate/ capital raising activity.

IIR was established in 2004 under Aegis Equities Research Group of companies to provide investment research to a select group of retail and wholesale clients. Since March 2010, IIR (the Aegis Equities business was sold to Morningstar) has operated independently from Aegis by former Aegis senior executives/shareholders to provide clients with unparalleled research that covers listed and unlisted managed investments, listed companies, structured products, and IPOs.

IIR takes great pride in the quality and independence of our analysis, underpinned by high caliber staff and a transparent, proven and rigorous research methodology.

INDEPENDENCE OF RESEARCH ANALYSTS

Research analysts are not directly supervised by personnel from other areas of the Firm whose interests or functions may conflict with those of the research analysts. The evaluation and appraisal of research analysts for purposes of career advancement, remuneration and promotion is structured so that non-research personnel do not exert inappropriate influence over analysts.

Supervision and reporting lines: Analysts who publish research reports are supervised by, and report to, Research Management. Research analysts do not report to, and are not supervised by, any sales personnel nor do they have dealings with Sales personnel

Evaluation and remuneration: The remuneration of research analysts is determined on the basis of a number of factors, including quality, accuracy and value of research, productivity, experience, individual reputation, and evaluations by investor clients.

INDEPENDENCE – ACTIVITIES OF ANALYSTS

IIR restricts research analysts from performing roles that could prejudice, or appear to prejudice, the independence of their research.

Pitches: Research analysts are not permitted to participate in sales pitches for corporate mandates on behalf of a Broker and are not permitted to prepare or review materials for those pitches. Pitch materials by investor clients may not contain the promise of research coverage by IIR.

No promotion of issuers' transactions: Research analysts may not be involved in promotional or marketing activities of an issuer of a relevant investment that would reasonably be construed as representing the issuer. For this reason, analysts are not permitted to attend "road show" presentations by issuers that are corporate clients of the Firm relating to offerings of securities or any other investment banking transaction from that our clients may undertake from time to time. Analysts may, however, observe road shows remotely, without asking questions, by video link or telephone in order to help ensure that they have access to the same information as their investor clients.

Widely-attended conferences: Analysts are permitted to attend and speak at widely-attended conferences at which our firm has been invited to present our views. These widely-attended conferences may include investor presentations by corporate clients of the Firm.

Other permitted activities: Analysts may be consulted by Firm sales personnel on matters such as market and industry trends, conditions and developments and the structuring, pricing and expected market reception of securities offerings or other market operations. Analysts may also carry out preliminary due diligence and vetting of issuers that may be prospective research clients of ours.

INDUCEMENTS AND INAPPROPRIATE INFLUENCES

IIR prohibits research analysts from soliciting or receiving any inducement in respect of their publication of research and restricts certain communications between research analysts and personnel from other business areas within the Firm including management, which might be perceived to result in inappropriate influence on analysts' views.

Remuneration and other benefits: IIR procedures prohibit analysts from accepting any remuneration or other benefit from an issuer or any other party in respect of the publication of research and from offering or accepting any inducement (including the selective disclosure by an issuer of material information not generally available) for the publication of favourable research. These restrictions do not preclude the acceptance of reasonable hospitality in accordance with the Firm's general policies on entertainment, gifts and corporate hospitality.

DISCLAIMER

This publication has been prepared by Independent Investment Research (Aust) Pty Limited trading as Independent Investment Research ("IIR") (ABN 11 152 172 079), an corporate authorised representative of Australian Financial Services Licensee (AFSL no. 410381. IIR has been commissioned to prepare this independent research report (the "Report") and will receive fees for its preparation. Each company specified in the Report (the "Participants") has provided IIR with information about its current activities. While the information contained in this publication has been prepared with all reasonable care from sources that IIR believes are reliable, no responsibility or liability is accepted by IIR for any errors, omissions or misstatements however caused. In the event that updated or additional information is issued by the "Participants", subsequent to this publication, IIR is under no obligation to provide further research unless commissioned to do so. Any opinions, forecasts or recommendations reflects the judgment and assumptions of IIR as at the date of publication and may change without notice. IIR and each Participant in the Report, their officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law. This publication is not and should not be construed as, an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Any opinion contained in the Report is unsolicited general information only. Neither IIR nor the Participants are aware that any recipient intends to rely on this Report or of the manner in which a recipient intends to use it. In preparing our information, it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual recipient. Investors should obtain individual financial advice from their investment advisor to determine whether opinions or recommendations (if any) contained in this publication are appropriate to their investment objectives, financial situation or particular needs before acting on such opinions or recommendations. This report is intended for the residents of Australia. It is not intended for any person(s) who is resident of any other country. This document does not constitute an offer of services in jurisdictions where IIR or its affiliates do not have the necessary licenses. IIR and/or the Participant, their officers, employees or its related bodies corporate may, from time to time hold positions in any securities included in this Report and may buy or sell such securities or engage in other transactions involving such securities. IIR and the Participant, their directors and associates declare that from time to time they may hold interests in and/or earn brokerage, fees or other benefits from the securities mentioned in this publication.

IIR, its officers, employees and its related bodies corporate have not and will not receive, whether directly or indirectly, any commission, fee, benefit or advantage, whether pecuniary or otherwise in connection with making any statements and/or recommendation (if any), contained in this Report. IIR discloses that from time to time it or its officers, employees and related bodies corporate may have an interest in the securities, directly or indirectly, which are the subject of these statements and/or recommendations (if any) and may buy or sell securities in the companies mentioned in this publication; may affect transactions which may not be consistent with the statements and/or recommendations (if any) in this publication; may have directorships in the companies mentioned in this publication; and/or may perform paid services for the companies that are the subject of such statements and/or recommendations (if any).

However, under no circumstances has IIR been influenced, either directly or indirectly, in making any statements and/or recommendations (if any) contained in this Report. The information contained in this publication must be read in conjunction with the Legal Notice that can be located at http://www.independentresearch.com.au/Public/Disclaimer.aspx.

THIS IS A COMMISSIONED RESEARCH REPORT.

The research process includes the following protocols to ensure independence is maintained at all times:

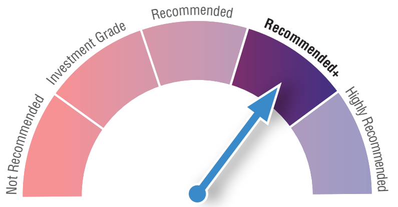
1) The research process has complete editorial independence from the company and this is included in the contract with the company;
2) Our analyst has independence from the firm's management, as in, management/ sales team cannot influence the research in any way;
3) Our research does not provide a recommendation, in that, we do not provide a "Buy, Sell or Hold" on any stocks. This is left to the Adviser who knows their client and the individual portfolio of the client.
4) Our research process for valuation is usually more conservative than what is adopted in Broking firms in general sense. Our firm has a conservative bias on assumptions provided by management as compared to Broking firms.
5) All research mandates are settled upfront so as to remove any influence on ultimate report conclusion;
6) All staff are not allowed to trade in any stock or accept stock options before, during and after (for a period of 6 weeks) the research process.

For more information regarding our services please refer to our website www.independentresearch.com.au.

Pengana Private Equity Trust - Secondary Offer Review (ASX code: PE1)

Note: This report is based on information provided by Pengana Investment Management Limited and is based on information provided by the Responsible Entity as at February 2020

Rating



Key Investment Information	
RE and Issuer	Pengana Investment Management Limited
Investment Manager	Grosvenor Capital Management, L.P.
ASX Code	PE1
Listing Date	30 April 2019
Price per Unit (14 Feb 2020)	$1.43
NAV per Unit (31 Jan 2020)	$1.38
Units on Issue	164m
Market Value	$234.5m
Net Asset Value	$226.3m
Unit Pricing Frequency	Monthly
Target Distribution	4% p.a.
Distribution Frequency	Semi-Annual
Investment Horizon	At least 10 years
Fees:	
MER & RE Fee (p.a),	1.25%
Performance Fee	20.0%
Performance Hurdle	8.0%p.a

Target Long-term Portfolio Allocation	
PE Co-Investments	15-30%
PE Primaries	15-30%
PE Secondaries	15-30%
Opportunistic	10-25%
Private Credit	5-15%
Cash	2-10%
Total	100%

This report is not for distribution to the retail market as the Trust is yet to issue a final prospectus. The investment opinion in this report is based on the PDS lodged with ASIC and the ASX on 11 February 2020. Should circumstances of the issuer and/or product change, this may affect our investment opinion.

SECONDARY OFFER OVERVIEW

On 23 October 2019, Pengana Capital Group Limited (ASX: PCG) announced its intention to offer additional units in the Pengana Private Equity Trust (ASX: PE1) in the first quarter 2020 period ('Secondary Offer'). The rationale of the Secondary Offer was to satisfy strong latent and realised secondary demand as well as improve the degree of secondary market liquidity in the Trust. The Secondary Offer comprises an offer of up to 345.4m units at a subscription price equal to $1.37 (representing the NAV per unit of the Trust as at 31 January 2020 less a special distribution of $0.0125 per unit). The Secondary Offer comprises three components based on a waterfall structure: 1) the 2:1 entitlement offer; 2) the shortfall offer; and, 3) the discretionary offer. Under the entitlement offer, each existing investor as at the entitlement record date of 20 February 2020 ("existing unitholders") can subscribe for up to 2 new units for every 1 unit held. The shortfall offer will include any new units not applied for under the entitlement offer and is open to existing unitholders who have subscribed for their full 2:1 entitlement. The discretionary offer is open to existing unitholders and new investors, the latter at the discretion of the Responsible Entity. Any new units that are not applied for under the shortfall offer, plus 16.8m units under the Trust's 15% placement capacity (of which ~10% is being used for the discretionary offer with the remaining ~5% reserved for the future issue of the loyalty units) will form part of the discretionary offer. All existing unitholders, irrespective of whether participate in the 2:1 offer or not, will also receive loyalty units in PE1 issued at the subscription price and which will be fully paid for by PCG. The amount issued to each existing unitholder will be based on 1) the units held and retained for four months (expected to be 23 July 2020 and 2) a "loyalty percentage", which will be equal to 1% per $100 million raised under the offer. For example, if $100 million is raised under the offer, then the loyalty percentage will be 1%. If $250 million is raised under the offer, then the loyalty percentage will be 2.5%, etc. The variable percentage does not necessarily mean existing unitholders are better off the higher the raise amount, all things being equal. Rather it is designed to at least partly offset the increasing cash dilution impact the higher the secondary offer raise amount.

SECONDARY OFFER CONCLUSION

The issue with any follow on capital raises in private investment markets is the risk of cash dilution for existing unitholders. That is, it takes time to fully invest the new capital raised, with the prolongation of this deployment timeline diluting the prior expected returns profile. PCG have been steadfast in saying that it would only consider a secondary raise if it was not detrimental to existing unitholders in addition to not providing a substandard returns outcome to new investors (i.e. both should be on roughly the same footing in terms of longer term expected returns). PCG have achieved this outcome for existing unitholders through a unique structuring innovation in the Australian listed managed investments sector. Namely, loyalty units are issued to all existing unitholders irrespective of whether they participate in the 2:1 offer or not. This is in contrast to the recent Magellan and VGI Partners loyalty unit offers, which required existing investors to participate in the respective offers. IIR has in the past expressed reservations about this latter structure, with the risk that it creates an incentive to participate in a raise based on considerations that are not entirely directly related to the relevant investment vehicle. Hypothetically, if this sort of structure is determined to partly create an incentive exogenous to the investment merits of the vehicle in question, IIR suspects ASIC would ultimately review the appropriateness of the structure. Reassuringly, the Responsible Entity and Investment Investment Manager has undertaken extensive modelling on the basis of a maximum 2:1 raise to determine over a nine year forecast period whether the additional capital raising will prejudice existing and new investors via its impact on both the deployment of capital and investment returns when compared to the Investment Investment Manager's initial IPO expectations. This analysis reveals that both existing and new investors are better offer under the 2:1. Existing investors, irrespective of whether they participate in the 2:1 or not, are better off on account of the faster than initially expected deployment of capital, the additional value of the loyalty units as well as the better than modelled short duration credit returns. Expected annualised returns for new investors are effectively comparable to existing IPO investors, as new investors are benefitting from a Day

1 portfolio that is already partially deployed into private equity. In our view, the structuring of the loyalty units tied with the modelling initiative and output lead us to believe that the secondary raise could not be better structured.

RECOMMENDATION

There has been no change to IIR's **Recommended Plus** rating. The Investment Manager, Grosvenor Capital Management, L.P., has to date deployed capital into private equity investments faster than initially expected (without comprising investment rigour). Returns over year one highlight the effectiveness in which the Investment Manager is mitigating the J-curve risk in private equity, notwithstanding the abnormal positive impact of currency gains. Over the course of year one to date, IIR has had a number of follow-up discussions with both the Investment Manager and PCG. These, tied with performance and strategy execution to date, have only added to our conviction of the Investment Manager's ability to at least meet the stated investment objectives of the Trust and in a manner true to the often stated portfolio benefits of the private equity asset class.

SECONDARY OFFER DETAILS

Rationale for the Secondary Offer

The IPO, completed in April 2019, raised $205m by the issue of 164m units at the issue price of $1.25 per unit. This came at the lower end of the raise range of $100m to $650m. Many broker groups and IFAs took a wait and see approach, possibly partly due to concerns of the J-curve effect in private equity in general (an issue that has been very well managed by Grosvenor).

Over time it became very clear to the Investment Manager that actual and latent secondary demand was strong to very strong, and particularly in the context of its existing relatively low FUM and a largely buy-and-hold unitholder base that had participated in the IPO. This demand-supply imbalance was evident in the premium to NAV PE1 was trading at, reaching what is probably an unprecedented level in the Australian market place of approximately 22% in December 2019, and notwithstanding the then proposed Secondary Offer raise had already been announced back in October 2019. This precluded price efficient secondary market transactions, neither a positive situation for existing investors seeking to top up their investment or those wanting to be new investors in PE1.

The decision to undertake the secondary raise was therefore based on two motivations. Firstly, to satisfy both existing unitholder and new investor market demand by enabling both to either efficiently increase their investment in PE1 or efficiently become a new investor. Secondly, through the increased breadth of the investor base to facilitate secondary market liquidity. IIR concurs with the Responsible Entity that a secondary raise is in the best interest of all investors (new and existing, given many existing have been topping up).

Structure

As noted, the Secondary Offer is effective based on a three component waterfall structure, as summarised in the table below.

Proposed Offer Structure

Entitlement Offer	Shortfall Offer	Discretionary Offer
Open to investors who hold units as at the Entitlement Record Date ("Existing Unitholder")	Open to Existing Unitholders who have subscribed for their full entitlement under the Entitlement Offer	Open to Existing Unitholders plus other select investors
Each Existing Unitholder can subscribe for up to 2 new Units for every 1 Unit held as at the Entitlement Record Date	Any new units not applied for under the Entitlement Offer will form part of the Shortfall Offer	All new units not applied for under the Shortfall Offer plus a placement capacity (~10%) will form part of the Discretionary Offer

The Secondary Offer comprises a maximum offer of up to 345.4m units at a subscription price equal to $1.37 (being the NAV per Unit of the Trust as at 31 January 2020 less the Special Distribution of $0.0125 per Unit). This equates to a maximum subscription amount of $473.2m. Pengana considers this appropriate having regard to factors including, but not limited to, the investment objective, achieving portfolio diversification across and within asset classes, the proposed deployment of capital in an efficient manner, and the demand and liquidity of units on the ASX. There is no minimum amount under the Secondary Offer.

Loyalty Benefit Program

The loyalty units are available to investors who hold existing units as at the Discretionary Offer Closing Date of 23 March 2020 ('Loyalty Unitholder') regardless of whether they participate in the Secondary Offer.

Each Loyalty Unitholder will receive additional PE1 units ("Loyalty Units") based on the number of units they hold at the Discretionary Offer closing date and continue to hold for the following 4 months (expected to be 23 July 2020).

Loyalty Units to be issued will be 1% of Units Held and Retained per $100m raised under the Secondary Offer. The loyalty units will be issued at the subscription price ($1.37), and the subscription price will be paid for in full by PCG.

For example, if $350 million is raised under the Secondary Offer, the number of Loyalty Units paid for by PCG and issued to Loyalty Unitholders will equal 3.5% of units held and retained.

Key Tertiary Offer Details	
Units held on the Discretionary Offer Closing Date and retained for 4 months	15,000
Amount raised under the Secondary Offer	$350,000,000
Loyalty Percentage (equals amount raised x 1% / $100m)	3.5%
Loyalty Units issued (equals Loyalty Percentage x Units Held and Retained)	525

Offer Timetable

Key Secondary Offer timetable dates are presented below.

Secondary Offer Timetable (subject to ASX confirmation)	
Announcement of Offer and lodgement of PDS with ASIC	11 February 2020
Units trade on an Ex-entitlement basis	19 February 2020
Record Date for Entitlement Offer	20 February 2020
Offer opens	24 February 2020
Entitlement Offer & Shortfall Offer closes	19 March 2020
New Units under Entitlement Offer quoted on a deferred settlement basis	20 March 2020
Discretionary Offer Closing Date	23 March 2020
Final date for an investor to potentially be a Loyalty Unitholder	23 March 2020 1)
New Units under Shortfall Offer quoted on a deferred settlement basis	24 March 2020
Results of Offer announced	25 March 2020
Issue of New Units under Offer	31 March 2020
Normal trading of New Units and Additional New Units issued under Entitlement Offer expected to commence trading on ASX	31 March 2020
Expected date for dispatch of holding statements	1 April 2020
Expected Loyalty Unit Determination Date	23 July 2020

1) The record date for the initial determination is 25 March 2020.

SECONDARY OFFER INVESTOR CONSIDERATIONS

There are two key issues to consider with the secondary raise, and particularly because it involves a tripling of FUM if fully subscribed: 1) will it adversely impact latent secondary demand to the extent that the demand-supply imbalance is reversed, with the risk of PE1 trading at a discount to NAV; and, 2) will there be a material cash dilution risk to future total returns as a consequence of a lengthy private equity deployment time line in relation to the funds raised. That is, will the deployment profile be materially different from that indicated at the IPO, which was part of investors' consideration in deciding to invest.

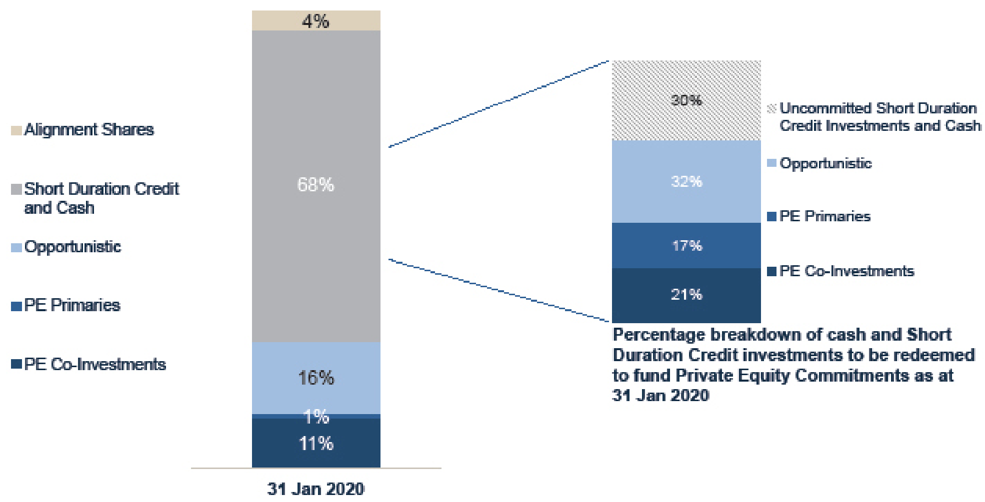
On the first point, the IPO was largely distributed through Pengana's network of IFAs, with limited distribution through broking channels. The Responsible Entity describes the unitholder base as diverse and loyal, i.e. generally buy-and-hold investors. Given the secondary market demand and the nature of the offer (largely to existing unitholders), we would expect this 'loyal' characteristic to remain largely unchanged, thereby at least mitigating the degree of the first identified risk. Furthermore, the Responsible Entity has stated that if there is not sufficient demand from the type of investors that it wants on the register (advisors, family offices and direct high net worth) it simply will not pursue the maximum raise amount.

The second consideration needs to be addressed in the more complex consideration of the current portfolio, and the Investment Manager's execution in establishing it, and target model portfolio expectations moving forward. These are addressed below.

Current Model Progression

The portfolio composition as at 31 January 2020 is diagrammatically presented and tabled below. Of the total, 28% has been fully funded into private equity investments. The bulk of the residual, specifically of the 68% of the portfolio invested in short duration credit, 70% has been committed to private equity primaries, opportunistic investments, and co-investments. As previously noted by the Investment Manager and IIR, the purpose of the short duration credit strategy is essentially twofold: to provide an at call investment and, secondly and importantly, to generate a return that mitigates the J-curve impact.

Portfolio by Investment Category as at 31 January 2020



Source: Pengana Investment Management Limited

Portfolio Allocation as at 31 January 2020

Investment Name	Vintage Year	Earliest Commitment Date	Committed Amount	Funded Amount	Portfolio Value
PRIVATE EQUITY					
Private Equity Primary Funds					
Vista Equity Endeavor Fund II	2019	June 2019	6	0.5	0.5
Carlyle Credit Opportunities Fund	2017	June 2019	7.5	2	2.2
H.I.G. Middle Market LBO Fund III	2019	July 2019	4.3	-	-
The Veritas Capital Fund VII	2019	Aug 2019	10.5	-	-
Private Equity Co-Investments					
GCM Grosvenor Co-Investment Opportunities Fund II	2018	May 2019	55.3	22.5	25.7
Opportunistic Investments					
GCM Grosvenor Multi-Asset Class Fund II	2018	June 2019	85.2	36	35.9
TOTAL FUND INVESTMENTS			**168.7**	**61.1**	**64.3**
SHORT DURATION CREDIT					
PIMCO GIS Global Investment Grade Credit Fund		n/a	n/a	n/a	63.2
TCW's MetWest Unconstrained Bond Fund		n/a	n/a	n/a	90
TOTAL SHORT DURATION CREDIT			**n/a**	**n/a**	**153.2**

Source: Pengana Investment Management Limited

Target Portfolio Model Progression

In relation to second issue raised above, what existing investors should be asking themselves is what is the effect of raising potentially a considerably enlarged amount of capital on the expected drawdown profile (into private equity) over time, and specifically what is the cash dilution risk.

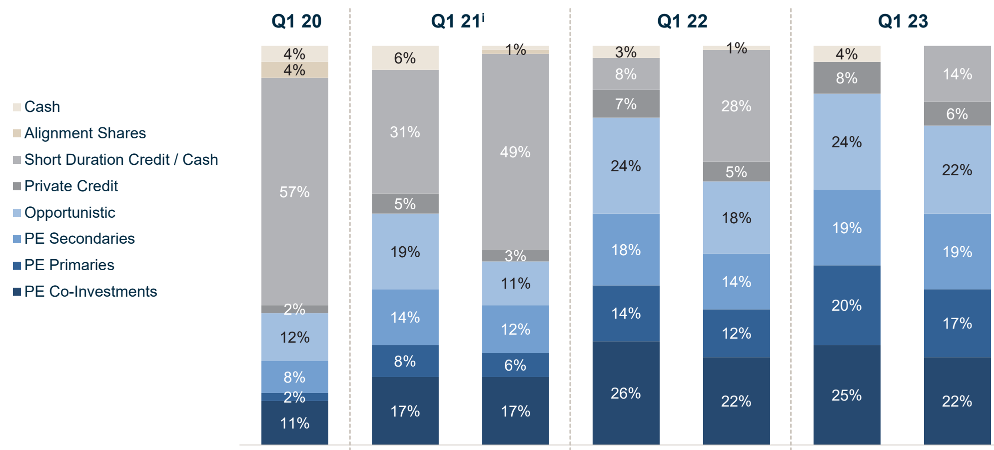
In this regard, the Investment Manager has undertaken extensive modelling on projected returns to compare how existing investors are expected to fare under a maximum 2:1 raise versus its expectations at the period of the IPO.

The chart below is the Investment Manager's updated modelling with regards to portfolio deployment progression. Investors need to bear in mind these are forecasts based on the Investment Manager's expectations as at January 2020, and as with all forecasts there is inherent risk. It illustrates three things. Firstly, in the row below the chart, the expectations of PE exposure as at the date of the IPO ('data point 1'). Secondly, in the chart, the updated expectation of the deployment of existing capital base, assuming no 2:1 capital raise ('data point 2'). Finally, the modelled deployment time line assuming the maximum raise under the 2:1 offer ('data point 3').

Comparing data point 1 with data point 3 shows, as expected, there is an altered deployment path, with the total private equity deployment rate being pushed back. The issue is whether this prejudices existing investors in terms of the expected returns profile.

The modelling shows that initially there is predictably an increased holding in short duration credit. However, by Q1 2023, the model portfolio is expected to be deployed in a manner not materially different from that indicated at the time of the IPO by inspection of data point 1 which shows a look-through allocation to private equity of over 70% in line with the long-term target portfolio's investment guidelines.

Target Model Portfolio Progression Forecasts - Pre and Post 2:1 (assuming maximum offer raise)



Model:	IPO	IPO	2:1	IPO	2:1	IPO	2:1
PE Exposure:	28%	57%	43%	73%	60%	75%	72%

Source: Pengana Investment Management Limited

The key conclusions for existing and new investors are:

- Existing investors are slightly better off at the end of the now 9-year forecast period (vs the prior 10-year forecast period one year ago at the IPO date). This may appear counter-intuitive but it has been driven by three factors: 1) year one returns being higher than initially expected, primarily due to solid returns from short dated fixed income and a favourable currency impact; 2) the quicker than expected deployment of IPO capital into private equity investments during the course of year one to date (and subsequent impact on all forecast deployment rates in following years); and, 3) the value uplift that comes from the issue of loyalty units. That said, investors should recognise that the path of the expected returns profile has been altered, being comparatively lower in years three to five (year one is offset by the vesting of the loyalty units) and then being comparatively higher from year six and thereafter. The net conclusion was annualised returns to existing unitholders under the maximum 2:1 offer over a nine year period has increased some 80 basis points p.a. On this basis, the conclusion is existing unitholders are not being prejudiced by the 2:1 versus the initial return expectations of the Investment Manager at the date of the IPO.

- In relation to new investors coming in under the capital raise, the Investment Manager's concern was not to do so if it was going to provide a substandard returns outcome relative to coming in under the IPO. New investors do not receive the benefit of the loyalty units, but what they do benefit from is coming in from Day 1 with a partially deployed private equity portfolio. The Investment Manager's analysis reveals that over a nine year period expected returns are effectively the same as projected returns for existing IPO unitholders (specifically 10 basis points p.a. lower). So basically the benefit of investing in a more established portfolio versus the situation of investing in the IPO and receiving the alignment shares and the loyalty units, are virtually the same. On this basis, the Responsible Entity is comfortable that it is treating all unitholders equally. New investors also need to bear in mind that the Trust had been trading at a very substantial premium to NAV up until mid January. That is, purchasing on market was price inefficient and disadvantageous.

The analysis also shows that an investor subscribing under the secondary offer will achieve a slightly increased annualised return overall when compared to the initially modelled returns of an investor who acquires units on the ASX immediately following the IPO. Herein, the expected annualised returns become materially better under the secondary offer by year six.

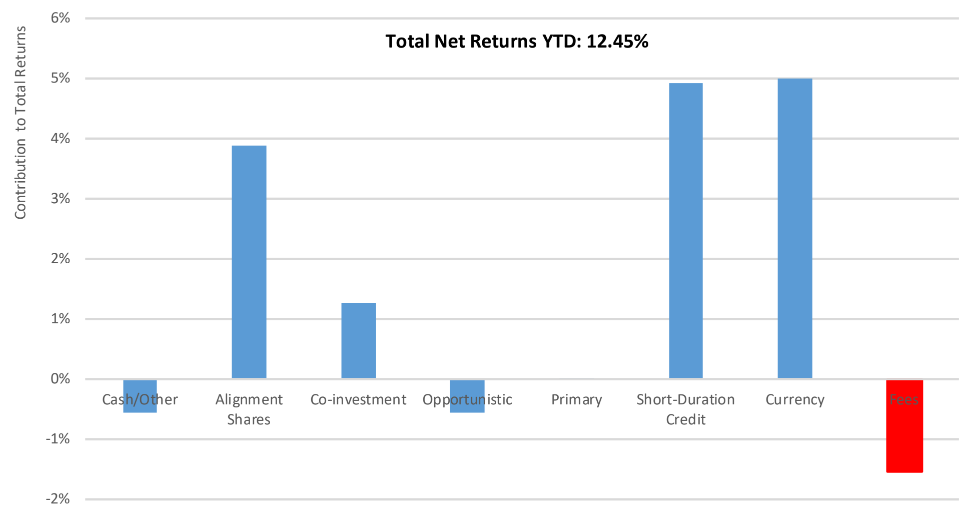
Reassuringly, the detailed modelling that has been undertaken validates PCG's prior statements that it would only undertake a secondary raise if it was not detrimental to existing unitholders.

PERFORMANCE ANALYTICS

Since the Trust's listing on the ASX on 30 April 2019 to 31 January 2020, the Trust has recorded net total returns 12.4%. As a total return measure, performance has been determined with reference to the increase in the NAV per unit since listing and assuming of the reinvestment of the one distribution to date, as per the standard total returns calculation methodology.

In line with the Trust's early stage yield generation and J-curve mitigation focus, the majority of the Trust's performance has been derived from the Trust's short duration credit investments and the initial issuance of alignment shares. In addition, the accelerated deployment of capital into private equity Co-investments has also contributed to the Trust's return. There was also a sizeable positive contribution from favourable currency movements over this period. The composition of net returns to date is presented below.

Composition of Total Returns since Listing to Jan 31, 2020



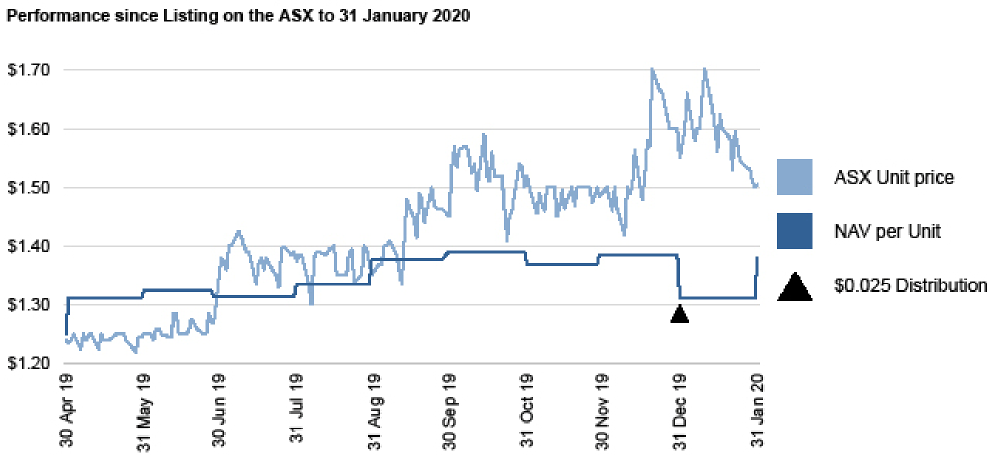
Source: Pengana Investment Management Limited

The 12.4% performance since listing to 31 January 2020 is a very strong result, but not a degree of returns investors should necessarily be expecting over the next few years. Firstly, 2019 was a strong year in credit. FX movements are by definition uncertain. Further, the uplift from alignment shares is a one-off, albeit one existing unitholders will again benefit from in terms of realised returns in the 2021 period.

The chart below illustrates the performance of PE1 since listing on the ASX to 31 January 2020. For much of this period the Trust has traded at a material premium to NAV, possibly hitting unprecedented levels in the Australian Listed Managed Investments context over the December and January period, notwithstanding the Secondary Offer was announced in October 2019. As noted, this was not a positive situation for either new investors or existing investors seeking to top up.

The indications PCG gained from talking to IFAs and broker groups post the IPO was that latent secondary demand was strong, as many had initially adopted a 'wait and see' approach to the IPO, possibly out of concerns about J-curve risk. The latter concerns, where present, have no doubt be allayed based on year one performance to date, testifying to solid J-curve risk mitigation management processes by the Investment Manager.

Share Price & NAV Performance to Date

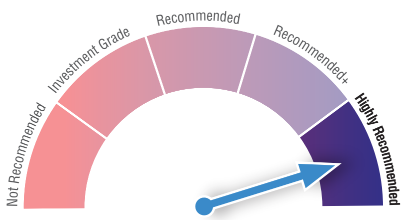
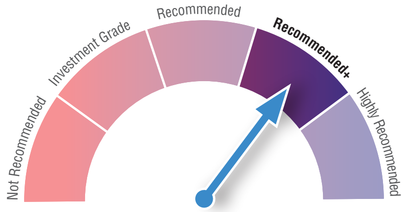
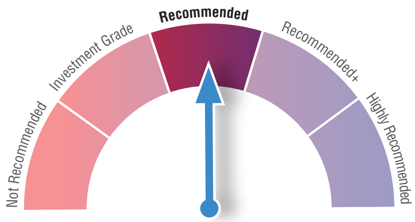
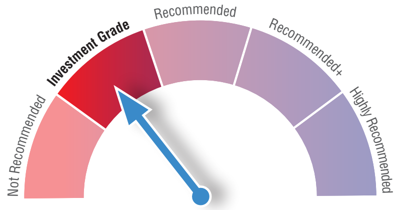
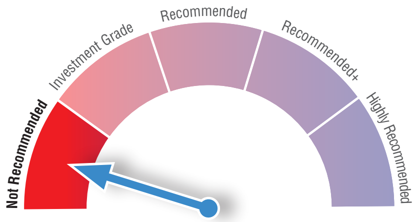


Source: Pengana Investment Management Limited

APPENDIX A – RATINGS PROCESS

INDEPENDENT INVESTMENT RESEARCH PTY LTD "IIR" RATING SYSTEM.

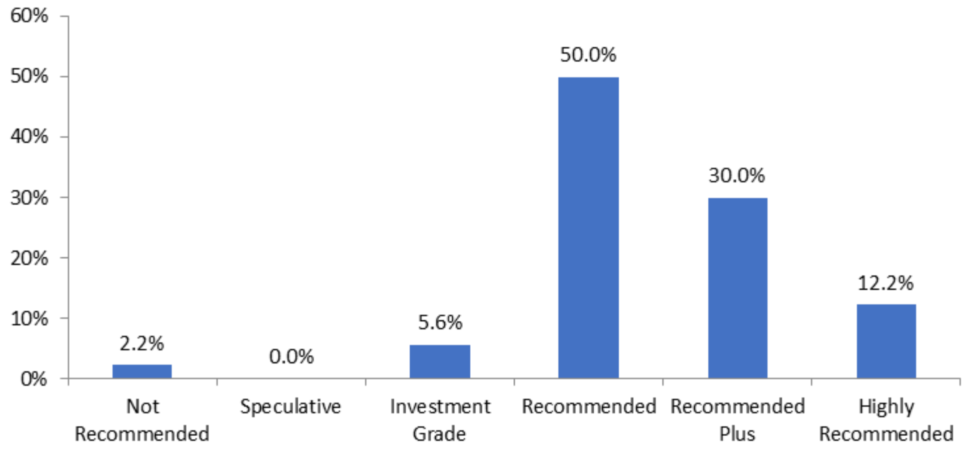
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product management and underlying portfolio construction; 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 B – 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



DISCLAIMER

(a) Disclaimer

The information, reports, financial models, forecasts, strategies, audio broadcasts and other media (referred to as "Content" throughout this Legal Notice), provided on this web site has been prepared and issued by Altavista Research Pty Ltd trading as Independent Investment Research "IIR", Independent Investment Research Holdings Pty Ltd (ACN 155 226 074), as authorised to publish research under an Australian Financial Securities Licence (AFSL No 420170) which allows Independent Investment Research to offer financial service advice to retail and wholesale clients. Users of this web site should not act on any Content without first seeking professional advice. Whilst the Content contained on this web site has been prepared with all reasonable care from sources which we believe are reliable, no responsibility or liability is accepted by Independent Investment Research, for any errors or omissions or misstatements however caused. Any opinions, forecasts or recommendations reflect our judgement and assumptions at the date of publication or broadcast and may change without notice. Content on this web site is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. We are not aware that any user intends to rely on the Content provided or of the manner in which a user intends to use it. In preparing our Content it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual user.

Access by any user to this website does not create a client relationship between Independent Investment Research and the user. Users seeking to invest must obtain individual financial advice to determine whether recommendations are appropriate to their investment objectives, personal financial situation or particular needs, before acting on any recommendations. Any Content is not for public circulation or reproduction, whether in whole or in part and is not to be disclosed to any person other than the intended user, without the prior written consent of Independent Investment Research.

(b) Disclosure of Interest

General

Independent Investment Research, its officers, employees, consultants and its related bodies corporate have not and will not receive, whether directly or indirectly: any commission; fee; benefit; or advantage, whether pecuniary or otherwise, in connection with making any recommendation contained on this web site. Independent Investment Research, discloses that from time to time, it or its officers, employees and its related bodies corporate: may have an interest in the securities, directly or indirectly, which are the subject of these recommendations; may buy or sell securities in the companies mentioned in the Content; may effect transactions which may not be consistent with the recommendations in the Content; may have directorships in the companies mentioned in the Content; and/or perform paid services for the companies that are the subject of such recommendations.

However, under no circumstances, has Independent Investment Research been influenced, either directly or indirectly, in making any recommendations contained on this web site.

Corporate Research

Independent Investment Research has or may have, received a fee either directly by a company itself or by a third party, to provide coverage and/or corporate research (the "Fee"). Where a Fee has been received, Independent Investment Research does not publish:

Buy / Hold / Sell recommendations for the security or managed investment schemes.

(c) Copyright Protection

All Content at this web site is protected by copyright. Apart from any use permitted under the Copyright Act (Cth) 1968, you must not copy, frame, modify, transmit or distribute the material at this web site, without seeking the prior written consent of the copyright owner. Content on this web site is owned by the business Independent Investment Research. Users are prohibited from copying, distributing, transmitting, displaying, publishing, selling, licensing, creating derivative works or using any content on the web site for commercial or public purposes

(d) Trade Marks

The trade marks and logos displayed on this web site belong to Independent Investment Research or other parties. Such trade marks include registered trade marks and trade marks pending registration. Users are prohibited from using any of these trade marks, without seeking the prior written consent of IIR or such third party, which may own the trade mark content on this web site.

(e) Limitation of Liability

To the fullest extent permitted by the law, Independent Investment Research and any of its officers, employees, agents, consultants or related bodies corporate disclaim any liability, whether based in contract, tort, strict liability or otherwise, for any direct, indirect, incidental, consequential or special damages arising out of or in any way connected with the use of any Content made available on this web site by any person or entity.

(f) No Warranties

Independent Investment Research does not make any claims, promises, guarantees, representations or warranties regarding the accuracy, completeness or fitness for purpose of the Content made available on this web site. All information on this web site is provided to you on an as is basis, without warranty of any kind either express or implied. To the extent that research can be provided by third parties, Independent Investment Research makes no warranty or representation as to the accuracy or completeness of such information displayed on this site, and accepts no liability for errors or omissions arising from such third party information. To the fullest extent permitted by law, under no circumstances will Independent Investment Research be liable for any loss or damage caused by users reliance upon information obtained through this web site. It is the responsibility of the user to evaluate the accuracy, completeness or usefulness of any information, opinion, general advice or other content made available through this web site. Furthermore, Independent Investment Research does not warrant or represent that this web site is error free or free from viruses or defects. A user must do all that is necessary (including using virus checking software) to satisfy itself that accessing this website will not adversely affect its system.

For further information, please contact IIR at: client.services@independentresearch.com.au

Independent Investment Research (Aust.) Pty Limited

SYDNEY OFFICE
Level 1, 350 George Street
Sydney NSW 2000
Phone: +61 2 8001 6693
Main Fax: +61 2 8072 2170
ABN 11 152 172 079

MELBOURNE OFFICE
Level 7, 20–22 Albert Road
South Melbourne VIC 3205
Phone: +61 3 8678 1766
Main Fax: +61 3 8678 1826

HONG KONG OFFICE
1303 COFCO Tower
262 Gloucester Road
Causeway Bay, Hong Kong

DENVER OFFICE
200 Quebec Street
300-111, Denver Colorado USA
Phone: +1 161 412 444 724

MAILING ADDRESS
PO Box H297 Australia Square
NSW 1215