



PENGANA PRIVATE EQUITY TRUST

ARSN 630 923 643

Appendix 4E - Preliminary Final Report

for the year ended 30 June 2023

Results announcement to the market:

	30 June 2023	30 June 2022	Change from the corresponding period
	\$'000	\$'000	%
Total investment income/(loss)	24,790	95,659	(74.1)
Total comprehensive income/(loss) for the half year	17,115	74,482	(77.0)
Basic Earnings per unit (cents per unit)	6.14	29.92	(79.5)
Net Asset Value (NAV) Per Unit	1.6080	1.6130	(0.3)

	Cents per share
Distribution Information	
2023 Interim distribution paid on 23 January 2023	3.30
2023 Final distribution paid on 25 July 2023	3.33

Final Distribution Dates	
Ex- distribution Date	3 July 2023
Record Date	4 July 2023
Last date for DRP	5 July 2023
Payment Date	25 July 2023

Distribution Reinvestment Plan
 The final distribution for the year ended 30 June 2023 of 3.33 cents per unit was paid on 25 July 2023. 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.

For personal use only



PENGANA
PRIVATE EQUITY TRUST



ASX: PE1

PENGANA PRIVATE EQUITY TRUST

30 JUNE
2023

For personal use only
ANNUAL REPORT

PENGANA PRIVATE EQUITY TRUST

ARSN 630 923 643

Suite 1, Level 27
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia

Ph.: +61 2 8524 9900

Fax: +61 2 8524 9901

[PENGANA.COM/PE1](https://www.pengana.com/pe1)

For personal use only

ASX: PE1

**PENGANA
PRIVATE EQUITY
TRUST**



TABLE OF CONTENTS

CHIEF EXECUTIVE OFFICER'S LETTER TO UNITHOLDERS	1
DIRECTORS' REPORT	8
AUDITOR'S INDEPENDENCE DECLARATION	11
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	12
STATEMENT OF FINANCIAL POSITION	13
STATEMENT OF CHANGES IN EQUITY	14
STATEMENT OF CASH FLOWS	15
CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS	16
NOTES TO THE FINANCIAL STATEMENTS	17
DIRECTORS' DECLARATION	35
INDEPENDENT AUDITOR'S REPORT	36
ASX INFORMATION (UNAUDITED)	42
INVESTMENTS AT MARKET VALUE	46
CORPORATE DIRECTORY	47

This report covers Pengana Private Equity Trust (ARSN 630 923 643) as an individual entity.

The Responsible Entity of Pengana Private Equity Trust is Pengana Investment Management Limited (ABN 69 063 081 612).

The Responsible Entity's registered office is: Suite 27.01, Level 27, Governor Phillip Tower, 1 Farrer Place, Sydney, NSW 2000 Australia.

CHIEF EXECUTIVE OFFICER’S LETTER TO UNITHOLDERS

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 four years, seeks to generate attractive returns and capital growth through a selective and diversified approach to private market investments including private equity (including equity funds, co-investments, and direct investments) and private credit.

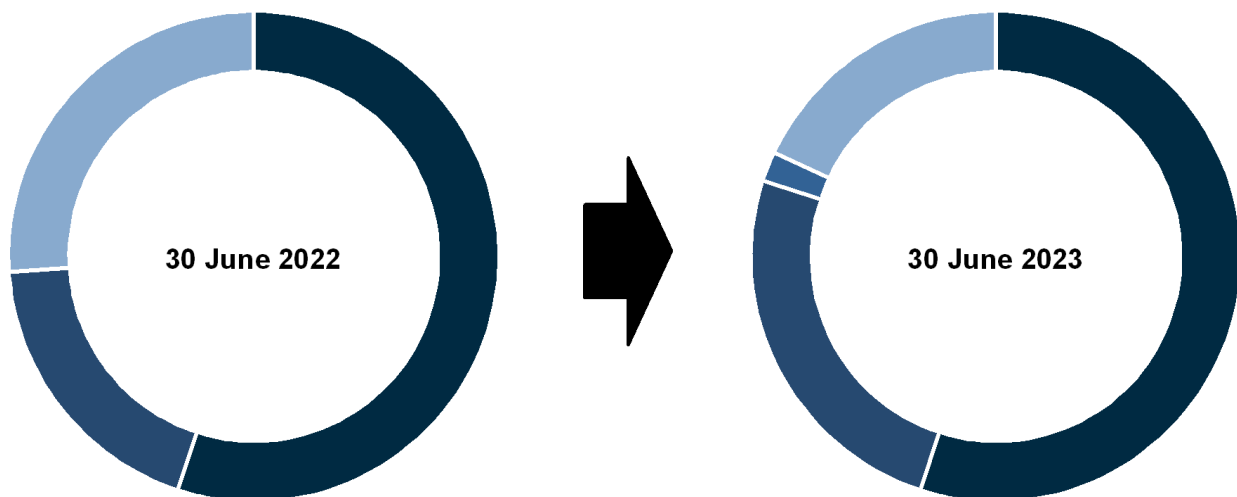
Portfolio Positioning

At the time of PE1’s 2019 IPO, we detailed a capital deployment plan that would transition PE1 from a pool of cash towards a steady state portfolio with a minimum of 70% invested in private equity investments within four years. Having already crossed that threshold in financial year 2022, we continued to build out the portfolio in financial year 2023 by:

- Adding 10 new equity co-investments and direct investments,
- Completing 15 new secondary transactions, adding over 20 underlying funds and over 160 underlying companies,
- Making our first allocation to private credit, with 10 investments already executed,
- Completing our first tactical investment, having reviewed multiple others, and
- Committing to 2 primary funds.

The above activity has decreased the portfolio level cash balance to 18%. Importantly, with certain of our underlying funds making investments on subscription lines¹, PE1’s cash levels sit at ~10% on a look through basis.

Figure 1: Portfolio Changes (Last 12 Months)



Equity Co-Investments & Direct Investments	55%
Equity Funds	19%
Private Credit	0%
Cash	26%

Equity Co-Investments & Direct Investments	55%
Equity Funds	25%
Private Credit	2%
Cash	18%

¹ Subscription lines are loans used by private market funds that allow investments to be made in lieu of irregular capital calls.

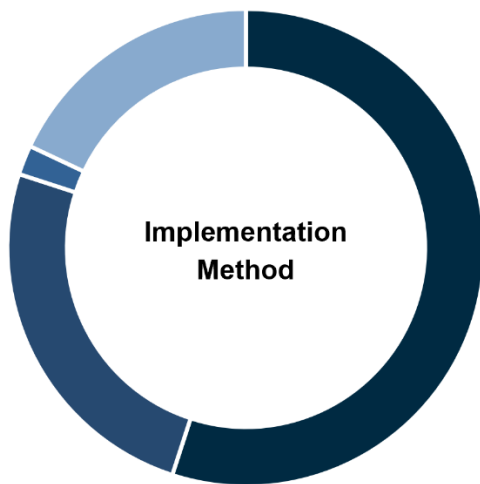
For personal use only

The portfolio, which had a post-distribution NAV of \$450 million, is fully committed (\$489 million) and fully exposed² (\$378 million) to private market investments, and is now also self-funding (and is expected to continue to be going forward). That is, as part of an ongoing cycle and with a goal of maintaining investors' private market exposure over time, forecast distributions from the portfolio's investments together with its existing cash balance has been modelled to fund commitments already made by PE1 as well as to make new commitments.³

PE1 is now overall exposed to over 500 underlying companies and is diversified across multiple dimensions including regions, vintages covering 2003 to present, and implementation methods including 15 primary funds managed by 13 cycle-tested managers, over 90 private equity co-investments and direct investments, and 26 secondary transactions (with over 70 funds and over 275 underlying companies).

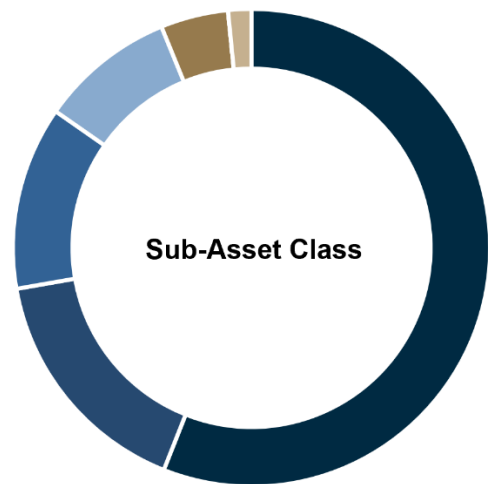
Figure 2: Portfolio Diversification (30 June 2023)⁴

For personal use only



Equity Co-Investments & Direct Investments	55%
Equity Funds	25%
Private Credit	2%
Cash	18%

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



Buyout	56%
Structured Equity	16%
Growth Equity	12%
Special Situations (Including Credit)	9%
Real Estate	5%
Venture Capital	0%
Other	2%

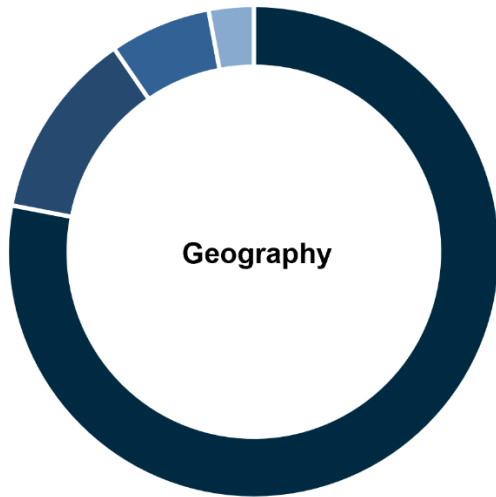
Allocations exclude short duration credit and cash held directly by the Trust and indirectly through underlying funds; includes only private market investments.

² PE1's investment guidelines, as stated in the IPO PDS, include a minimum aggregate long-term target allocation to private equity of 70%.

³ **Past performance is not necessarily indicative of future results. No assurance can be given that any investment will achieve its objectives or avoid losses.** The actual composition of the portfolio may differ from expectations based on factors including, but not limited to, the availability of investment opportunities over the life of the Trust, the performance of the Trust's investments and their lifecycles. GCM may change the portfolio's target asset allocation in response to changes in market conditions.

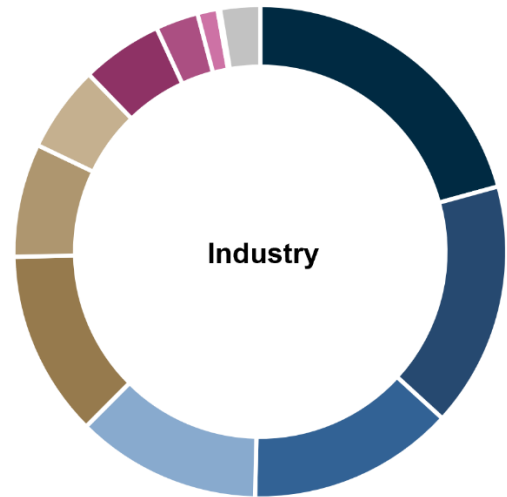
⁴ Portfolio Diversification charts (excluding "Implementation Method"), where applicable, represents the remaining value of the investments and are based on the Fund's percentage of ownership in the investments. Remaining value is reflected gross of both investments and Fund-related management fees, expenses and carried interest, if applicable, as of the valuation date of the respective investments reflected herein. If applicable, charts that are inclusive of both co-investments and underlying holdings of fund investments may reflect a co-investment valuation date as of the fund investment valuation date (i.e., on a quarter lag). Public underlying investments may include, but may not be limited to, investments in publicly-traded equity instruments, such as common and preferred stock, and publicly traded debt instruments, if applicable. Asset-level remaining value is presented gross of fund-level leverage which may be used in lieu of asset-level leverage. As such, the remaining value presented in this report may be a larger portion or exceed the remaining value of the parent investment.

Figure 2: Portfolio Diversification (30 June 2023) (continued)



North America	78%
Europe	12%
Asia/Oceania	7%
Other	3%

Allocations exclude short duration credit and cash held directly by the Trust and indirectly through underlying funds; includes only private market investments.



Information Technology	21%
Industrials	16%
Consumer Discretionary	14%
Health Care	12%
Financials	12%
Consumer Staples	7%
Real Estate	6%
Materials	5%
Communication Services	3%
Energy	1%
Utilities	0%
Other	3%

Allocations exclude short duration credit and cash held directly by the Trust and indirectly through underlying funds; includes only private market investments.

For personal use only

Performance and Attribution⁵

The Trust generated a net return of +1.9% over the 2023 financial year. Prior to completion of the year-end audit, we received a number of updated valuations reflecting changes in the value of some underlying assets of 30 June 2023. The impact of these valuation changes has been incorporated into the performance stated in this section and will be incorporated in PE1's 31 August 2023 NAV per unit which is scheduled to be released during September.

PE1 achieved its target cash distribution yield of 4% of the NAV, having made its largest annual distribution to date, totalling 6.63 cents per unit.

⁵ 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. The NAV per unit at inception is based on the subscription price per unit which is equal to \$1.25.

Figure 3: Cumulative NAV Per Unit Return Since Inception (23 April 2019 to 30 June 2023)



Figure 4: Trailing Period Net Returns to 30 June 2023

1 YEAR	3 YEARS (ANNUALISED)	SINCE INCEPTION (ANNUALISED)
1.9%	16.2%	11.1%

Private equity and private markets have not been immune from the macro headwinds caused by supply chain disruption, tight labour market, geopolitical tensions, and unprecedented fiscal policy, all of which have led to persistent inflation. The ensuing hawkish monetary policy designed to curb inflation has resulted in volatility across markets, creating a deal environment characterised by lower deal volume, a tighter credit market, and fewer liquidity options. In particular, we saw buyout activity slow down by at least 19% by deal value across regions, and IPO and M&A activity by ~75% and ~24%, respectively, YoY in 2022.

Against this backdrop, the NAV was driven by a -3.8% contribution from private market valuations, which was more than completely offset by positive FX contributions resulting from the depreciation of the AUD. PE1 intentionally operates unhedged due to the negative historical correlation between the AUD and foreign currencies in times of market dislocations. The unhedged structure is designed to act as a damper on the Trust's volatility.

Our holding in GCM Grosvenor Multi-Asset Class Fund II (MAC II) was behind much of the negative private equity contribution. MAC II, which is the largest holding within PE1 due to initial position sizing as well as subsequent performance, saw several holdings (including direct investments and co-investments) marked lower as a result of general market re-rating rather than declines in the fundamental performance of these businesses.

For personal use only

MAC II's performance was somewhat offset by secondaries and co-investments held elsewhere in PE1. Highlights included:

- Strong performance by some of our co-investments, including:
 - An investment in a leading global producer of phosphate and non-phosphate ingredients used in consumer goods and industrial products and processes, which has seen strong revenue and EBITDA growth resulting from significant pricing power and supply chain challenges at international competitors, all of which has driven the current IRR above 50%.
 - An investment in one of the largest networks of independent wealth management firms in the United States, which has made a number of accretive acquisitions and has significantly benefitted in its cash sweep business due to the recent interest rate hikes; these positive developments have resulted in the current investment being valued at an IRR in excess of 30%.
 - An investment in a consumer goods retail operator that our sponsor partner has been able to quickly turnaround following years of undermanagement and has already seen the investment written up to more than a 6x with upside potential.
- The liquidation of a number of co-investments, including Verra Mobility, the #1 provider of toll management solutions to rental car companies and fleet management companies in North America, which generated a 20%+ gross IRR, and BE-terna & Valantic, two complementary IT services businesses focused on the DACH-(Germany, Austria, and Switzerland) region, which generated a 40%+ gross IRR.

Overall, the inception to date performance of our private market investments has been strong, posting an upper quartile inception to date return as at 31 March 2023 when compared to Burgiss fund of funds index for funds formed in 2019⁶. Our private market investments have also performed well relative to listed equities globally (i.e., the MSCI World Index) annually since inception as set forth in the chart below.

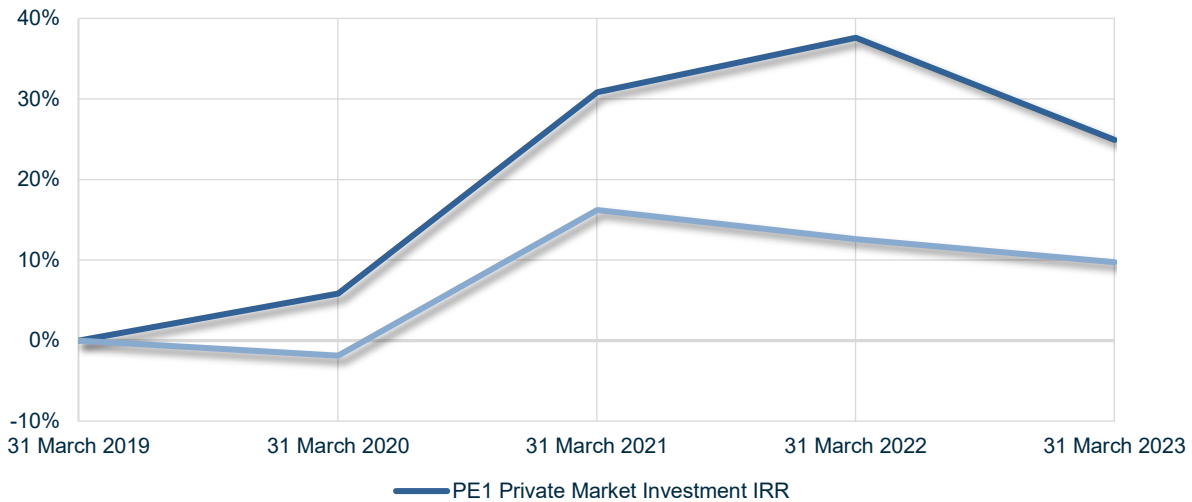
- Please note that performance has been calculated on an IRR⁷ basis; the PE1 private market investment IRR only includes PE1's private market investments and excludes the cash, short duration credit investments and alignment shares directly held in the portfolio through time; the comparison to listed equities has been calculated on a PME⁸ basis; and, with private equity typically valued quarterly and on a quarter lag, annual performance is shown using 31 March private market valuations, with 31 March valuations being those incorporated into PE1's 30 June NAVs.

⁶ **SOURCE: BURGISS.** Burgiss data based on published 1Q 2023 benchmark data.

⁷ The Internal Rate of Return ("IRR") is used as a measure of the performance of private markets investments. The IRR takes account of the time value of cash flows which include drawdowns and distributions.

⁸ The Public Market Equivalent ("PME") concept allows investors to compare the performance of private equity and other private markets investments to other types of investments, such as public market indices. The methodology assumes buying and selling a given index according to the timing and size of the cash flows between the investor and the private investment. Performing this comparison requires the construction of a hypothetical investment fund that mimics private equity cash flows. This hypothetical fund purchases and sells shares of the index at the same time the private equity vehicle calls and distributes cash.

Figure 5: Cumulative inception-to-date IRRvi performance (annualised)



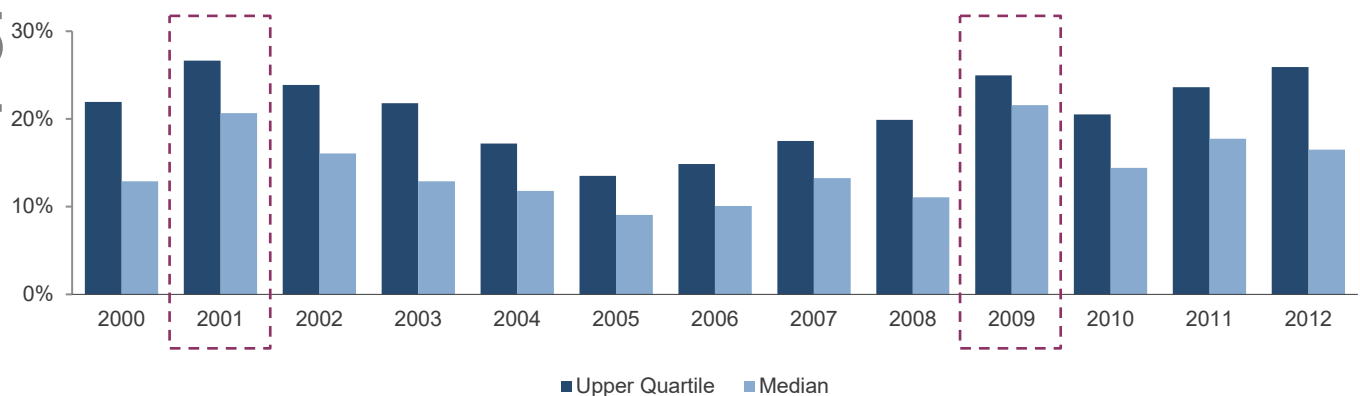
For personal use only

Outlook

Listed equity markets have seen a strong Q2 2023, with the MSCI World (AUD) returning +7.5%. As global markets have stabilised and strengthened, we are seeing positive signs across private equity markets. However, due to the quarterly valuation lag typical of many private equity investments, any benefits may only be reflected in coming quarters.

We are navigating the market’s unpredictability by continuing with our strategy of targeting broad vintage year diversification as well as seeking to invest with, or alongside, GPs that have managed upper quartile funds. This has historically proven to be an effective strategy to account for year-over-year variability in private equity returns versus trying to time the market. The chart below illustrates that investors who sat out vintages during and immediately following periods of significant market dislocation (e.g., Dot.com Bubble and the Global Financial Crisis) missed out on meaningful potential excess returns vs. long term averages.

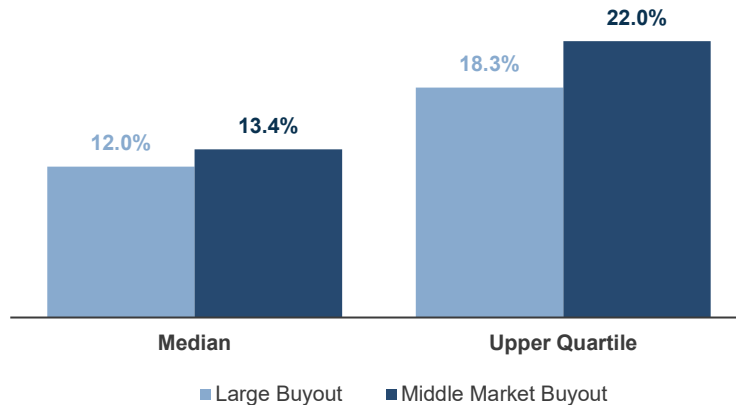
Figure 6: IRR% by Fund Vintage Year – North America⁹



We also continue to invest in middle market portfolio companies, which GCM Grosvenor believes are generally more attractive because they represent a larger set of opportunities, and often have lower entry valuations and more conservative capital structures. In addition, middle market portfolio company investments can offer GPs more opportunity for organic value creation and increased exit opportunities (beyond the IPO market), historically resulting in higher returns.

⁹ Source: BURGESS: Benchmarking data as of June 30, 2022. Returns are stated in USD. Past performance is not necessarily indicative of future results. No assurance can be given that any investment will achieve its objectives or avoid losses. Unless apparent from context, all statements herein represent GCM Grosvenor’s opinion.

Figure 7: Net IRR % - Since 2000¹⁰



For personal use only

Finally, we are focusing on certain themes including:

- Sector specialists: aligning with sector specialists who have expertise in niche sectors that require deep regulatory, scientific, financial, or political insight. This can offer outsized benefits during times of dislocation. Current sectors of interest include consumer staples, healthcare, government services, financial services, and technology.
- Structural alpha: investing in unique opportunities that may have novel structures that leverage our institutional grade due diligence. Together with our thoughtful approach to engaging with managers, this may open doors for innovations in deal-making (including favourable economics and terms).
- Special situations: capitalising on market dislocations and complex situations globally resulting from the misreading of intrinsic value. The expectation of rising defaults may allow for the generation of less correlated return streams.

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

Your sincerely



Russel Pillemer
Chief Executive Officer, Pengana Capital Group
Executive Director, Pengana Investment Management Limited
24 August 2023

¹⁰ **Select risks include: information risk, management risk, risks related to reliance on third parties, and risks related to the sale of investments. SOURCE: BURGISS:** Data as of September 30, 2022; downloaded January 25, 2023. U.S. MMBO: Funds less than \$3 billion; U.S. Large BO: Funds over \$3 billion. Consists of 2000 - 2013 vintage funds. **Past performance is not necessarily indicative of future results. No assurance can be given that any investment will achieve its objectives or avoid losses.** Unless apparent from context, all statements herein represent GCM Grosvenor’s opinion.

Burgiss Endnotes

Certain information, including benchmarks, is obtained from The Burgiss Group (“Burgiss”), an independent subscription-based data provider, which calculates and publishes quarterly performance information from cash flows and valuations collected from of a sample of private equity firms worldwide. When applicable, the performance of GCM Grosvenor’s private equity, real estate, and infrastructure underlying investments are compared to that of its peers by asset type, geography and vintage year as of the applicable valuation date. GCM Grosvenor’s Asset Class and Geography definitions may differ from those used by Burgiss. **GCM Grosvenor has used its best efforts to match its Asset Class, Geography, and strategy definitions with the appropriate Burgiss data, but material differences may exist.** Benchmarks for certain investment types may not be available. GCM Grosvenor uploads data into its system one-time each quarter; however, the data service may continue to update its information thereafter. Therefore, information in GCM Grosvenor’s system may not always agree with the most current information available from the data service. Additional information is available upon request.

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 2023.

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

Significant Changes in the State of Affairs

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

For personal use only

DIRECTORS' REPORT (continued)

Operating Results

Review and results of operations

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

	Year ended	
	30 June 2023 \$'000	30 June 2022 \$'000
Results		
Total investment profit	24,790	95,659
Total expenses	(7,675)	(21,177)
Net operating profit	<u>17,115</u>	<u>74,482</u>
Unit Price/ NAV Per Unit (\$)	1.6080	1.6130
ASX Reported NAV Per Unit (Ex) (\$)	1.5893	1.6464
Distribution Information		
Interim distribution	9,199	7,483
In-specie distribution*	-	9,573
Final distribution	9,293	9,015
Total distributions	<u>18,492</u>	<u>26,071</u>
Distribution (cents per unit)	6.63	10.34

*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 26 June 2023, the Trust announced final distribution of 3.33 cents (2022: 3.24 cents) per unit, which was paid on 25 July 2023. This distribution is recognised as a liability as at 30 June 2023.

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 regarding 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.

For personal use only

DIRECTORS' REPORT (continued)

Likely Developments and Expected Results of Operations

The Trust continues 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

Events Subsequent to Balance Sheet Date

In the latest release to the ASX on 10 August 2023 the Trust reported a NAV per unit \$1.5721 as at 31 July 2023 (31 July 2022: \$1.6212).

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
24 August 2023



Building a better
working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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 2023, 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.

This declaration is in respect of Pengana Private Equity Trust during the financial year.

Ernst & Young

Ernst & Young

Jaddus M Manga

Jaddus Manga
Partner
24 August 2023

Pengana Private Equity Trust
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Notes	Year ended	
		30 June 2023	30 June 2022
		\$'000	\$'000
Investment income			
Interest income		2,563	57
Dividends and distributions received		6,874	21,198
Net gains on financial instruments at fair value through profit or loss		20,424	59,654
Net foreign exchange (losses)/gains		(5,957)	14,610
Other operating income		<u>886</u>	<u>140</u>
Total net investment income		<u>24,790</u>	<u>95,659</u>
Expenses			
Responsible entity fee and management fee	13	(5,718)	(4,874)
Performance fees	13	-	(14,531)
Withholding tax		(184)	(136)
Secondaries Management Fee and Carried Interest Fee	13	(128)	(766)
Transaction costs		(196)	(239)
Other operating expenses		<u>(1,449)</u>	<u>(631)</u>
Total operating expenses		<u>(7,675)</u>	<u>(21,177)</u>
Profit for the year		<u>17,115</u>	<u>74,482</u>
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>17,115</u>	<u>74,482</u>
Basic and diluted earnings per unit (cents per unit)	4	6.14	29.92

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

Pengana Private Equity Trust
Statement of financial position
As at 30 June 2023

	Notes	As at	
		30 June 2023	30 June 2022
		\$'000	\$'000
Assets			
Cash and cash equivalents	5	77,651	119,769
Receivables	6	365	133
Financial assets at fair value through profit or loss	12	<u>380,576</u>	<u>343,901</u>
Total assets		<u>458,592</u>	<u>463,803</u>
Liabilities			
Distribution payable		8,355	8,183
Payables	8	<u>520</u>	<u>6,315</u>
Total liabilities		<u>8,875</u>	<u>14,498</u>
Total unitholders' equity		<u>449,717</u>	<u>449,305</u>
Unitholders' equity			
Issued units		361,126	359,337
Retained earnings		<u>88,591</u>	<u>89,968</u>
Total unitholders' equity		<u>449,717</u>	<u>449,305</u>

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

Pengana Private Equity Trust
Statement of changes in equity
For the year ended 30 June 2023

	Notes	Year ended	
		30 June 2023	30 June 2022
		\$'000	\$'000
Total unitholders' equity at the beginning of the year		449,305	341,702
Transactions with unitholders for the year:			
Units issued	9	-	57,693
Distributions reinvested	9	1,789	1,499
Distributions paid/payable*	10	<u>(18,492)</u>	<u>(26,071)</u>
Total transactions with unitholders for the year		<u>432,602</u>	<u>374,823</u>
Comprehensive income for the year:			
Profit for the year		17,115	74,482
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>17,115</u>	<u>74,482</u>
Total unitholders' equity at the end of the year		<u>449,717</u>	<u>449,305</u>

* 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 2023

	Notes	Year ended	
		30 June 2023	30 June 2022
		\$'000	\$'000
Cash flows from operating activities			
Payments for purchase of investments		(16,251)	(49,376)
Transaction costs paid		(196)	(239)
Dividends and distributions received		6,874	21,198
Interest received		2,336	24
GST received/(paid)		(5)	(33)
Other income received		886	140
Management fees paid		(5,740)	(4,720)
Performance fees paid		(4,335)	(10,196)
Secondaries Management Fee and Carried Interest Fee		(128)	(148)
Payment to suppliers		(3,071)	(136)
Net cash inflow/(outflow) from operating activities	11	<u>(19,630)</u>	<u>(43,486)</u>
Cash flows from financing activities			
Issue of units		-	57,693
Distributions paid		(16,531)	(12,314)
Net cash inflow/(outflow) from financing activities		<u>(16,531)</u>	<u>45,379</u>
Net increase in cash and cash equivalents		(36,161)	1,893
Cash and cash equivalents at the beginning of the year		119,769	103,266
Translation of foreign cash held		(5,957)	14,610
Cash and cash equivalents at the end of the year	5	<u>77,651</u>	<u>119,769</u>
Non-cash financing activities			
Units issued under the distributions reinvestment plan (DRP)		1,789	1,499
In-specie distribution - Alignment shares		-	9,573

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

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

Note		Page
1	General information	17
2	Summary of significant accounting policies	17
3	Auditor's remuneration	20
4	Earnings per unit	21
5	Cash and cash equivalents	21
6	Receivables	21
7	Financial assets as fair value through profit or loss	21
8	Payables	21
9	Unitholders' Equity	22
10	Distributions	22
11	Cashflow information	23
12	Financial risk management	23
13	Related party transactions	28
14	Statement of operations by segment	31
15	Contingent liabilities and commitments	32
16	Subsequent events	34

For personal use only

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: Suite 27.01, Level 27, Governor Phillip Tower, 1 Farrer Place, Sydney, NSW 2000 Australia.

The financial statements are presented in Australian currency.

The financial statements were authorised for issue by the Directors on 31 August 2023. The Directors of the Responsible Entity have the power to amend and reissue the financial report.

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.

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.

2 Summary of significant accounting policies (continued)

b. Financial instruments (continued)

(i) 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 other 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 and 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.

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 with the custodian with known variable rates 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.

2 Summary of significant accounting policies (continued)

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 other 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.

Uncertain Taxes

AASB Interpretations 23 Uncertainty over Income Tax Treatments ("AASB Interpretations 23") requires the evaluation of whether a tax position of the Trust is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense, including interest and penalties, in the current year in the statement of comprehensive income. The guidance establishes a minimum threshold for financial statement recognition of positions taken in filing of tax returns, including whether an entity is taxable in a particular tax jurisdiction, and requires certain expanded tax disclosures. As stated above, the Trust is not subject to income tax.

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

The following fees were paid or payable for services provided by the auditor of the Trust:

	30 June 2023	30 June 2022
	\$'000	\$'000
Ernst & Young		
Audit and assurance services		
Audit and review of financial statements	85	83
Other services	4	-
Total remuneration for audit and other assurance services	89	83
Non-assurance services		
Tax compliance services	-	-
Total remuneration for taxation services	-	-
Total remuneration of Ernst & Young	89	83

The auditor's remuneration in 2023 and 2022 was borne by the Responsible Entity.

4 Earnings per unit (EPU)

	30 June 2023	30 June 2022
	\$'000	\$'000
Net profit used in the calculation of basic and diluted EPU	17,115	74,482
	No. of units	No. of units
	'000	'000
Weighted average number of units outstanding during the period used in calculation of basic EPU	278,779	248,904
Weighted average number of units outstanding during the period used in calculation of diluted EPU	278,779	248,904

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

	30 June 2023	30 June 2022
	\$'000	\$'000
Cash at custodian	<u>77,651</u>	<u>119,769</u>
	77,651	119,769

6 Receivables

	30 June 2023	30 June 2022
	\$'000	\$'000
Interest receivable	260	33
GST receivable	<u>105</u>	<u>100</u>
	365	133

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

	30 June 2023	30 June 2022
	\$'000	\$'000
Private equity investments	377,440	340,944
Unlisted managed investment funds	<u>3,136</u>	<u>2,957</u>
	380,576	343,901

8 Payables

	30 June 2023	30 June 2022
	\$'000	\$'000
Responsible Entity and Management fees payable	466	488
Performance fees payable	-	4,335
Other expenses payable	<u>54</u>	<u>1,492</u>
	520	6,315

9 Unitholders' equity

	30 June 2023	30 June 2022
	No. of units	No. of units
	'000	'000
Units on issue at the beginning of the reporting period	278,550	240,082
- Units issued	-	37,463
- Distributions reinvested (DRP)	<u>1,133</u>	<u>1,005</u>
Units on issue at the end of reporting period	279,683	278,550
	\$'000	\$'000
Units on issue at the beginning of the reporting period	359,337	300,145
- Units issued	-	57,693
- Distributions reinvested (DRP)	<u>1,789</u>	<u>1,499</u>
Units on issue at the end of reporting period	361,126	359,337

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 2023	30 June 2022
	\$'000	\$'000
a Distributions paid		
Distribution paid - December	9,199	7,483
Distribution paid and payable - June	9,293	9,015
Distribution paid - In-specie	<u>-</u>	<u>9,573</u>
	18,492	26,071
b Dividend reinvestment plan		
Distribution paid - December	(850)	(667)
Distribution paid and payable - June	<u>(939)</u>	<u>(832)</u>
	(1,789)	(1,499)
c In-specie distribution		
Distribution paid - In-specie	<u>-</u>	<u>(9,573)</u>
	-	(9,573)
Net distributions paid/payable in cash	16,703	14,999

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 2023 \$'000	30 June 2022 \$'000
(a) Reconciliation of net cash flow from operating activities to net profit for the period:		
Net Profit for the period	17,115	74,482
Change in fair value of investments and foreign cash held	(14,467)	(74,264)
Payments for purchase of investments	(16,251)	(49,376)
Change in receivables	(232)	(66)
Change in payables	(5,795)	5,738
Net cash inflow/(outflow) from operating activities	(19,630)	(43,486)
(b) Non-cash financing activities		
Units issued under the distributions reinvestment plan (DRP)	1,789	1,499
In-specie distribution - Alignment shares	-	9,573
	1,789	11,072

12 Financial risk management

The Trust holds the following financial instruments:

	30 June 2023 \$'000	30 June 2022 \$'000
Financial Assets		
Cash and cash equivalents	77,651	119,769
Receivables	365	133
Investments at fair value through profit or loss (Note 7 and Note 13)	380,576	343,901
	458,592	463,803
Financial Liabilities		
Payables	520	6,315
Distribution payable	8,355	8,183
	8,875	14,498

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.

12 Financial risk management (continued)

a. Market risk (continued)

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 the basis that this information is beneficial to unitholders.

	-15%	+10%
	\$'000	\$'000
30 June 2023	(57,086)	38,058
30 June 2022	(51,585)	34,390

(ii) Foreign exchange risk

As at 30 June 2023 the portfolio had an exposure to foreign cash and investments of A\$380m (2022: A\$461m) and the portfolio's net assets was invested 79.23% (2022: 75.92%) in US dollar denominated financial assets and financial liabilities.

Sensitivity analysis

The sensitivity analysis has been performed under the assumption that Australian Dollar strengthened or weakened +/-15% (30 June 2022: +/-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 2023 would have decreased/increased operating profit by \$57.0m (30 June 2022: \$69.2m).

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

30 June 2023	Cash	Investments
Assets (AUD)	\$'000	\$'000
Euro	-	7,588
United States Dollar	<u>15,703</u>	<u>356,309</u>
	<u>15,703</u>	<u>363,897</u>
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>

(iii) Interest rate risk

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

	30 June 2023	30 June 2022
Cash and cash equivalents	\$'000	\$'000
Cash balance subject to floating interest rate	77,651	119,769

12 Financial risk management (continued)

a. Market risk (continued)

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 \$0.388m and decreased by \$0.116m. (2022: increased by \$0.599m and decreased by \$0.180m.)

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). (2022: A-1+).

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.

The Trust has established a line of credit with Credit Suisse (changed to Goldman Sachs from July 2023) for USD\$50m (AUD\$75m) and has not drawn upon this. The Trust currently has no plans to draw upon this facility in the near term based upon expectations it will meet its existing obligations as required. The line of credit was established in September 2022 and will have a variable interest rate based upon the SOFR plus a spread when utilised. The scheduled maturity date is 31 July 2024, which shall be automatically extended each year per the terms of the executed line of credit agreement. The Trust has pledged part of its asset portfolio as collateral for the facility.

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.

	Less than 1 month	1 to 3 months
30 June 2023	\$'000	\$'000
Financial liabilities		
Distribution payable	8,355	-
Other payables	<u>520</u>	<u>-</u>
Total	<u>8,875</u>	<u>-</u>
	Less than 1 month	1 to 3 months
30 June 2022	\$'000	\$'000
Financial liabilities		
Distribution payable	8,183	-
Other payables	<u>5,684</u>	<u>631</u>
Total	<u>13,867</u>	<u>631</u>

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.

12 Financial risk management (continued)

d. Fair value measurement (continued)

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 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.

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.

12 Financial risk management (continued)

d. Fair value measurement (continued)

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 2023	Level 1	Level 2	Level 3	Total
Financial assets	\$'000	\$'000	\$'000	\$'000
Private equity investments	-	-	377,440	377,440
Unlisted managed investment funds	-	3,136	-	3,136
Total	-	3,136	377,440	380,576

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
Total	-	2,957	340,944	343,901

As of 30 June 2023, 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.

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 2023	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	340,944	16,251	-	-	20,245	377,440	20,245
Total	340,944	16,251	-	-	20,245	377,440	20,245

12 Financial risk management (continued)

d. Fair value measurement (continued)

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
Total	234,380	48,524	-	-	58,040	340,944	58,040

For total gains and losses recognised during the period in the statement of profit or loss and other 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 \$20.2 million (30 June 2022: \$58.0 million).

At reporting date, if the unobservable inputs had been 10% higher and 15% lower (30 June 2022: 10% higher and 15% lower) profit or loss of the Trust would have increased by \$2.02 million and decreased by \$3.04 million (30 June 2022: increased by \$5.8 million and decreased by \$8.7 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 include 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 2023, Katrina Glendinning held 53,933 units in the Trust (30 June 2022: 53,933 units).

13 Related party transactions (continued)

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 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'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 at the end of the latest Performance Fee Payment Period in which the Trust paid a Performance Fee ("Last Payment Period"). 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.

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:

	30 June 2023	30 June 2022
	\$	\$
Responsible entity fee and management fee	5,718,427	4,873,564
Aggregate amount payable for Responsible entity fee and management fee	465,773	487,669
Performance fee	-	14,530,885
Aggregate amount payable for Performance fee	-	4,334,982

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 12.3.4.2 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:

	30 June 2023	30 June 2022
	\$	\$
Secondaries management fee and carried interest fee	128,285	765,783
Aggregate amount payable for carried interest fee	54,379	861,481

13 Related party transactions (continued)

Investments

GCM as the Investment Manager invests the Trust's capital primarily 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 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 2023 are disclosed in Note 15.

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 2023.

	Fair value of investment		Interest held		Commitments / In kind contributions		Dividends/ Distributions received during the year	
	\$		%		Units / Value		\$	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022
GCM Grosvenor Co-Investment Opportunities Feeder Fund II, L.P.	72,197,881	66,951,367	11.35	11.35	55,584,767	53,806,442	4,075,992	7,292,549
GCM Grosvenor Multi-Asset Class Fund II, L.P.	129,468,514	140,505,909	5.80	5.80	85,630,587	82,891,006	-	-
GCM Grosvenor SP Mid Market Opportunities Fund, L.P.	-	17,971,422	-	23.24	-	28,728,594	35,189	9,906,959
GCM Grosvenor CPP Investment Board Mid Market Opportunities Fund II, L.P.	-	7,848,000	-	23.24	-	9,631,669	1,045	2,459,942
GCM Grosvenor CPP Investment Board Co-Investment Fund, L.P.	1,090,140	1,225,448	23.13	23.24	1,630,077	1,577,926	-	-
Grosvenor Secondary Opportunities Feeder Fund III, L.P.	23,170,453	7,446,288	7.88	8.13	64,598,513	62,531,811	-	-
GCM Grosvenor CPP Investment Board Mid Market Opportunities Fund, L.P.	177,634	173,849	23.13	23.24	2,463,137	2,384,334	116	944
GCM Grosvenor Multi-Asset Class Fund III, L.P.	48,354,147	40,763,157	8.44	23.55	105,160,370	101,795,972	-	-
GCM Grosvenor Strategic Credit Sidecar Feeder, L.P.	8,362,647	-	14.63	14.63	18,027,492	17,450,738	-	-
GCM Maple Holdings (Cayman), L.P.	16,678,888	-	100.00	-	35,435,337	-	1,545,662	-
GCM Grosvenor Co-Investment Opportunities Feeder Fund III, L.P.	4,725,391	-	21.77	-	21,182,303	-	-	-

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 2023	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 \$'000
Pengana Capital Ltd	1,677,244	0.70	30,000	(151,750)	116,250

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 \$'000
Pengana Capital Ltd	1,798,994	0.75	2,783,133	(984,139)	62,623

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 2023 that required disclosure (30 June 2022: nil).

At 30 June 2023, the Trust has the following capital commitments:

30 June 2023	Total capital commitment	Called up capital	Unfunded capital commitment
Investee	\$	\$	\$
GCM Grosvenor Co-Investment Opportunities Feeder Fund II, L.P.	55,584,767	46,086,575	9,498,192
GCM Grosvenor Multi-Asset Class Fund II, L.P.	85,630,587	85,630,587	-
Carlyle Credit Opportunities Fund Parallel L.P.	7,511,455	5,096,285	2,415,170
Vista Equity Endeavour Fund II A L.P.	6,009,164	3,541,403	2,467,761
HIG Middle Market LBO Fund III L.P.	4,341,621	3,559,292	782,329
WPEF VIII Feeder L.P.	6,973,943	3,908,534	3,065,409
Alpine Investors III L.P.	1,477,252	1,377,817	99,435
Alpine Investors IV L.P.	375,573	309,483	66,090
Alpine Investors VI L.P.	375,573	248,386	127,187
Alpine Investors VII L.P.	751,145	615,405	135,740
H.I.G. Europe Middle Market LBO Feeder Fund L.P.	5,986,675	1,485,362	4,501,313
Riverside Micro-Cap Fund V L.P.	6,048,224	4,895,516	1,152,708
Cornell Capital Partners Ii Parallel L.P.	6,009,164	2,103,207	3,905,957
Wynnchurch Capital Partners V L.P.	7,511,455	5,243,479	2,267,976
Peak Rock Capital Fund III L.P.	6,009,164	2,220,509	3,788,655
Valiant Peregrine Fund 2, L.P.	6,009,164	1,598,438	4,410,726
Cobalt Strategic Partners I, L.P.	6,009,164	5,509,773	499,391
Ardian LBO Fund VI A S, L.P.	1,438,789	1,337,286	101,503
GCM Grosvenor CPP Investment Board Mid-Market Opportunities Fund, L.P.	2,463,137	315,538	2,147,599
MC Private Equity Partners I-A, L.P.	2,164,414	2,025,833	138,581
MIC Capital Partners III Parallel (Cayman) L.P.	1,115,930	1,045,824	70,106
GCM Grosvenor CPP Investment Board Co-Investment Fund, L.P.	1,630,077	33,335	1,596,742
GCM Grosvenor Secondary Opportunities Feeder Fund III, L.P.	64,598,513	18,913,313	45,685,200
The Veritas Capital Fund VII L.P.	10,516,037	9,915,972	600,065
Falfurrias Capital Partners V L.P.	7,511,455	2,531,360	4,980,095
GCM Grosvenor Multi-Asset Class Fund III L.P.	105,160,370	42,064,148	63,096,222
Iconiq Strategic Partners VI-B L.P.	3,154,811	2,649,754	505,057
TSG9 Parallel L.P.	6,009,164	301,930	5,707,234
Alpine Investors Ingenio CV L.P.	612,972	508,488	104,484
GCM Grosvenor Co-Investment Opportunities Feeder Fund III, L.P.	21,182,303	5,113,541	16,068,762
GCM Grosvenor Strategic Credit Sidecar Feeder, L.P.	18,027,492	8,132,373	9,895,119
WPEF IX Feeder 2 I L.P.	5,349,694	-	5,349,694
WPF I Feeder 2 I L.P.	1,337,424	-	1,337,424
GCM Maple Holdings (Cayman), L.P.	35,435,337	19,542,302	15,893,035
H.I.G. Bayside Debt And LBO Fund II, L.P.	420,670	111,851	308,819
H.I.G. Europe Capital Partners II, L.P.	278,092	206,689	71,403
H.I.G. Middle Market LBO Fund II, L.P.	919,473	718,537	200,936
Vista Foundation Fund III A L.P.	1,027,130	804,934	222,196
	<u>502,967,374</u>	<u>289,703,059</u>	<u>213,264,315</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.

15 Contingent liabilities and commitments (continued)

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.

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 total value of capital commitments in local currency amounts to USD 297 million and EUR 13 million as at 30 June 2023 (30 June 2022: USD 308 million and EUR 8 million) of which USD \$175,214,314 and EUR \$4,232,992 have been called to date. An amount of USD \$121,777,028 and EUR \$8,802,166 remains uncalled by the investment managers.

16 Subsequent events

In the latest release to the ASX on 10 August 2023 the Trust reported a NAV per unit \$1.5721 as at 31 July 2023 (31 July 2022: \$1.6212).

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.

For personal use only

DIRECTORS' DECLARATION

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 year ended 30 June 2023 are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the financial position of the Trust as at 30 June 2023 and of its performance as represented by the results of its operations and cash flows for the period ended on that date; and
 - ii. 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 2023.

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
24 August 2023



**Building a better
working world**

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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 2023, 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 2023 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.

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. At 30 June 2023, the value of these unlisted investments was \$380,575,755 which equates to 83% 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 recognised 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>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We assessed the effectiveness of controls related to the recognition and valuation of investments. • 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 2023 and considered the auditor’s qualifications, competence and objectivity and the results of their procedures. • We agreed a sample of investment holdings to third party confirmations at 30 June 2023, including 100% of cash balances. • We assessed the fair value of a sample of investments held at 30 June 2023. For unlisted UCITS funds we independently sourced their 30 June 2023 published prices and compared to the prices recorded by the Trust. • For a sample of unlisted private equity funds we: <ul style="list-style-type: none"> - obtained an understanding of the key processes adopted by management to determine the fair value of the investment at balance date; - confirmed the investment balances, the pro-rata ownership, and future commitments with the respective investee fund managers; - obtained the most recent audited financial statements of the underlying investment funds (at 31 December 2022), reviewing the nature of the underlying investments held and the recorded fair values of the investments including the accounting basis adopted for such valuations; - reviewed the qualifications, competence and objectivity of the auditing firms of the unlisted

For personal use only

Why significant	How our audit addressed the key audit matter
	<p>private equity funds and considered the content of their audit opinions;</p> <p>- considered management’s assessment of the most recent unaudited financial information of material unlisted private equity funds (as at 31 March 2023 or 30 June 2023, as available) and 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 where movements may be expected) from the date of the latest audited financial information by comparing them to publicly available market information.</p> <ul style="list-style-type: none"> We assessed the adequacy of the associated disclosures in Note 11 of the financial report.

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 Secondaries 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 of the financial report. Performance fees are recognised 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 crystallised.</p> <p>For the period ended 30 June 2023, Responsible Entity and management fees totalled 5,718,427 which equates to 75% of total expenses. Secondaries management fee and carried interest fee totalled \$128,285 which equates to 2% of total expenses.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> We assessed the effectiveness of 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. 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. 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. We assessed whether the criteria for accrual of a performance fee liability were

Why significant	How our audit addressed the key audit matter
<p>Performance fees (excluding GST recovered) totalled \$nil.</p> <p>The assessment of performance fee arrangements can be complex and judgmental due to uncertainty around future performance.</p> <p>The value of these expenses and the impact that market volatility can have on the recognition of performance fees, resulted in this being considered to be a key audit matter. The disclosure of these amounts is included in Note 12 of the financial report.</p>	<p>met at 30 June 2023. We considered the disclosures in Note 12 of the financial report.</p>

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 2023 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.

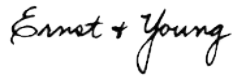
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ 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 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



Jaddus Manga
Partner
Sydney
24 August 2023

ASX INFORMATION (UNAUDITED)

The shareholder information set out below was applicable as at 7 August 2023.

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	295	148,831	0.05
1,001 - 5,000	907	2,687,914	0.96
5,001 - 10,000	1,008	7,684,356	2.75
10,001 - 100,000	3,102	93,121,681	33.3
100,001 and Over	290	176,040,529	62.94
Total	5,602	279,683,311	100.0

Holder holding less than a marketable parcel

	Minimum parcel size	Unitholders	Ordinary units
Minimum \$ 500.00 parcel at \$ 1.5000 per unit	334	93	8,169

Substantial unitholders

As at 7 August 2023 the following unitholders have notified the Trust that they are the substantial unitholders:

	Number of units	% of total issued units
Westpac Banking Corporation	25,822,670	9.23%

For personal use only

ASX INFORMATION (UNAUDITED) (continued)

20 Largest unitholders

	Number of units	% of total units
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	30,157,842	10.78
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	17,765,640	6.35
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	17,751,863	6.35
NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C> NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	15,610,398	5.58
NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	14,527,299	5.19
CITICORP NOMINEES PTY LIMITED <DPSP A/C>	5,996,383	2.14
CITICORP NOMINEES PTY LIMITED	2,598,965	0.93
CITICORP NOMINEES PTY LIMITED	2,507,453	0.90
IOOF INVESTMENT SERVICES LIMITED <IPS SUPERFUND A/C>	1,984,424	0.71
PENGANA CAPITAL LTD	1,677,244	0.60
COLONIAL FIRST STATE INV LTD <6746319 E&A A/C>	1,600,000	0.57
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,337,881	0.48
ABYANEH PTY LTD <RWK SUPER FUND A/C>	1,292,454	0.46
LEROMA PTY LTD <KAMENEV FAMILY A/C>	1,212,000	0.43
MS MARGARET LEONIE O'HANLON <PRENDERGAST&O'HANLON FAM A/C>	1,208,553	0.43
CAPITEL PACIFIC PTY LIMITED	1,082,666	0.39
MR WARWICK MARTIN NEGUS + MS LOUISE ALEXANDRINA GREEN <NEGUS GREEN S/F A/C>	1,082,666	0.39
FERNWAYE PTY LTD <FOLIE STAFF SUPER FUND A/C>	1,040,629	0.37
NATIONAL NOMINEES LIMITED	1,010,384	0.36
ANDREW CREE + EVA ATTEBO <CREE & ATTEBO S/F A/C>	831,357	0.30
Totals: Top 20 holders of ORDINARY FULLY UNITS	122,276,101	43.72
Total Remaining Holders Balance	157,407,210	56.28

As at 7 August 2023 there were 5,602 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.

For personal use only

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

	30 June 2023	30 June 2022
Total number of transactions in securities during the year	76	57
Transaction costs paid or accrued during the year	195,596	239,244

Principal registered address of the company

The principal registered office is Suite 1, Level 2, Governon Phillip Tower, 1 Farrer 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.

For personal use only

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 2023 (unaudited)

Company Name	Market Value \$'000	% of Gross Assets
Financials		
GCM Maple Holdings (Cayman) L.P.	16,679	3.71
Adrian LBO Fund VI A L.P.	1,202	0.27
HIG Europe Middle Market LBO Feeder Fund L.P.	1,708	0.38
Pimco Global Investment Grade Credit Fund Accumulation	1,495	0.33
TCW Metwest Unconstrained Bond Fund	1,641	0.36
Grosvenor Secondary Opportunities Feeder Fund Fund III L.P.	23,170	5.15
GCM Grosvenor Co-Investment Opportunities Feeder Fund II L.P.	72,198	16.05
GCM Grosvenor Co-Investment Opportunities Feeder Fund III L.P.	4,725	1.05
HIG Bayside Debt and LBO Fund II L.P.	23	0.01
HIG Middle Market LBO Fund II L.P.	718	0.16
Iconiq Strategic Partners VI B L.P.	2,375	0.53
TSG9 Parallel L.P.	208	0.05
Vista Foundation III A L.P.	716	0.16
HIF Europe Capital Partners II L.P.	207	0.05
WPEF VIII Feeder L.P.	4,471	0.99
Alpine Investors III L.P.	193	0.04
Alpine Investors VI L.P.	1,018	0.23
Alpine Investors VII L.P.	2,381	0.53
Alpine Investors Ingenio C.V. L.P.	621	0.14
Carlyle Credit Opportunities Fund Parallel L.P.	4,304	0.96
Cornell Capital Partners II Parallel L.P.	2,227	0.50
Cobalt Strategic Partners I L.P.	6,365	1.42
Falfurrias Capital Partners L.P.	2,846	0.63
GCM Grosvenor Strategic Credit Sidecar Feeder L.P.	8,363	1.86
GCM Grosvenor CPP Investment Board Co-Investment Fund L.P.	1,090	0.24
GCM Grosvenor CPP Investment Board Mid-Market Opportunities Fund L.P.	178	0.04
GCM Grosvenor Multi Asset Class Fund II L.P.	129,468	28.79
GCM Grosvenor Multi Asset Class Fund III L.P.	48,354	10.75
HIG Middle Market LBO Fund III L.P.	4,376	0.97
MIC Capital Partners III Parallel Cayman L.P.	1,170	0.26
MC Private Equity Partners I A L.P.	1,281	0.28
Prak Rock Capital Fund III L.P.	2,388	0.53
Riverside Micro Cap Fund V L.P.	7,105	1.58
The Veritas Capital Fund VII L.P.	13,843	3.08
Valiant Peregrine fund 2 L.P.	1,064	0.24
Vista Equity Endeavour Fund II A L.P.	3,998	0.89
Wynchurch Capital Partners V L.P.	6,407	1.42
Total long portfolio	380,576	84.63
Total cash and cash equivalents, income receivables and outstanding settlements	69,141	15.37
Gross assets	449,717	

For personal use only

CORPORATE DIRECTORY

PRINCIPAL AND REGISTERED OFFICE

Pengana Investment Management Limited
Suite 1, Level 27, Governor Philip Tower
1 Farrer Place, Sydney, NSW 2000 Australia

Telephone (61 2) 8524 9900
Facsimile (61 2) 8524 9901

Website www.pengana.com
Email 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

For personal use only



PENGANA
PRIVATE EQUITY TRUST

For personal use only

ASX: PE1

**PENGANA
PRIVATE EQUITY
TRUST**

For personal use only



PENGANA

PRIVATE EQUITY TRUST

PENGANA PRIVATE EQUITY TRUST

ARSN 630 923 643

Suite 1, Level 27
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia

Ph.: +61 2 8524 9900

Fax: +61 2 8524 9901

PENGANA.COM/PE1