



# Pengana Private Equity Trust

ARSN 630 923 643

## Appendix 4E Preliminary Final Report for the year ended 30 June 2022

### Results announcement to the market

	30 June 2022 \$'000	30 June 2021 \$'000	Change from the corresponding period %
Total investment income/(loss)	95,659	49,211	94.4
Total comprehensive income/(loss) for the year	74,482	45,190	64.8
Basic Earnings per unit (cents per unit)	29.92	19.11	56.6
Net Asset Value (NAV) Per Unit	1.6130	1.4233	13.3

### Distribution Information

	Cents per share
2022 Interim distribution paid on 14 January 2022	3.12
2022 Final distribution paid on 22 July 2022	3.24

### In-specie distribution

In-specie distribution of 1 Pengana Capital Group share (ASX:PCG) for every 48.9 units held in Pengana Private Equity trust (ASX:PE1), distributed on 30 September 2021.

### Final Distribution Dates

Ex-distribution Date	1 July 2022
Record Date	4 July 2022
Last date for DRP	5 July 2022
Payment Date	22 July 2022

### Distribution Reinvestment Plan

The final distribution for the year ended 30 June 2022 of 3.24 cents per unit was paid on 22 July 2022. The Trust's Distribution Reinvestment Plan was available to eligible unitholders in relation to the interim and final distributions.

This report is based on the Annual Report which has been audited by Ernst & Young.

The audit report is included with the Trust's Annual Report which accompanies this Appendix 4E. All the documents comprise the information required by Listing Rule 4.3A.

For further information on the results for the Trust refer to the Chief Executive Officer's letter to unit holders contained in the attached Annual Report.

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**PENGANA**  
PRIVATE EQUITY TRUST

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ASX: PE1

# PENGANA PRIVATE EQUITY TRUST

30 JUNE  
2022

## ANNUAL REPORT

**PENGANA PRIVATE EQUITY TRUST**  
**ARSN 630 923 643**

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**PENGANA  
PRIVATE EQUITY  
TRUST**



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## MANAGER'S REPORT

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Dear Unitholders

I am pleased to present the Annual Report for Pengana Private Equity Trust (ASX: PE1) (the Trust).

The Trust, which has now been listed for over three years, seeks to generate, over an investment horizon of at least 10 years, attractive returns and capital growth through a selective and diversified approach to private market investments including private equity, private credit, and other opportunistic investments.

Starting the financial year with 68% of capital deployed across private markets investments, PE1 continued to rapidly build out its investments across all verticals. During the second quarter of the financial year, and almost one and a half years ahead of the schedule outlined in our IPO, we exceeded the target of having 70% invested in private equity. Pleasingly, we continued to build out our exposures, reaching 90% invested by the end of January 2022.

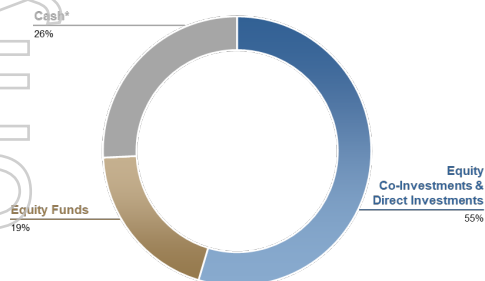
All the while we remained active in making commitments, and all undrawn capital was fully committed during the first quarter of the financial year, providing a strong base from which the Trust will be able to maintain elevated levels of investment exposure over the longer term.

During the same quarter we distributed the Alignment Shares to unitholders. Alignment Shares were shares in Pengana Capital Group (ASX: PCG) that were gifted by Pengana to the trust at IPO. This innovative structure, which sought to align Pengana's interests with those of its investors, resulted in IPO unitholders receiving an immediate 5% contribution to return at the inception of the Trust – this assisted in minimising the J-curve by smoothing out the Trust's return whilst it built out its initial portfolio commitments.

The third quarter, which began with a worsening global outlook, presented the Trust with a unique opportunity to offer structured solutions to high quality, growth-oriented companies that require continued financing. Such deals have the potential to be conservatively structured, and to include strong downside protection and significant upside participation. In order to take advantage of these opportunities, PE1 undertook an entitlement offer raising \$58 million. This highly flexible pool of capital is envisaged to be tactically deployed into discrete pockets of near-term opportunity with the potential to enhance PE1's overall returns.

Overall, the portfolio is now exposed to over 400 underlying companies with an expectation that this will increase to in excess of 500 as existing commitments are called. We remain diversified across all regions, expanded our vintage diversification to cover 2003 to present, and built out our exposures across all implementation methods to encompass: 14 primary funds managed by 13 cycle-tested managers, over 100 private equity co-investments and direct investments, and 11 secondary transactions (including over 50 funds and over 200 underlying companies).

**Figure 1: Portfolio Allocations by Investment Type (30 June 2022)**



The Trust ended the 21/22 financial year having generated a net return of 26.7%, with our private equity investments having contributed the vast majority of the performance in local currency terms.<sup>1</sup>

**Figure 2: Cumulative NAV Per Unit Return Since Inception (23 April 2019 to 30 June 2022)<sup>1, 2</sup>**



**Figure 3: Trailing Period Net Returns to 30 June 2022<sup>1, 2</sup>**

1 Year	26.7%
3 Years (Annualised)	12.4%
Since Inception (Annualised)	13.4%

<sup>1</sup> Past performance is not a reliable indicator of future performance, the value of investments can go up and down. The net return has been determined with reference to the increase in the Net Asset Value per Unit, as well as of the reinvestment of a Unit's distribution back into the Trust pursuant to the Trust's distribution reinvestment plan ("DRP"). Pengana has established a DRP in respect of distributions made by the Trust. Under the DRP, Unitholders may elect to have all or part of their distribution reinvested in additional Units.

<sup>2</sup> The NAV per unit at inception is based on the subscription price per unit which is equal to \$1.25.

Prior to completion of the year-end audit, we received a number of updated valuations reflecting changes in the value of some underlying assets at 30 June 2022. The impact of these valuation changes has been incorporated into the performance stated above and will be incorporated in PE1's 31 August 2022 NAV per unit which is scheduled to be released during September.

Investment returns were driven primarily by co-investments and direct investments initiated in prior years across a disparate range of industries including:

- A fully realised co-investment in **Alion Science and Technology**, a leading provider of high-end research and development capabilities to the US government, generating a 2.48x multiple on invested capital and a 34.5% gross IRR,
- **Spice World**, the largest US supplier of fresh and processed garlic, benefitting from increased at-home food consumption and several capex projects focused on labour efficiency and lowering costs. A debt recapitalisation resulted in total since inception distributions equal to 52% of invested capital,
- A dividend recapitalisation in **RELAM**, the US's largest railroad maintenance-of-way equipment leasing company, resulting in the receipt of 78% of invested capital in just over a year,
- An investment in both the private equity and convertible security of **Rivian**, a pure-play electric vehicle company, the latter of which entitled us to additional IPO shares – these were sold shortly after the initial purchase resulting in a substantial profit on the shares after holding them for only a few days,
- PSA International, a leading global port group, acquiring 100% of the shares in **BDP**, an asset-light and outsourced global logistics solution provider and 2018 co-investment,
- **BlueTriton**, a leading North American provider of several longstanding bottled water brands, successfully executing a number of key revenue growth and operational initiatives. The resulting dividend recapitalisation led to a distribution of 71% of invested capital in less than a year,
- A capital raising by **Bolt**, a leading rideshare provider in Europe and Africa, at a significant premium following strong results from its strategy of offering discounted prices to gain and maintain its leading market share, and
- PE1's largest position in **Gainwell Technologies**, a leading health and human services program provider of technology and analytics solutions in the US, generating strong early returns following the establishment of key standalone platforms, strong operational performance, and the strategic acquisition of Medicaid and managed-care-market capabilities.

The year also saw outsized gains from the buildout of secondary deals completed at the end of the previous financial year, most notably Project Rambler, which gave PE1 exposure to 35 underlying funds and approximately 100 underlying portfolio companies at a significant discount. Performance was driven by significant accretive distribution activity coupled with modest write-ups in the portfolio.

Finally, after paying a cash distribution yield equal to 4% p.a. of the IPO price, PE1 shifted during the financial year to targeting a cash distribution yield equal to 4% of the NAV paid semi-annually. PE1's distribution has increased in lockstep with the rising NAV, with a total of 6.36 cents per unit paid out over the financial year (up from 5.00 cents per unit the prior year).

Looking ahead and into a market characterised by rising interest rates against a backdrop of weaker growth, we expect that private equity (which typically publishes valuations published quarterly in arrears) may see headwinds to unrealised valuations in the coming quarters, particularly if the downturn is prolonged. On this front the Trust has been proactive, having already reduced the valuations of a number of high-growth companies during April 2022. As part of the year-end audit process, we have recognised further declines of some assets within GCM Grosvenor Multi-Asset Class Fund II, L.P.

Despite these reductions, there are certain characteristics of private equity generally which we believe provide some insulation against public market volatility. Over and above this, we expect PE1 to display additional resilience in the current environment due to:

- Its focus on middle market investments (i.e., companies with enterprise values of US\$500 million to US\$1.5 billion), and
- Our investments with cycle tested managers.

The average entry multiple for private equity buyout deals has typically been lower than the trading multiples in the public markets. EV/EBITDA multiples for middle market transactions have averaged circa 10.0x-10.5x over the last five years.<sup>3</sup> Coupled with the lower leverage of middle market companies, we believe that there will be less multiple contraction in PE1 than has been seen in public markets.

Private equity has seen a general slowdown in IPOs; however, the impact is not equal amongst companies. There has been an almost 90% reduction in H1 2022 vs H1 2021 IPO activity for venture capital and a circa 50% reduction for buyouts.<sup>4</sup> Middle market companies typically have a broader range of exit options including trade sales, management buyouts, or sales to other private equity funds. This reduces the reliance on the IPO market for the holdings in PE1. In addition, PE1 has no exposure to venture capital so our investments are less reliant on securing favourable terms for additional rounds of capital raising.

Although most sectors have seen declines in the public markets, the dispersion has been large with consumer staples, healthcare, and utilities – recession-resistant industries in which PE1 has been particularly active – holding up relatively well.<sup>5</sup> Going forward, PE1 will continue to target pockets of stability and opportunity alongside the right partners, with a focus on what remain attractive industries including consumer staples, government services, IT, logistics, and healthcare.

The majority of the Trust's portfolio, which is highly diversified across all relevant metrics including strategies, regions, vintages, underlying cycle-tested managers, and implementation methods, is oriented towards profitable companies in defensive sectors (some of which have been outlined above) as opposed to high-growth companies. Where growth investments are made, we generally structure them to mitigate downside risk while still maintaining strong upside.

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<sup>3</sup> Source: Burgiss, July 2022.

<sup>4</sup> Source: Preqin, July 2022.

<sup>5</sup> Source: Bloomberg.

Most importantly, recent history has shown that while private equity has outperformed listed equity across all stages of the economic cycle, this effect is magnified during and immediately following recessionary periods.<sup>6</sup> Historically, private equity firms with capital to deploy are able to buy distressed and/or undervalued assets at attractive prices. Our entitlement offer which increased the Trust's cash balance to around 25% was, in hindsight, optimally timed to allow unitholders to participate in what may be a very favourable vintage year of private equity investing.

I thank you for your continued support for the Trust and for investing in Australia's first listed portfolio of diversified global private market investments.

Yours sincerely



Russel Pillemer  
Chief Executive Officer, Pengana Capital Group  
Executive Director, Pengana Investment Management Limited  
29 August 2022

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<sup>6</sup> Based on the pooled net IRR, upper quartile net IRR, and median net IRR, since inception through 31 March 2022 for all buyout funds in the Burgiss Manager Universe with vintage years 2005-2006, 2007-2008, 2009-2010, and 2011-2012, respectively and compared against the MSCI World (TR) Index using the Long Nickels methodology. Source: BURGISS, MSCI. Burgiss data based on published 1Q 2022 benchmark data downloaded on 19 July 2022. **No assurance can be given that any investment will achieve its objectives or avoid losses. Past performance is not necessarily indicative of future results.**

## DIRECTORS' REPORT

The Directors of Pengana Investment Management Limited ('PIML'), the Responsible Entity for the Pengana Private Equity Trust (the 'Trust' or 'PE1'), present their report of the Trust for the financial year ended 30 June 2022.

### Directors

The names of Directors in office at any time during or since the end of the year are:

Ellis Varejes	Independent Non-Executive Director and Chairman
Ilan Zimmerman	Independent Non-Executive Director
Russel Pillemer	Chief Executive Officer and Managing Director
Katrina Glendinning	Executive Director

Directors have been in office since the start of the year to the date of this report, unless stated otherwise.

### Trust Overview and Principal Activities

Pengana Private Equity Trust is a registered managed investment scheme, structured as a closed-end unit trust, that is listed on the Australian Securities Exchange ('ASX'). The Trust was established on 18 January 2019 to invest in a diversified portfolio of global private equity investments.

The Trust's investment objective is to generate, over an investment horizon of at least 10 years, attractive returns and capital growth through a selective and diversified approach to private markets.

PIML has appointed Pengana Capital Limited ('Manager') as the manager of PE1. The Manager has in turn engaged Grosvenor Capital Management, L.P. ('GCM' or 'Investment Manager') as the investment manager of PE1.

The Trust did not have any employees during the year.

The various service providers for the Trust are detailed below:

Service	Provider
Responsible Entity	Pengana Investment Management Limited
Manager	Pengana Capital Limited
Investment Manager	Grosvenor Capital Management, L.P.
Custodian and Administrator	BNP Paribas
Statutory Auditor	Ernst & Young

### Background Information of The Trust

The Trust raised \$205 million from an initial public offering ("Offer") by the issue of 164 million units on 4 March 2019 at an issue price of

\$1.25 per unit. The Offer comprised a broker firm/general public offer and a priority offer. The priority offer was available to investors in all of PCG's funds as well as shareholders in the listed investment company Pengana International Equities Limited (ASX: PIA), Pengana Capital Group (ASX: PCG) and Washington H. Soul Pattinson (ASX: SOL). The costs of the offer were paid by PCG.

On 24 April 2019, units in the Trust were allotted, and on 30 April 2019, the Trust commenced trading on the ASX.

On 11 June 2020 the Responsible Entity announced a 1-for-3 pro-rata non-renounceable Rights Issue at an offer price of \$1.25 per unit available to all Unit holders ('Eligible Unit Holders') who held units as at 16 June 2020 (all together the 'Entitlement Offer').

Eligible Unit Holders were also invited to subscribe for additional new units in PE1 under a shortfall facility, available if the Entitlement Offer was not fully subscribed ('Shortfall Facility'). Any balance of units not taken up through the Entitlement Offer or the Shortfall Facility was placed through an issue of new units to sophisticated investors ('Shortfall Placement').

Due to excess demand, the Responsible Entity utilised the Trust's 15% placement capacity pursuant to ASX Listing Rule 7.1 to raise additional capital from sophisticated investors. ('Additional Placement').

Upon completion of the Entitlement Offer and Shortfall Placement, PE1 raised in total \$93,466,648 through the issue of 74,772,778 Units on 22 July 2020.

The trust raised \$57,692,820 through the issue of 37,462,870 new units pursuant to the Rights Issue and Sophisticated and Wholesale Investor Shortfall Placement. All these units were allotted by 8 April 2022 and commenced trading on ASX by 11 April 2022.

## Significant Changes in the State of Affairs

On 31 August 2021 the Responsible Entity determined to distribute all of the Trust's holding in Pengana Capital Group Limited Convertible Preference shares. On 30 September 2021 eligible Unitholders received an in-specie distribution of one PCG share for every 48.9 PE1 units held by them on record date.

The trust raised \$57,692,820 through the issue of 37,462,870 new units pursuant to the Rights Issue and Sophisticated and Wholesale Investor Shortfall Placement. All these units were allotted by 8 April 2022 and commenced trading on ASX by 11 April 2022.

There were no other significant changes in the state of affairs during the reporting period.

## Operating Results

### Review and results of operations

The performance of the Trust, as represented by the results of its operations was as follows:

	30 June 2022 \$'000	30 June 2021 \$'000
<b>Results</b>		
Total investment profit	95,659	49,211
Total expenses	(21,177)	(4,021)
Net operating profit	<u>74,482</u>	<u>45,190</u>
Unit Price/ NAV Per Unit (\$) ASX	1.6130	1.4233
Reported NAV Per Unit (Ex)(\$)	1.6464	1.3625
<b>Distribution Information</b>		
Interim distribution	7,483	5,982
In-specie distribution*	9,573	-
Final distribution	9,015	5,993
Total distributions	<u>26,071</u>	<u>11,975</u>
Distribution (cents per unit)	10.34	5.00

## DIRECTORS' REPORT (continued)

\*In-specie distribution of 1 Pengana Capital Group share (ASX:PCG) for every 48.9 units held in Pengana Private Equity trust (ASX:PE1), distributed on 30 September 2021.

On 21 June 2022, the Trust announced final distribution of 3.24 cents (2021: 2.50 cents) per unit, which was paid on 22 July 2022. This distribution is recognised as a liability as at 30 June 2022.

### Coronavirus impact (COVID-19)

COVID-19 continued to impact global economies, equity, debt and commodity markets.

The processes to determine the impact of COVID-19 for these financial statements are consistent with the processes disclosed and applied in 30 June 2021 and 31 December 2021 financial statements. Such processes have identified that no asset impairments have been required. In addition, expected credit losses have remained unchanged on the Trust's receivables, as they have since been collected or the counterparties have been assessed to have strong credit ratings.

### Russia-Ukraine conflict

The Directors of the Responsible Entity acknowledge the market disruptions associated with current geopolitical events. These have and will continue to have a global impact and uncertainty exists as to their implications.

This is one of the many factors that are evaluated when making investment decisions for the fund.

### Strategy and Future Outlook

The results of the Trust's operations will be affected by a number of factors, including the performance of investment markets in which the Trust invests. Therefore, investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

As markets are subject to fluctuations, it is imprudent to provide a detailed outlook on statement of expected results of operations. The Trust provides monthly fund updates and annual investor reports, which can be found in the ASX website. The Trust updates include detailed discussions in relation to some underlying funds from time to time along with general outlook commentary.

### Likely Developments and Expected Results of Operations

The Trust will continue to invest in accordance with the investment strategy as set out in the IPO Product Disclosure Statement. The method of operating the Trust is not expected to change in the foreseeable future, however the results of the Trust's operations may be affected by a number of factors, including the performance of investment markets in which the Trust invests. Investment performance is not guaranteed and past returns should not be used to predict future returns.

## DIRECTORS' REPORT (continued)

### Events Subsequent to Balance Sheet Date

In the latest release to the ASX on 10 August 2022 the Trust reported a NAV per unit as at 31 July 2022 of \$1.6212 (31 July 2021: \$1.3881).

Other than the above, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly or may significantly affect the Trust's operations, the results of those operations or the Trust's state of affairs in future years.

### Environmental Regulation

The Trust's operations are not subject to any environmental regulation under the law of the Commonwealth, State and Territory.

### Proceedings on Behalf of the Trust

No person has applied for leave of Court to bring proceedings on behalf of the Trust or intervene in any proceedings to which the Trust is a party for the purpose of taking responsibility on behalf of the Trust for all or any part of those proceedings. The Trust was not a party to any such proceedings during the year.

### Rounding of Amounts

The Trust is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

### Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 is set out on the following page and forms part of this report.

Signed in accordance with a resolution of the Board of Directors.



Ellis Varejes

**Chairman, Pengana Investment Management Limited**  
**29 August 2022**



Building a better  
working world

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## Auditor's independence declaration to the directors of the Responsible Entity of Pengana Private Equity Trust

As lead auditor for the audit of the financial report of Pengana Private Equity Trust for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

Ernst & Young

Jaddus Manga  
Partner  
29 August 2022

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**Pengana Private Equity Trust  
Statement of profit or loss and comprehensive income For  
the year ended 30 June 2022**

	Notes	Year ended	
		30 June 2022 \$'000	30 June 2021 \$'000
<b>Investment income</b>			
Interest income		57	1
Dividends and distributions received		21,198	2,042
Net gains on financial instruments at fair value through profit or loss		59,654	54,791
Net foreign exchange gains/(losses)		14,610	(7,624)
Other operating income		<u>140</u>	<u>1</u>
<b>Total net investment income</b>		<u>95,659</u>	<u>49,211</u>
<b>Expenses</b>			
Responsible entity fee and management fee	13	(4,874)	(3,578)
Performance fees	13	(14,531)	-
Withholding tax		(136)	(2)
Secondaries Management Fee and Carried Interest Fee	13	(766)	(277)
Transaction costs		(239)	(164)
Legal fees		<u>(631)</u>	<u>-</u>
<b>Total operating expenses</b>		<u>(21,177)</u>	<u>(4,021)</u>
<b>Profit for the year</b>		<u>74,482</u>	<u>45,190</u>
Other comprehensive income for the year		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>74,482</u>	<u>45,190</u>
Basic and diluted earnings per unit (cents per unit)	4	29.92	19.11

*The statement of profit or loss and comprehensive income should be read in conjunction with the accompanying notes.*

**Pengana Private Equity Trust**  
**Statement of financial position**  
**As at 30 June 2022**

	Notes	As at	
		30 June 2022 \$'000	30 June 2021 \$'000
<b>Assets</b>			
Cash and cash equivalents	5	119,769	103,266
Receivables	6	133	67
Financial assets at fair value through profit or loss	12	<u>343,901</u>	<u>245,297</u>
<b>Total assets</b>		<u>463,803</u>	<u>348,630</u>
<b>Liabilities</b>			
Distribution payable		8,183	5,498
Payables	8	<u>6,315</u>	<u>1,430</u>
<b>Total liabilities</b>		<u>14,498</u>	<u>6,928</u>
<b>Total unitholders' equity</b>		<u>449,305</u>	<u>341,702</u>
<b>Unitholders' equity</b>			
Issued units		359,337	300,145
Other equity reserve		-	10,251
Retained earnings		<u>89,968</u>	<u>31,306</u>
<b>Total unitholders' equity</b>		<u>449,305</u>	<u>341,702</u>

*The statement of financial position should be read in conjunction with the accompanying notes.*

	Notes	Year ended	
		30 June 2022 \$'000	30 June 2021 \$'000
<b>Total unitholders' equity at the beginning of the year</b>		<b>341,702</b>	214,028
Transactions with unitholders for the year:			
Units issued	9	57,693	93,467
Distributions reinvested	9	1,499	992
Distributions paid/payable*	10	<u>(26,071)</u>	<u>(11,975)</u>
Total transactions with unitholders for the year		<u>374,823</u>	<u>296,512</u>
Comprehensive income for the year:			
Profit for the year		74,482	45,190
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>74,482</u>	<u>45,190</u>
<b>Total unitholders' equity at the end of the year</b>		<b><u>449,305</u></b>	<b><u>341,702</u></b>

\* The amount included \$9.6 million of in-specie distribution of 1 Pengana Capital Group share (ASX:PCG) for every 48.9 units held in Pengana Private Equity trust (ASX:PE1), distributed on 30 September 2021.

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

**Pengana Private Equity Trust**  
**Statement of cash flows**  
**For the year ended 30 June 2022**

	Notes	Year ended	
		30 June 2022 \$'000	30 June 2021 \$'000
<b>Cash flows from operating activities</b>			
Payments for purchase of investments		(49,376)	(83,912)
Transaction costs paid		(239)	(164)
Dividends and distributions received		21,198	2,042
Interest received		24	1
GST received/(paid)		(33)	(17)
Other income received		140	1
Management fees paid		(4,720)	(3,439)
Performance fees paid		(10,196)	-
Secondaries Management Fee and Carried Interest Fee		(148)	(35)
Payment to suppliers		(136)	-
<b>Net cash inflow/(outflow) from operating activities</b>	11	<u>(43,486)</u>	<u>(85,523)</u>
<b>Cash flows from financing activities</b>			
Issue of units		57,693	93,467
Distributions paid		(12,314)	(5,485)
<b>Net cash inflow/(outflow) from financing activities</b>		<u>45,379</u>	<u>87,982</u>
Net increase in cash and cash equivalents		1,893	2,459
Cash and cash equivalents at the beginning of the year		103,266	108,431
Translation of foreign cash held		14,610	(7,624)
<b>Cash and cash equivalents at the end of the year</b>	5	<u>119,769</u>	<u>103,266</u>
<b>Non-cash financing activities</b>			
Units issued under the distributions reinvestment plan (DRP)		1,499	992
In-specie distribution - Alignment shares		9,573	-

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

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## 1 General Information

These financial statements cover Pengana Private Equity Trust ("the Trust") as an individual entity.

Pengana Private Equity Trust is a registered managed investment scheme, structured as a closed-end unit trust, incorporated and domiciled in Australia.

The Responsible Entity of the Trust is Pengana Investment Management Limited (ABN 69 063 081 612) (the "Responsible Entity"). The Responsible Entity's registered office is: Level 1, 2 and 3, 60 Martin Place, Sydney, NSW 2000 Australia.

The financial statements are presented in Australian currency.

The financial statements were authorised for issue by the Directors on 29 August 2022. The Directors of the Responsible Entity have the power to amend and reissue the financial report.

On 11 June 2020 the Responsible Entity announced a 1-for-3 pro-rata non-renounceable Rights Issue at an offer price of \$1.25 unit per unit available to all Unit holders ('Eligible Unit Holders') who held units as at 16 June 2020 (all together the 'Entitlement Offer').

Eligible Unit Holders were also invited to subscribe for additional new units in PE1 under a shortfall facility, available if the Entitlement Offer was not to be fully subscribed ('Shortfall Facility'). Any balance of units not taken up through the Entitlement Offer or the Shortfall Facility was placed through an issue of new units to sophisticated investors ('Shortfall Placement').

Due to excess demand, the Responsible Entity utilised the Trust's 15% placement capacity pursuant to ASX Listing Rule 7.1 to raise additional capital from sophisticated investors ('Additional Placement').

Upon completion of the Entitlement Offer and Shortfall Placement, PE1 raised in total \$93,466,648 through the issue of 74,772,778 Units on 22 July 2020.

The trust raised \$57,692,820 through the issue of 37,462,870 new units pursuant to the Rights Issue and Sophisticated and Wholesale Investor Shortfall Placement. All these units were allotted by 8 April 2022 and commenced trading on ASX by 11 April 2022.

Further information on the nature of the operations and principal activities of the Trust is provided in the Directors' report.

## 2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated in the following text.

### a. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and the *Corporations Act 2001* in Australia. Pengana Private Equity Trust is a for-profit entity for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The Statement of Financial Position is presented on a liquidity basis.

Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets.

The Trust manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at balance sheet date.

### *Compliance with International Financial Reporting Standards*

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

### *New standards and interpretations not yet adopted*

There are no standards that are not yet effective and that are expected to have a material impact on the Trust in the current or future reporting periods and on foreseeable future transactions.

### b. Financial instruments

#### (i) Classification

In accordance with AASB 9 Financial Instruments, the Trust classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

## 2 Summary of significant accounting policies (continued)

### b. Financial instruments (continued)

#### Assets

The Trust classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets and whether or not such cash flow constitute solely payments of principal and interest on principal amount outstanding. The Trust's portfolio of financial assets is managed and its performance is evaluated on a fair value basis in accordance with the Trust's documented investment strategy. The Trust uses fair value information to assess performance of the portfolio and to make decisions to rebalance the portfolio or to realise fair value gains or minimise losses through sales or other trading strategies. The Trust's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

#### (ii) Recognition/derecognition

The Trust recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Trust has transferred substantially all risks and rewards of ownership.

#### (iii) Measurement

Financial assets and liabilities at fair value through profit or loss:

At initial recognition, the Trust measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss and comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of profit or loss other comprehensive income within change in fair value of investments at fair value through profit or loss in the period in which they arise. Gains and losses do not include interest or dividend income.

Further details on how the fair values of financial instruments are determined are disclosed in Note 12.

### c. Unitholders' equity

Under the Constitution, the Trust has no obligation to distribute income. The units issued by the Trust are classified as equity as they satisfy the below criteria under AASB 132 *Financials Instruments Presentation*:

- the units are the most subordinate class and entitle unitholders to a pro-rata share of the net assets in the event of the Trust's liquidation;
- all units have the identical contractual obligation for the Trust to deliver a pro rata share of its net assets on liquidation;
- the Trust has no other instrument that has: total cash flows based substantially on the profit or loss, change in recognised net assets or change in fair value of recognised and unrecognised net assets of the Trust; and the effect of substantially restricting or fixing the residual return to the holders.

Units are recognised at the value of consideration received by the Trust. Where the Trust purchases its own issued units under a buyback, the consideration paid, including any directly attributable transaction costs, is deducted from unitholders' equity.

### d. Revenue and other income

Interest income on cash and cash equivalents is recognised in the statement of comprehensive income using the accruals method.

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense in the profit and loss and other comprehensive income.

### e. Expenses

All expenses are recognised on an accrual basis.

## 2 Summary of significant accounting policies (continued)

### f. Distributions

The Trust has elected into the Attribution Managed Investment Trust (“AMIT”) regime. The units in the Trust have been classified as equity. Under the Constitution the Trust does not have an obligation to make distributions to Unitholders by cash and/or reinvestment.

Distributions to unitholders are recognised directly in equity, and presented in the Statement of Changes in Equity. A distribution payable is recognised in the Statement of Financial Position where the distribution has been declared but remains unpaid at reporting date.

### g. Cash and cash equivalents

Cash and cash equivalents wholly comprise of cash held at custodian that are readily fixed rate to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

### h. Receivables

Receivables may include amounts for interest and trust distributions. Trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note (d) above. Amounts are generally received within 30 days of being recorded as receivables.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Trust shall measure the loss allowance on receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Trust shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

### i. Payables

Payables are initially recognised at fair value. They are subsequently measured at amortised cost.

### j. Foreign currency translation

#### (i) Functional and presentation currency

Items included in the Trust’s financial statements are measured using the currency of the primary economic environment in which it operates (the “functional currency”). This is the Australian dollar, which reflects the currency of the economy in which the Trust competes for capital and is regulated. The Australian dollar is also the Trust’s presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and comprehensive income.

Non monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the statement of comprehensive income on a net basis within net gains/(losses) on financial instruments at fair value through profit or loss.

### k. Income Tax

Under current legislation, the Trust is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain would be included in taxable income. Realised capital losses can only be utilised to offset any realised capital gains. Net realised capital losses are retained in the Trust to be offset against any future realised capital gains. If realised capital gains exceed realised capital losses, the excess may be distributed to Unitholders.

## 2 Summary of significant accounting policies (continued)

### l. Goods and Services Tax

The GST incurred on the costs of various services provided to the Trust by third parties such as custodial services and investment management fees have been passed onto the Trust.

The Trust qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%, hence responsible entity and management fees, custodial fees and other expenses have been recognised in the profit and loss and other comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of Financial Position.

Cash flows relating to GST are included in the statement of cash flows on a gross basis.

### m. Use of estimates and judgments

The Trust makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Trust uses fair value valuation techniques in valuing Private equity investments and Unlisted managed investment funds. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the responsible entity, independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For more information on how fair value is calculated please see Note 12(d) to the financial statements.

The Responsible Entity has applied judgment in determining the functional currency of the Trust and considered the primary and secondary indicators in AASB 121. The currency in which funds from issuing equity instruments are generated is considered to be a key factor. The Responsible Entity has determined that the functional currency of the Trust is the Australian dollar.

### n. Rounding of amounts

Unless otherwise shown in the financial statements, amounts have been rounded to the nearest thousand dollars and are shown in A\$'000. Pengana Private Equity Trust is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

## 3 Auditor's remuneration

During the year the following fees were paid or payable by the Trust for services provided by the auditor of the Trust, Ernst & Young.

	<b>30 June 2022 \$'000</b>	30 June 2021 \$'000
<b>Ernst &amp; Young</b>		
<b>Audit and assurance services</b>		
Audit and review of financial statements	83	83
Other services	-	-
<b>Total remuneration for audit and other assurance services</b>	<b>83</b>	<b>83</b>
<b>Non-assurance services</b>		
Tax compliance services	-	-
<b>Total remuneration for taxation services</b>	<b>-</b>	<b>-</b>
<b>Total remuneration of Ernst &amp; Young</b>	<b>83</b>	<b>83</b>

The auditor's remuneration was borne by the Responsible Entity.

#### 4 Earnings per unit (EPU)

	<b>30 June 2022 \$'000</b>	30 June 2021 \$'000
Net profit used in the calculation of basic and diluted EPU	74,482	45,190
	<b>No. of units '000</b>	No. of units '000
Weighted average number of units outstanding during the period used in calculation of basic EPU	248,904	236,504
Weighted average number of units outstanding during the period used in calculation of diluted EPU	248,904	236,504

The basic and diluted earnings per unit have been calculated using the profit attributable to the unitholders of the Trust as the numerator. There is no difference between basic and diluted earnings per unit as there are no dilutive potential units.

#### 5 Cash and cash equivalents

	<b>30 June 2022 \$'000</b>	30 June 2021 \$'000
Cash at custodian	<u>119,769</u>	<u>103,266</u>
	<b>119,769</b>	<b>103,266</b>

#### 6 Receivables

	<b>30 June 2022 \$'000</b>	30 June 2021 \$'000
Interest receivable	33	-
GST receivable	<u>100</u>	<u>67</u>
	<b>133</b>	<b>67</b>

There are no past due or impaired receivables at reporting date. All trade receivables are expected to be received within 12 months of the reporting date.

#### 7 Financial assets at fair value through profit or loss

	<b>30 June 2022 \$'000</b>	30 June 2021 \$'000
Private equity investments	340,944	234,380
Unlisted managed investment funds	2,957	3,062
Unlisted equities (Note 13)	<u>-</u>	<u>7,855</u>
	<b>343,901</b>	<b>245,297</b>

#### 8 Payables

	<b>30 June 2022 \$'000</b>	30 June 2021 \$'000
Responsible Entity and Management fees payable	488	334
Outstanding investment settlements payable	-	853
Performance fees payable	4,335	-
Other expenses payable	<u>1,492</u>	<u>243</u>
	<b>6,315</b>	<b>1,430</b>

**9 Unitholders' equity**

	<b>30 June 2022</b>	30 June 2021
	<b>No. of units '000</b>	No. of units '000
<b>Units on issue at the beginning of the reporting period</b>	<b>240,082</b>	164,521
- Units issued	<b>37,463</b>	74,773
- Distributions reinvested (DRP)	<b>1,005</b>	788
<b>Units on issue at the end of reporting period</b>	<b>278,550</b>	240,082
	<b>\$'000</b>	<b>\$'000</b>
<b>Units on issue at the beginning of the reporting period</b>	<b>300,145</b>	205,686
- Units issued	<b>57,693</b>	93,467
- Distributions reinvested (DRP)	<b>1,499</b>	992
<b>Units on issue at the end of reporting period</b>	<b>359,337</b>	300,145

**Terms and conditions of Units**

Units are listed on the Australian Securities Exchange ("ASX").

Each unit confers upon the unitholder an equal interest in the Trust, and is of equal value to other units in the Trust.

A unit does not confer upon the holder any interest in any particular asset or investment of the Trust. The rights of unitholders are contained in the Trust's Constitution and include:

- the right to receive a distribution determined in accordance with the provisions of the Trust's Constitution;
- the right to attend and vote at meetings of unitholders; and
- the right to participate in the termination and winding up of the Trust.

There are no separate classes of units and each unit in the Trust has the same rights attaching to it as all other units of the Trust.

Other equity reserve, which forms part of unitholders' equity, is discussed in detail under Note 13 to the Financial Statements.

## 10 Distributions

	30 June 2022 \$'000	30 June 2021 \$'000
<b>a Distributions paid</b>		
Distribution paid - December	7,483	5,982
Distribution paid and payable - June	9,015	5,993
Distribution paid - In-specie	9,573	-
	<u>26,071</u>	<u>11,975</u>
<b>b Dividend reinvestment plan</b>		
Distribution paid - December	(667)	(497)
Distribution paid and payable - June	(832)	(495)
	<u>(1,499)</u>	<u>(992)</u>
<b>c In-specie distribution</b>		
Distribution paid - In-specie	(9,573)	-
	<u>(9,573)</u>	<u>-</u>
<b>Net distributions paid/payable in cash</b>	<u>14,999</u>	<u>10,983</u>

The Trust will generally make distributions to investors semi-annually but it may do so more or less frequently at the Responsible Entity's discretion.

## 11 Cash flow information

	30 June 2022 \$'000	30 June 2021 \$'000
<b>(a) Reconciliation of net cash flow from operating activities to net profit for the period:</b>		
Net Profit for the period	74,482	45,190
Change in fair value of investments and foreign cash held	(74,264)	(47,166)
Payments for purchase of investments	(49,376)	(83,912)
Change in receivables	(66)	(17)
Change in payables	5,738	382
<b>Net cash inflow/(outflow) from operating activities</b>	<u>(43,486)</u>	<u>(85,523)</u>
<b>(b) Non-cash financing activities</b>		
Units issued under the distributions reinvestment plan (DRP)	1,499	992
In-specie distribution - Alignment shares	9,573	-
	<u>11,072</u>	<u>992</u>

## 12 Financial risk management

The Trust holds the following financial instruments:

	<b>30 June 2022 \$'000</b>	30 June 2021 \$'000
<b>Financial Assets</b>		
Cash and cash equivalents	119,769	103,266
Receivables	133	67
Investments at fair value through profit or loss (Note 7 and Note 13)	<u>343,901</u>	<u>245,297</u>
	<u><b>463,803</b></u>	<u>348,630</u>
<b>Financial Liabilities</b>		
Payables	6,315	1,430
Distribution payable	<u>8,183</u>	<u>5,498</u>
	<u><b>14,498</b></u>	<u>6,928</u>

### Financial Risk Exposures and Management

The main risks the Trust is exposed to through its financial instruments are market risk and credit risk.

#### a. Market Risk

##### (i) Price risk

Price risk arises from the Trust's investee funds, whose valuation is based on the valuation of the underlying companies of those investee funds. The Trust invests in such financial assets in order to take advantage of their long-term growth. All investments present a risk of loss of capital. The Investment Manager mitigates this risk through careful selection of investee funds within specified limits. All of the investee funds and their underlying investments are subject to the risks inherent in their industries. Moreover, established markets do not exist for these holdings, and they are therefore considered illiquid.

##### Primary commitments

The Trust makes commitments to a diversified portfolio of private equity and private credit funds managed by managers with a strong track record. The Trust diversifies its portfolio of investee funds across managers, underlying industries, countries and investment stages.

The Investment Manager follows a rigorous investment due diligence process prior to making an investment. In making the investment decision, the Investment Manager considers both qualitative and quantitative criteria in the areas of financial performance, business strategy, tax and legal compliance, such as financial information obtained through the Investment Managers of the underlying investee funds through on-site visits, interviews and questionnaires together with information gathered from external sources. Prior to entering into an investment agreement, gathered information is confirmed through reference checks or through the Investment Manager's standing data and experience.

##### Secondary purchases of interests in private funds

The Trust also makes commitments to investee funds through secondary market transactions. Where there are new investments, the due diligence process followed is consistent to the one described above. However, in most cases, the Trust makes such commitments to investee funds, in which the Investment Manager has already made commitments through other products with which the Investment Manager has prior experience.

The Investment Manager performs continuous monitoring of the Trust's investments through an established ongoing monitoring process. The Investment Manager monitors the performance of its investments using a look-through approach, where possible, to the underlying investments of its investee funds. The Investment Manager monitors price movements in listed underlying investments, as well as company, industry, tax, regulatory and legal developments in countries of the unlisted underlying investments. The Investment Manager uses such information in order to make estimates of the fair value of such companies, in cases where financial/capital account statements provided by the investment managers of the investee funds do not coincide with the reporting dates.

##### Sensitivity analysis

The following table summarises the sensitivity of the Trust's operating profit and total unitholders' equity to price risk on non-monetary assets on the basis that this information is beneficial to unitholders.

	<b>-15% \$'000</b>	<b>+10% \$'000</b>
<b>30 June 2022</b>	<b>(51,585)</b>	<b>34,390</b>
30 June 2021	(36,795)	24,530

## 12 Financial risk management (continued)

### a. Market risk (continued)

#### (ii) Foreign exchange risk

As at 30 June 2022 the portfolio's net assets was invested 75.92% (2021: 64.55%) in US dollar denominated financial assets and financial liabilities. The portfolio had an exposure to foreign cash and investments of A\$461m (2021: A\$323m).

#### Sensitivity analysis

The sensitivity analysis has been performed under the assumption that Australian Dollar strengthened or weakened +/-15% (30 June 2021: +/-15%) against the major currencies to which the Trust is exposed. At reporting date a 15% strengthening/weakening of the Australian Dollar at 30 June 2022 would have decreased/increased operating profit by \$69.2m (30 June 2021: \$48.5m).

The Trust's total net exposure to fluctuations in foreign currency exchange rates at the reporting date was as follows:

30 June 2022	Cash	Investments
Assets (AUD)	\$'000	\$'000
Euro	-	2,809
United States Dollar	<u>117,369</u>	<u>341,092</u>
	<u>117,369</u>	<u>343,901</u>
30 June 2021	Cash	Investments
Assets (AUD)	\$'000	\$'000
Euro	-	5
United States Dollar	<u>102,829</u>	<u>220,557</u>
	<u>102,829</u>	<u>220,562</u>

#### (iii) Interest rate risk

The main interest rate risk for the Trust arises from its cash holdings.

Cash and cash equivalents	30 June 2022	30 June 2021
	\$'000	\$'000
Cash balance subject to floating interest rate	119,769	103,266

#### Sensitivity analysis

At reporting date, if the interest rates had been 0.50% higher and 0.15% lower, profit or loss of the Trust would have increased by \$0.599m and decreased by \$0.180m. (2021: increased by \$0.516m and decreased by \$0.155m.)

### b. Credit risk

Credit risk principally arises from cash and cash equivalents held with the custodian and outstanding receivables.

The Trust's major credit risk arises from assets and cash held with the custodian, BNP Paribas Securities Services (credit rating: A-1+). (2021: A-1+).

**12 Financial risk management (continued)****c. Liquidity risk**

Liquidity risk is the risk that the Trust will encounter difficulty in meeting obligations associated with financial liabilities on the due date or will be forced to sell financial assets at a value which is less than they are worth.

Private equity investments typically involve the investors' capital being locked up for a number of years. The Trust allows small and large investors to gain exposure to global private equity with the flexibility to buy and sell units on the ASX as long as an active market exists.

<b>30 June 2022</b>	<b>Less than 1 month</b>	<b>1 to 3 months</b>
<b>Financial liabilities</b>	<b>\$'000</b>	<b>\$'000</b>
Distribution payable	8,183	-
Other payables	<u>5,684</u>	<u>631</u>
<b>Total</b>	<b><u>13,867</u></b>	<b><u>631</u></b>
<b>30 June 2021</b>	<b>Less than 1 month</b>	<b>1 to 3 months</b>
<b>Financial liabilities</b>	<b>\$'000</b>	<b>\$'000</b>
Distribution payable	5,498	-
Other payables	<u>1,430</u>	<u>-</u>
<b>Total</b>	<b><u>6,928</u></b>	<b><u>-</u></b>

**d. Fair value measurement**

The Trust measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets at fair value through profit or loss

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy;

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

*Fair value in an active market (level 1)*

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

*Fair value in an inactive or unquoted market (level 2 and level 3)*

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

The Alignment Shares are recognised as a financial asset on the statement of financial position and are included in financial assets at fair value through profit or loss line item of the statement of financial position.

Due to the nature of these Alignment Shares they are valued at parity with the Pengana Capital Group (PCG) ordinary shares on the ASX. The different characteristics of the Alignment Shares compared to ordinary shares have been considered as valuation factors and any impact deemed immaterial.

The Trust invests in private equity funds that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. Private equity investments are valued at fair value. The method that the Investment Manager uses to determine the fair value of private equity investments is based on the latest information available to the Investment Manager as of the corresponding valuation date and at the time the report for such date is issued.

Investments in unlisted managed investment funds are recorded at the net asset value per unit as reported by the investment managers of such funds. The Trust may make adjustments to the value based on considerations such as: liquidity of the Investee fund or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting.

## 12 Financial risk management (continued)

### d. Fair value measurement (continued)

The information from which the Investment Manager of unlisted managed funds and private equity funds derive fair value typically includes but is not limited to:

- independent third party valuations;
- audited (annually) and unaudited (quarterly) financial statements, which include net earnings, earnings before interest, taxes, depreciation and amortisation (“EBITDA”), balance sheets and other financial disclosures;
- recent public or private transactions;
- valuations for comparable companies;
- historical data; and/or
- other measures, including discounted cash flows, estimated collectability of escrows, sponsor valuation (for comparison purposes only), and consideration of any other pertinent information including the types of securities held and restrictions on disposition.

Where appropriate, the methods used to estimate fair value may utilise the following:

- market approach (whereby fair value is derived by reference to observable valuation measures for comparable companies or assets including any recent transactions in the subject Co-investment);
- income approach (such as the discounted projected cash flow method); or
- cost approach, as the best initial approximation of fair value upon acquisition of an investment.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Trust holds.

The transfers between levels only happen at the end of the reporting period. There has been no transfer between levels from the previous reporting period.

The following table provides an analysis of financial instruments as at reporting date that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable.

30 June 2022	Level 1	Level 2	Level 3	Total
Financial assets	\$'000	\$'000	\$'000	\$'000
Private equity investments	-	-	340,944	340,944
Unlisted managed investment funds	-	2,957	-	2,957
<b>Total</b>	-	2,957	340,944	343,901
30 June 2021	Level 1	Level 2	Level 3	Total
Financial assets	\$'000	\$'000	\$'000	\$'000
Private equity investments	-	-	234,380	234,380
Unlisted managed investment funds	-	3,062	-	3,062
Unlisted equities	-	7,855	-	7,855
<b>Total</b>	-	10,917	234,380	245,297

As of 30 June 2022, where available, all investments in private equity investments and unlisted managed investment funds were valued using the NAV reported by the underlying investment manager. The fair value measurements are discussed and assessed during the periodic review by the Investment Manager.

The carrying amount of cash, trade and other receivables and other payables approximate their fair values.

**12 Financial risk management (continued)**

**d. Fair value measurement (continued)**

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within level 3 between the beginning and the end of the reporting period:

30 June 2022	Opening balance	Purchases	Sales	Net transfers in/ (out)	Net changes in the fair value of financial instruments measured at fair value through profit or loss	Closing balance	Total gain/(loss) for the year included in net changes in the fair value of financial instruments attributable to Level 3 instruments held at financial year end
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Private equity investments	234,380	48,524	-	-	58,040	340,944	58,040
<b>Total</b>	<b>234,380</b>	<b>48,524</b>	<b>-</b>	<b>-</b>	<b>58,040</b>	<b>340,944</b>	<b>58,040</b>
30 June 2021	Opening balance	Purchases	Sales	Net transfers in/ (out)	Net changes in the fair value of financial instruments measured at fair value through profit or loss	Closing balance	Total gain/(loss) for the year included in net changes in the fair value of financial instruments attributable to Level 3 instruments held at financial year end
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Private equity investments	97,300	75,645	-	-	61,435	234,380	61,435
<b>Total</b>	<b>97,300</b>	<b>75,645</b>	<b>-</b>	<b>-</b>	<b>61,435</b>	<b>234,380</b>	<b>61,435</b>

For total gains and losses recognised during the period in the statement of profit or loss and comprehensive income, the amount that is attributable to the change in unrealised gains relating to assets classified within level 3 at the end of the period is \$58.0 million (30 June 2021: \$61.4 million).

At reporting date, if the unobservable inputs had been 10% higher and 15% lower (30 June 2021: 10% higher and 15% lower) profit or loss of the Trust would have increased by \$5.8 million and decreased by \$8.7 million (30 June 2021: increased by \$6.1 million and decreased by \$9.2 million).

## 13 Related party transactions

### Responsible Entity

The Responsible Entity of Pengana Private Equity Trust is Pengana Investment Management Limited (ABN 69 063 081 612). Accordingly, transactions with entities related to Pengana Investment Management Limited are disclosed below.

### Key management personnel

#### Directors

Key management personnel includes persons who were directors of Pengana Investment Management Limited at any time during the financial period or since the end of the year end and up to the date of this report:

Ellis Varejes	Independent Non-Executive Director and Chairman
Ilan Zimmerman	Independent Non-Executive Director
Russel Pillemer	Chief Executive Officer and Managing Director
Katrina Glendinning	Executive Director

### Key management personnel unitholdings

At 30 June 2022, Katrina Glendinning held 53,933 units in the Trust (30 June 2021: 53,933 units).

### Key management personnel compensation

Key management personnel are paid by Pengana Capital Group (ASX: PCG). Payments made from the Trust to the Responsible Entity do not include any amounts directly attributable to the compensation of key management personnel and are not related to services that directors render to individual funds.

### Key management personnel loan disclosures

The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

### Other transactions within the Trust

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Trust during the reporting period and there were no material contracts involving key management personnel's interests existing at year end.

### Responsible Entity's fees and other transactions

Under the terms of the Trust's Constitution and the current Product Disclosure Statement for the Trust, the Responsible Entity is entitled to receive fees monthly.

Pengana Investment Management Limited ('PIML') is the Responsible Entity of the Trust. The Responsible Entity has appointed Pengana Capital Limited ('PCL'), also a member of Pengana Capital Group (PCG), as the Manager of the Trust. The Manager has appointed Grosvenor Capital Management, L.P. ('GCM' or 'Investment Manager') as the investment manager of the Portfolio of the Trust.

The Trust pays PIML a responsible entity fee of 0.05% p.a. and pays PCL a management fee of 1.20% p.a. for the management and operational oversight of the Trust. PCL pays a portion of the Management Fee to GCM pursuant to the Investment Management Agreement.

The total value and investment return of the Alignment Shares is not included when calculating the responsible entity fee and management fee payable by the Trust. The responsible entity fee of 0.05% p.a. and the management fee of 1.20% p.a. are calculated monthly in arrears using the gross value of the investment portfolio. The fees are payable directly from the Trust and reflected in the NAV per Unit.

The costs of the offer ('IPO'), the issue of Alignment shares, and the Rights issue were paid by PCG and PCG has no intention of claiming reimbursement of such costs.

The performance fee is payable to Pengana Investment Management Limited ('PIML'). The performance fee potentially payable by the Trust is equal to 20% of the Trust Outperformance, namely of the Trust's Total Return in excess of the Hurdle Return (being 8% p.a.) and subject to the NAV being greater than the Trust's High Water Mark ("HWM"). The HWM is equal to the NAV less the value of the Alignment Shares at the end of the latest Performance Fee Payment Period in which the Trust paid a Performance Fee ("Last Payment Period"). The initial HWM is equal to the initial NAV less the initial value of the Alignment Shares. The HWM will be adjusted for capital flows into and out of the Trust (including from distributions) following the Last Payment Period. The Performance Fee is calculated and accrued monthly and payable to Pengana from the Trust each half-year period ending 30 June or 31 December. The total value and investment return of the Alignment Shares are not included when calculating the Performance Fee payable.

### 13 Related party transactions (continued)

#### Responsible Entity's fees and other transactions (continued)

Transactions with related parties have taken place in the ordinary course of business. The transactions during the year and amounts at period end between the Trust and the Responsible Entity were as follows:

	<b>30 June 2022</b>	30 June 2021
	\$	\$
Responsible entity fee and management fee	<b>4,873,564</b>	3,578,712
Aggregate amount payable for Responsible entity fee and management fee	<b>487,669</b>	334,243
Performance fee	<b>14,530,885</b>	-
Aggregate amount payable for Performance fee	<b>4,334,982</b>	-

#### Investment Manager fees

Two types of fees are payable from the Trust to the Investment Manager (GCM) in respect of the Investment Manager's investment management of the Secondaries Sub-Portfolio, namely the Secondaries Management Fee and the Secondaries Carried Interest Fee. Refer to sections 12.3.4.1 and 12.3.4.1 in the Product Disclosure Statement dated 22 February 2019 for further details on the Secondaries Management fee and the Carried interest Fee

The transactions during the year and amount at period end between the Trust and the Investment Manager were as follows:

	<b>30 June 2022</b>	30 June 2021
	\$	\$
Secondaries management fee and carried interest fee	<b>765,783</b>	276,573
Aggregate amount payable for carried interest fee	<b>861,481</b>	242,933

#### Investments

GCM as the Investment Manager invests the Trust's capital primarily by allocating capital through GCM funds and underlying funds managed by third-party managers who invest in a wide range of different Portfolio Companies.

GCM also makes investments directly on behalf of the Trust.

GCM and other members of the GCM Group also serve as the manager of a number of the underlying funds in which the Trust invests ("GCM funds"). The GCM Group receives management fees and/or incentive compensation from these GCM funds. The Trust will also invest in other underlying funds (other than the GCM funds) and the managers of these other underlying funds will also receive management fees and/or incentive compensation.

The capital commitments the Trust has with GCM funds as at 30 June 2022 are disclosed in Note 15.

### 13 Related party transactions (continued)

#### Investments (continued)

The Trust did not hold any investments in Pengana Investment Management Limited and Pengana Capital Limited during the year. The Trust held investments in the following related parties at 30 June 2022.

	Fair value of investment		Interest held		Commitments / In kind contributions		Dividends/ Distributions received during the year	
	\$ 30 June 2022	30 June 2021	% 30 June 2022	30 June 2021	Units / Value 30 June 2022	30 June 2021	\$ 30 June 2022	30 June 2021
Pengana Capital Group Limited Convertible Preference shares*	-	7,854,765	-	4.75	-	4,909,228	561,055	441,831
GCM Grosvenor Co-Investment Opportunities Feeder Fund II, L.P.	66,951,367	47,059,248	11.35	11.35	53,806,442	49,284,049	7,292,549	-
GCM Grosvenor Multi-Asset Class Fund II, L.P.	140,505,909	132,684,262	5.80	5.80	82,891,006	75,924,076	-	-
GCM Grosvenor SP Mid Market Opportunities Fund, L.P.	17,971,422	15,633,598	23.24	23.24	28,728,594	123,830,482	9,906,959	-
GCM Grosvenor CPP Investment Board Mid Market Opportunities Fund II, L.P.	7,848,000	9,424,274	23.24	23.24	9,631,669	30,957,620	2,459,942	-
GCM Grosvenor CPP Investment Board Co-Investment Fund, L.P.	1,225,448	240,244	23.24	23.24	1,577,926	12,383,048	-	-
Grosvenor Secondary Opportunities Feeder Fund III, L.P.	7,446,288	3,382,769	8.13	7.71	62,531,811	43,956,044	-	-
GCM Grosvenor CPP Investment Board Mid Market Opportunities Fund, L.P.	173,849	347,437	23.24	23.24	2,384,334	2,183,931	944	-
GCM Grosvenor Multi-Asset Class Fund III, L.P.	40,763,157	-	23.55	-	101,795,972	-	-	-
GCM Grosvenor Strategic Credit Sidecar Feeder, L.P.	-	-	14.63	-	17,450,738	-	-	-

\*The investment made in relation Pengana Capital Group Limited Convertible Preference shares is for the Alignment Shares issued by PCG to the Trust amounting to 5% of the total amount raised from the IPO.

PCG issued the Alignment shares to the Trust at a nominal cost, being an aggregate price of \$1.00 for all shares issued. On 31 August 2021 the Responsible Entity determined to distribute all of the Trust's holding in Pengana Capital Group Limited Convertible Preference shares. On 30 September 2021 eligible Unitholders received an in-specie distribution of one PCG share for every 48.9 PE1 units held by them on record date.

For further details on the alignment shares please refer Section 9 of the replacement Product Disclosure statement issue date 22 February 2019.

### 13 Related party transactions (continued)

#### Related party schemes' unitholdings

Parties related to the Trust, including the Responsible Entity, its associates and other schemes managed by Pengana Capital Group Limited (PCG), held the following units in the Trust at the end of the year:

30 June 2022	Number of units held	Interest held %	Number of units acquired during the year	Number of units disposed of during the year	Distributions paid or payable during the year \$
Pengana Capital Ltd	1,798,994	0.75	2,783,133	(984,139)	(62,623)

There were no related party investors at 30 June 2021.

### 14 Statement of operations by segment

The Trust has identified its operating segments based on the internal reports that are reviewed and used by the Chief Investment Officer of the Investment Manager in assessing and determining the allocation of resources.

The Trust operates in one business segment, being investment in securities.

## 15 Contingent liabilities and commitments

There were no contingent liabilities at 30 June 2022 that required disclosure (30 June 2021: nil).

At 30 June 2022, the Trust has the following capital commitments:

30 June 2022	Total capital commitment	Called up capital	Unfunded capital commitment
Investee	\$	\$	\$
GCM Grosvenor Co-Investment Opportunities Feeder Fund II, L.P.	53,806,442	40,460,552	13,345,890
GCM Grosvenor Multi-Asset Class Fund II, L.P.	82,891,006	82,891,006	-
Carlyle Credit Opportunities Fund Parallel L.P.	7,271,140	4,569,681	2,701,459
Vista Equity Endeavour Fund II A L.P.	5,816,912	3,030,454	2,786,458
HIG Middle Market LBO Fund III L.P.	4,202,719	2,678,093	1,524,626
WPEF VIII Feeder L.P.	6,468,974	2,071,385	4,397,589
Alpine Investors III L.P.	1,429,991	1,333,737	96,254
Alpine Investors IV L.P.	363,557	299,581	63,976
Alpine Investors VI L.P.	363,557	240,439	123,118
Alpine Investors VII L.P.	727,114	582,428	144,686
H.I.G. Europe Middle Market LBO Feeder Fund L.P.	5,553,192	314,629	5,238,563
Riverside Micro-Cap Fund V L.P.	5,854,723	4,489,585	1,365,138
Cornell Capital Partners Ii Parallel L.P.	5,816,913	1,337,890	4,479,023
Wynnchurch Capital Partners V L.P.	7,271,141	2,955,680	4,315,461
Peak Rock Capital Fund III L.P.	5,816,913	1,827,114	3,989,799
Valiant Peregrine Fund 2, L.P.	5,816,913	651,495	5,165,418
Cobalt Strategic Partners I, L.P.	5,816,913	5,191,922	624,991
GCM Grosvenor CPP Investment Board Mid-Market Opportunities Fund II, L.P.	9,631,669	6,522,827	3,108,842
GCM Grosvenor CPP Investment Board Mid-Market Opportunities Fund, L.P.	2,384,334	306,917	2,077,417
MC Private Equity Partners I-A, L.P.	2,095,168	1,963,283	131,885
MIC Capital Partners III Parallel (Cayman) L.P.	1,080,228	1,006,183	74,045
GCM Grosvenor CPP Investment Board Co-Investment Fund, L.P.	1,577,926	47,012	1,530,914
GCM Grosvenor Secondary Opportunities Feeder Fund III, L.P.	62,531,811	6,997,059	55,534,752
The Veritas Capital Fund VII L.P.	10,179,597	8,614,173	1,565,424
Falfurrias Capital Partners V L.P.	7,271,141	1,636,007	5,635,134
GCM Grosvenor Multi-Asset Class Fund III L.P.	101,795,972	40,718,389	61,077,583
Iconiq Strategic Partners VI-B L.P.	3,053,879	1,787,507	1,266,372
TSG9 Parallel L.P.	5,816,913	-	5,816,913
Alpine Investors Ingenio CV L.P.	771,935	478,933	293,002
GCM Grosvenor SP Mid Market Opportunities Fund, L.P.	28,728,594	14,268,036	14,460,558
GCM Grosvenor Strategic Credit Sidecar Feeder, L.P.	17,450,738	-	17,450,738
	<u>459,658,025</u>	<u>239,271,997</u>	<u>220,386,028</u>

The Investment Manager actively manages unfunded commitments and direct/Co-investment reserve obligations. In carrying out this process the Investment Manager monitors distributions from underlying funds to effectively recycle and rebalance capital and models and tracks the cash flow requirements of the underlying commitments to ensure the Trust has sufficient liquidity to fund capital calls.

The Trust may also borrow directly or through an intermediary to fund investments or pay fees and expenses or to address the timing issues associated with the acquisition of investments and re-investment of proceeds. The Trust will not borrow in excess of 25% of the NAV. The Trust does not currently expect to borrow in excess of 15% of NAV and requires the consent of the Manager to do so. Any such borrowing may be secured by the assets of the Trust.

**15 Contingent liabilities and commitments (continued)**

30 June 2021	Total capital commitment	Called up capital	Unfunded capital commitment
Investee	\$	\$	\$
GCM Grosvenor Co-Investment Opportunities Feeder Fund II, L.P.	49,284,049	32,255,715	17,028,334
GCM Grosvenor Multi-Asset Class Fund II, L.P.	75,924,076	75,924,076	-
Carlyle Credit Opportunities Fund Parallel L.P.	6,660,007	4,210,594	2,449,413
Vista Equity Endeavour Fund II A L.P.	5,328,005	941,650	4,386,355
HIG Middle Market LBO Fund III L.P.	3,849,484	305,832	3,543,652
WPEF VIII Feeder L.P.	6,721,285	-	6,721,285
Alpine Investors III L.P.	1,309,801	1,221,637	88,164
Alpine Investors IV L.P.	333,000	274,401	58,599
Alpine Investors VI L.P.	333,000	220,230	112,770
Alpine Investors VII L.P.	666,001	305,257	360,744
H.I.G. Europe Middle Market LBO Feeder Fund L.P.	5,769,785	144,245	5,625,540
Riverside Micro-Cap Fund V L.P.	5,362,637	2,651,385	2,711,252
Cornell Capital Partners Ii Parallel L.P.	5,328,005	-	5,328,005
Wynnchurch Capital Partners V L.P.	6,660,007	1,351,553	5,308,454
Peak Rock Capital Fund III L.P.	5,328,005	-	5,328,005
Valiant Peregrine Fund 2, L.P.	5,328,005	-	5,328,005
Evolution Media V, L.P.	5,328,005	4,616,693	711,312
GCM Grosvenor CPP Investment Board Mid-Market Opportunities Fund II, L.P.	8,822,134	6,199,547	2,622,587
GCM Grosvenor CPP Investment Board Mid-Market Opportunities Fund, L.P.	2,183,931	291,575	1,892,356
GCM Grosvenor SP Mid Market Opportunities Fund, L.P.	26,313,977	15,633,598	10,680,379
MC Private Equity Partners I-A, L.P.	1,919,070	1,026,217	892,853
MIC Capital Partners III Parallel (Cayman) L.P.	989,436	595,556	393,880
GCM Grosvenor CPP Investment Board Co-Investment Fund, L.P.	1,445,303	189,370	1,255,933
GCM Grosvenor Secondary Opportunities Feeder Fund III, L.P.	43,956,044	3,157,866	40,798,178
The Veritas Capital Fund VII L.P.	<u>9,324,009</u>	<u>5,450,677</u>	<u>3,873,332</u>
	<u>284,467,061</u>	<u>156,967,674</u>	<u>127,499,387</u>

The total value of capital commitments in local currency amounts to USD 308 million and EUR 8 million as at 30 June 2022 (30 June 2021: USD 204 million and EUR 8 million) of which USD \$162,894,646 and EUR \$1,569,413 have been called to date. An amount of USD \$144,922,152 and EUR \$6,338,227 remains uncalled by the investment managers.

**16 Subsequent events**

In the latest release to the ASX on 10 August 2022 the Trust reported a NAV per unit as at 31 July 2022 of \$1.6212 (31 July 2021: \$1.3881).

Other than the above, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly or may significantly affect the Trust's operations, the results of those operations or the Trust's state of affairs in future years.

## DIRECTORS' DECLARATION

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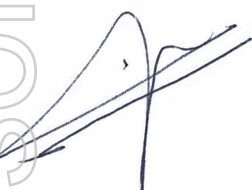
In accordance with a resolution of the Responsible Entity of Pengana Private Equity Trust, I state that:

- a the financial statements and notes of the Trust for the financial year ended 30 June 2022 are in accordance with the *Corporations Act 2001*, including:
  - giving a true and fair view of the financial position of the Trust as at 30 June 2022 and of its performance as represented by the results of its operations and cash flows for the period ended on that date; and
  - complying with Australian Accounting Standards, the *Corporations Regulations 2001*, International Financial Reporting Standards as disclosed in Note 2 and other mandatory professional reporting requirements; and
- b there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ended 30 June 2022.

This declaration is made in accordance with a resolution of the Directors of the Responsible Entity.

On behalf of the Board,



Ellis Varejes

**Chairman, Pengana Investment Management Limited**  
**29 August 2022**



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## Independent auditor's report to the unitholders of Pengana Private Equity Trust

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Pengana Private Equity Trust (the Trust), which comprises the statement of financial position as at 30 June 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Trust is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the Trust's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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Investment – Existence and Valuation

Why significant	How our audit addressed the key audit matter
<p>The Trust has a significant investment portfolio consisting primarily of unlisted securities, including unlisted investment funds and unlisted shares. As at 30 June 2022, the value of these unlisted investments was \$343,901,210 which equates to 74% of the total assets of the Trust.</p> <p>As detailed in the Trust’s accounting policy described in Note 2a of the financial report, these financial assets are recognized at fair value through profit or loss in accordance with Australian Accounting Standards.</p> <p>Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and the financial report. Accordingly, valuation of the investment portfolio was considered a key audit matter.</p>	<p>We assessed the effectiveness of the controls related to the recognition and valuation of investments.</p> <p>We obtained and considered the assurance report on the controls of the Trust’s administrator in relation to Fund Administration Services for the year ended 30 June 2022 and considered the auditor’s qualifications and objectivity and the results of their procedures.</p> <p>We agreed a representative sample of investment holdings, including cash accounts, to third party confirmations at 30 June 2022.</p> <p>We assessed the fair value of a representative sample of investments held at 30 June 2022. For unlisted UCITS funds we independently sourced their 30 June 2022 published prices and compared to the prices recorded by the Trust.</p> <p>For a representative sample of unlisted private equity funds we:</p> <ul style="list-style-type: none"> <li>- obtained an understanding of the key processes adopted by management to determine the fair value of the investment at balance date;</li> <li>- confirmed the investment balances, the pro-rata ownership, and future commitments with the respective investee fund managers;</li> <li>- obtained the most recent audited financial statements of the underlying investment funds (as at 31 December 2021), reviewing the nature of the underlying investments held and the recorded fair values of the investments including the accounting basis adopted for such valuations;</li> <li>- reviewed the independence, competence and objectivity of the auditing firms of the unlisted private equity funds and reviewed the content of their audit opinions;</li> <li>- obtained from management their assessment of the most recent unaudited financial information of material unlisted private equity funds (as at 31 March 2022 or 30 June 2022, as available) and</li> </ul>

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	<p>obtained information from the underlying investment manager (as available) and evaluated the quantum and reasonableness of any material fair value movements (or the lack thereof) from the date of the latest audited financial information by comparing them to publicly available market information.</p> <p>We assessed the adequacy of the disclosures in Note 11 of the financial report in accordance with the requirements of Australian Accounting Standards.</p>
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### Management and Performance Fees

Why significant	How our audit addressed the key audit matter
<p>Responsible Entity and Management fees and performance fees paid to the Responsible Entity, Pengana Investment Management Limited, is a significant operating expense for the Trust. The Trust also directly pays the Manager a management fee and carried interest for those Secondaries investments directly held.</p> <p>The Trust's accounting policy for Investment Manager Fees is described in Note 12 to the financial report. Performance fees are recognized in the financial report if the performance hurdles for the Trust have been met at the end of the relevant measurement period, which is the date that the performance criteria is met and the liability has been crystallized.</p> <p>For the period ended 30 June 2022, Responsible Entity and management fees totalled \$4,873,564 which equates to 23% of total expenses. Secondaries management fee and carried interest fee totalled \$765,783 which equates to 3.6% of total expenses. Performance fees (excluding GST recovered) totalled \$14,530,885 which equates to 68.6% of total expenses.</p> <p>The assessment of performance fee arrangements can be complex and judgmental due to uncertainty around future performance.</p> <p>The quantum of these expenses and the impact that market volatility can have on the recognition of performance fees, resulted in this</p>	<p>We assessed the effectiveness of the controls in relation to the calculation of Responsible Entity and management fee, and Secondaries management fee and carried interest fee, and performance fees at the service provider responsible for the calculation.</p> <p>We recalculated Responsible Entity and management fees, in accordance with the Trust's Product Disclosure Statement and the Trust's Constitution, including verifying the fee rate to the agreement. We also recalculated the Secondaries management and carried interest fees, in accordance with the Product Disclosure Statement.</p> <p>We assessed the performance fee calculation, including testing the inputs into the calculation model and assessed whether the calculation was in line with the relevant Trust's Product Disclosure Statement and the Trust's Constitution.</p> <p>We also assessed whether the criteria for accrual of a performance fee liability were met at 30 June 2022.</p> <p>We assessed the adequacy of the disclosures in Note 12 of the financial report in accordance with the requirements of Australian Accounting Standards.</p>

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Why significant	How our audit addressed the key audit matter
being a key audit matter. The disclosure of these amounts is included in Note 12 to the financial report.	

### Information other than the financial report and auditor’s report thereon

The directors of Pengana Investment Management Pty Limited, the Responsible Entity of the Trust, are responsible for the other information. The other information comprises the information included in the Trust’s 2022 annual report other than the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon,

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the financial report

The directors of the Responsible Entity of the Trust are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Trust’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

### Auditor’s responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit

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evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Responsible Entity of the Trust.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*Ernst & Young*

Ernst & Young

*Jaddus M D Manga-Neto*

Jaddus Manga

Partner

Sydney

29 August 2022

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## ASX INFORMATION (UNAUDITED)

The shareholder information set out below was applicable as at 19 August 2022.

### Distribution of unitholders

Analysis of number of equitable security holders by size of holding:

Range	Number of unitholders	Number of units	% units
1 - 1,000	228	115,667	0.04
1,001 - 5,000	726	2,280,069	0.82
5,001 - 10,000	981	7,472,560	2.68
10,001 - 100,000	3224	98,975,098	35.53
100,001 and Over	310	169,706,945	60.93
<b>Total</b>	<b>5,469</b>	<b>278,550,339</b>	<b>100.0</b>

### Holders holding less than a marketable parcel

	Minimum parcel size	Unotholders	Ordinary units
Minimum \$ 500.00 parcel at \$ 1.5350 per unit	326	68	3,697

### Substantial unitholders

As at 19 August 2022 the following unitholders have notified the Trust that they are the substantial unitholders:

	Number of units	% of total issued units
Westpac Banking Corporation	22,940,985	8.25%

## ASX INFORMATION (UNAUDITED) (continued)

### 20 Largest unitholders

	Number of units	% of total units
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	25,424,430	9.13
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	17,804,318	6.39
NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	15,926,586	5.72
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	15,384,556	5.52
NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	13,856,966	4.97
NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	4,133,980	1.48
CITICORP NOMINEES PTY LIMITED	2,547,975	0.91
CITICORP NOMINEES PTY LIMITED <DPSL A/C>	2,491,029	0.89
NATIONAL NOMINEES LIMITED	2,418,617	0.87
PENGANA CAPITAL LTD	1,828,994	0.66
COLONIAL FIRST STATE INV LTD <6746319 E&A A/C>	1,600,000	0.57
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,433,905	0.51
ABYANEH PTY LTD <RWK SUPER FUND A/C>	1,292,454	0.46
LEROMA PTY LTD <KAMENEV FAMILY A/C>	1,212,000	0.44
MS MARGARET LEONIE O'HANLON <PRENDERGAST&O'HANLON FAM A/C>	1,159,361	0.42
CAPITEL PACIFIC PTY LIMITED	1,082,666	0.39
WARWICK NEGUS & LOUISE GREEN <NEGUS GREEN SUPER A/C>	1,082,666	0.39
FERNWAYE PTY LTD <FOLIE STAFF SUPER FUND A/C>	998,272	0.36
ANDREW CREE + EVA ATTEBO <CREE & ATTEBO S/F A/C>	797,519	0.29
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS IOOF EMPLOYER SUPER A/C>	695,190	0.25
<b>Totals: Top 20 holders of ORDINARY FULLY UNITS</b>	<b>113,171,484</b>	<b>40.63</b>
<b>Total Remaining Holders Balance</b>	<b>165,378,855</b>	<b>59.37</b>

As at 19 August 2022 there were 5,469 unitholders.

### Voting rights

Subject to the Trust's constitution:

- At meetings of unitholders, each unitholder is entitled to vote in person, by proxy, by attorney or by representative;
- On a show of hands, each unitholder present in person, by proxy, by attorney or by representative is entitled to one vote;
- On a poll, each unitholder present in person, by proxy, by attorney or by representative is entitled to one vote for every share held by the unitholder.

In the case of joint holdings, only one joint holder may vote.

## **. ASX INFORMATION (UNAUDITED) (continued)**

### **Voting by proxy**

Unitholders may appoint a proxy or attorney to represent them at a unitholder meeting. If a proxy is appointed and the unitholder attends the meeting then that proxy is automatically revoked.

A corporate unitholder may appoint a proxy, an attorney or a corporate representative.

### **Distribution payments**

The Trust offers unitholders the following choices of how distribution entitlements can be received:

- Cash – a cheque is mailed to the unitholder’s registered address
- Direct Credit Deposit –the distribution is paid directly to the nominated bank account. Direct credits avoid delay in postal delivery and the possibility of lost cheques and are therefore a preferred option.

### **Transaction in securities**

	<b>30 June 2022</b>	<b>30 June 2021</b>
Total number of transactions in securities during the year	57	35
Transaction costs paid or accrued during the year	239,244	164,709

### **Principal registered address of the company**

The principal registered office is Level 1, 2 and 3 60 Martin Place, Sydney, NSW 2000 Australia. Telephone (02) 8524 9900.

### **Registry**

Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney NSW 2000. Investor Enquiries (02) 8216 5700.

### **Stock exchange listing**

Quotation has been granted for all the units of the Trust on all Member Exchanges of the Australian Securities Exchange Limited (“ASX”). The Trust shares are traded under the symbol PE1. Details of trading activity are published in most daily newspapers and also obtainable from the ASX website:

[www.asx.com.au](http://www.asx.com.au).

## ASX INFORMATION (UNAUDITED) (continued)

### Investment management agreement

The Manager has appointed Grosvenor Capital Management L.P (the 'Investment Manager'), under an Investment Management Agreement dated 11 February 2019, to manage the investment portfolio of the Trust. The Investment Manager manages and supervises all investments of the Trust, including providing monthly valuations, for the term of the contract.

#### Term

The Investment Management Agreement is for an initial period of 10 years commencing on the date the Trust listed on the ASX (March 2019), unless terminated earlier in accordance with terms of the Investment Management Agreement.

#### Powers of Investment Manager

For the purpose of carrying out its functions and duties under the Investment Management Agreement, the Investment Manager has the powers of a natural person and absolute and unfettered discretion to manage the investment portfolio and to do all things and execute all documents necessary for the purpose of managing the investment portfolio.

#### Responsible entity fee and management fee

In return for the management and the operational oversight of the Trust the Manager and the Responsible entity are entitled to a management fee of 1.20% per annum and a responsible entity fee of 0.05% p.a. of the gross value of the investment portfolio respectively, payable on a monthly basis.

#### Performance fee

The Manager is also entitled to a Performance Fee, equal to monthly 20% of any out-performance of the investment portfolio compared to the hurdle return (being 8% p.a.) in Australian Dollars. The fee is aggregated daily and paid each half-year period.

## INVESTMENTS AT MARKET VALUE

As at 30 June 2022 (unaudited)

Company Name	Market Value \$'000	% of Gross Assets
<b>Financials</b>		
Alpine Investors III L.P.	285	0.06
Alpine Investors Ingenio C.V. L.P.	478	0.11
Alpine Investors IV L.P.	35	0.01
Alpine Investors VI L.P.	954	0.21
Alpine Investors VII L.P.	1,435	0.32
Carlyle Credit Opportunities Fund Parallel L.P.	5,234	1.17
Cobalt Strategic Partners I L.P.	7,474	1.67
Cornell Capital Partners II Parallel L.P.	1,422	0.32
Falfurrias Capital Partners L.P.	1,563	0.35
GCM Grosvenor Co-Investment Opportunities Feeder Fund II L.P.	66,951	14.98
GCM Grosvenor CPP Investment Board Co-Investment Fund L.P.	1,225	0.27
GCM Grosvenor CPP Investment Board Mid-Market Opportunities Fund L.P.	174	0.04
GCM Grosvenor CPP Investment Board Mid-Market Opportunities Fund II L.P.	7,848	1.76
GCM Grosvenor Multi Asset Class Fund II L.P.	140,506	31.43
GCM Grosvenor Multi Asset Class Fund III L.P.	40,763	9.12
GCM Grosvenor SP Mid Market Opportunities Fund L.P.	17,972	4.02
Grosvenor Secondary Opportunities Feeder Fund Fund III L.P.	7,446	1.67
HIG Europe Middle Market LBO Feeder Fund L.P.	313	0.07
HIG Middle Market LBO Fund III L.P.	3,128	0.70
Iconiq Strategic Partners VI B L.P.	1,778	0.40
MC Private Equity Partners I A L.P.	1,422	0.32
MIC Capital Partners III Parallel Cayman L.P.	1,175	0.26
Prak Rock Capital Fund III L.P.	1,741	0.39
Pimco Global Investment Grade Credit Fund Accumulation	1,410	0.32
Riverside Micro Cap Fund V L.P.	6,330	1.42
TCW Metwest Unconstrained Bond Fund	1,547	0.35
The Veritas Capital Fund VII L.P.	13,204	2.95
Valiant Peregrine fund 2 L.P.	553	0.12
Vista Equity Endeavour Fund II A L.P.	3,447	0.77
WPEF VIII Feeder L.P.	2,497	0.56
Wynchurch Capital Partners V L.P.	3,591	0.80
<b>Total long portfolio</b>	<b>343,901</b>	<b>76.93</b>
<b>Total cash and cash equivalents, income receivables and outstanding settlements</b>	<b>103,105</b>	<b>23.07</b>
<b>Gross assets</b>	<b>447,006</b>	

## CORPORATE DIRECTORY

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### PRINCIPAL AND REGISTERED OFFICE

**Pengana Investment Management Limited**  
Level 1, 2 and 3 60 Martin Place, Sydney,  
NSW 2000 Australia

Telephone (61 2) 8524 9900

Facsimile (61 2) 8524 9901

Website [www.pengana.com](http://www.pengana.com)

Email [clientservice@pengana.com](mailto:clientservice@pengana.com)

### DIRECTORS

**Ellis Varejes**

Independent Non-Executive Director and Chairman

**Ilan Zimerman**

Independent Non-Executive Director

**Russel Pillemer**

Chief Executive Officer and Managing Director

**Katrina Glendinning**

Executive Director

### COMPANY SECRETARY

Paula Ferrao

### AUDITOR

**Ernst & Young**

200 George Street  
Sydney NSW 2000 Australia

### UNIT REGISTRY

**Computershare Investor Services Pty Limited**

Level 4, 60 Carrington St  
Sydney NSW 2000 Australia

Telephone (61 2) 8234 5000

Website [www.computershare.com/au](http://www.computershare.com/au)

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# PENGANA

PRIVATE EQUITY TRUST

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