AUSTRALIAN

RESEARCH

INDEPENDENT INVESTMENT RESEARCH

Pengana Private Equity Trust (expected ASX code: PE1)

IPO Report

March 2019

INDEPENDENT INVESTMENT RESEARCH

WHO IS IIR?

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

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

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

INDEPENDENCE OF RESEARCH ANALYSTS

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

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

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

INDEPENDENCE – ACTIVITIES OF ANALYSTS

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

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

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

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

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

INDUCEMENTS AND INAPPROPRIATE INFLUENCES

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

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

DISCLAIMER

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

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

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

THIS IS A COMMISSIONED RESEARCH REPORT.

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

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

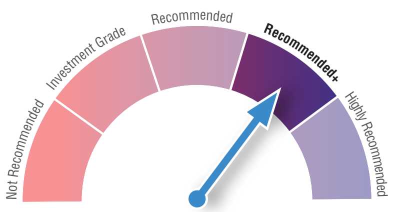
For more information regarding our services please refer to our website www.independentresearch.com.au.

Contents

Pengana Private Equity Trust (expected ASX code: PE1)

Note: This report is based on information provided by Pengana Capital Limited and is based on the product disclosure statement (PDS) lodged with ASIC on 22 February 2019.

Rating



Key Investment Information	
Expected ASX Code	PE1
Offer Price ($)	1.25
Expected Offer Open	4 March 2019
Expected Offer Close	10 April 2019
Expected Commencement of Trading on the ASX	30 April2019
Min/Max Offer Size ($m), not including oversubscriptions	100/600
Proforma NAV ($) per unit (Min/Max Subscription)	1.3125
Fees:	
Management Fee & RE Fee (p.a), incl. GST & net of RITC	1.25%
Performance Fee	20.0%
Performance Hurdle	8.0%p.a

Key Exposure	
Underlying Exposure	Portfolio of private equity and private credit investments.
FX Exposure	The Trust will have direct foreign currency exposure. The Investment Manager may hedge the currency exposure in relation to capital calls, however, is not expected to hedge realised returns.

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

1. PRODUCT SUMMARY

Pengana Private Equity Trust (PE1, or "the Trust") is a newly formed trust that will seek to list on the ASX. The Trust will seek to raise $100m to $600m through the issue of 80m to 480m units at $1.25 per unit. The Trust will be structured as a fund of funds, providing exposure to a diversified portfolio of private equity and private credit investments. The Responsible Entity (RE) of the Trust will be Pengana Investment Management Limited, who will appoint Pengana Capital Limited as the Manager of the Trust. Both the RE and the Manager are wholly owned subsidiaries of Pegana Capital Group Limited (ASX:PCG). The Manager will in turn appoint Grosvenor Capital Management L.P. ("Grosvenor" or the "Investment Manager") to manage the portfolio. Grosvenor is a US based alternative asset manager established in 1971 with in excess of US$52 billion of assets under management (AUM). The Trust will provide an additional incentive to investors through the issue of 'Alignment Shares'. PCG will issue an amount equal to 5% of the total subscription amount of convertible preference shares in PCG to the Trust, increasing the initial NAV of the Trust by 5%. PCG intends to convert the Alignment Shares into ordinary shares approximately two years after listing and distribute in-specie to unitholders. The Trust will seek to generate attractive returns over the long-term, which is considered to be a ten year period. The Investment Manager has an internal long-term target return of 8%-14%p.a. The Trust has a target distribution of 4%p.a of the NAV at the end of the period the distribution is to be paid, which the Trust will seek to pay semi-annually. An inaugural distribution is expected to be paid for the period ending 31 December 2019. The Trust will seek to offset the typically long dated nature of private equity returns by generating cashflow through an investment in short duration credit investments in the initial years to generate income for unitholders. The Trust will also invest in and alongside Grosvenor secondary and co-investment funds in which the portfolio has already been partially invested, thereby reducing the time to realisation of the underlying investments.

2. INVESTOR SUITABILITY

An investment in the Trust is suitable for investors seeking to diversify their portfolio with exposure to alternative investments. PE1 provides the ability to gain diversified exposure to private equity and private credit investments, an asset class not readily available to retail investors. Private equity investments have an additional layer of risk to listed companies due to the lack of liquidity and limited transparency. Given this, diversification is key in private equity investments. Once fully invested, PE1 is seeking to provide exposure to more than 500 underlying investments through around 100 funds. It will seek to pay a semi-annual distribution of 4%p.a. thus providing a regular income stream to investors. It is expected the Trust will not distribute returns in excess of the target distribution to unitholders under the AMIT regime. Capital raised will be invested globally, largely in North America, and will have direct currency exposure. PE1 is not expected to hedge the currency exposure and therefore movements in the relevant currencies will impact the Australian dollar value of the portfolio.

3. RECOMMENDATION

Independent Investment Research (IIR) has assigned the Pengana Private Equity Trust (expected ASX code: PE1) a **Recommended Plus** rating. Our rating is based on PE1 raising funds towards the upper end of the offer range and may be subject to review if this is not achieved. The Trust is complex in both structure and investment style and as such we advise potential investors to take the time to gain comfort in the structure and investment style. While the Trust will have ASX liquidity, the underlying investments will be largely illiquid. By nature returns from private equity investments can be lumpy and require a long-term investment commitment. The Trust is yet to raise capital and list and therefore has no performance history, however, the portfolio will be managed by Grosvenor which has significant experience in private market investments and a robust investment process. Grosvenor has developed a sizable investment platform that provides it with unprecedented access to fund managers and co-investment opportunities in the private equity market. There are a number of positive structural features of the Trust, including (1) PCG will be paying the costs of the offer which means there will be no discount to the NAV at the time of listing; (2) the Trust will be issued with Alignment Shares in PCG that will result in the NAV at the commencement of trading being at a 5% premium to the offer price; and (3) the Trust will seek to pay distributions from the outset, mitigating the typically long dated nature of returns from private equity investments.

4. SWOT

Strengths

- The Trust provides access to the Grosvenor platform, which provides access to an extensive range of investment opportunities across private equity and private credit markets with in excess of $24 billion invested across the Grosvenor private market platform (private equity, real estate and infrastructure).
- Grosvenor has an experienced team with 27 senior private equity professionals executing private equity investments across primary funds, secondary investments and co-investments. The senior team members are supported by 20 analysts and associates.
- Grosvenor has been investing in private markets since 1999 and has developed a disciplined and robust investment process across all private equity investments. One of the key components of the business is the relationships it has with private equity funds, which assists in all aspects of the private market investments.
- The Alignment Shares will provide additional value to unitholders at the time of listing for a nominal cost.
- PCG will pay the costs of the offer, with no cost to be incurred by the Trust. In combination with the Alignment Shares, this means the Trust will have a NAV 5% above the offer price at the date of listing.
- The Trust will seek to stagger the investments across short-duration credit investments and private equity co-investments and secondary investments until the portfolio can be fully allocated to private equity investments with the aim of generating a return from the time of investment and avoiding the J-curve return effects of a typical investment in private equity funds.
- The portfolio, once fully invested, is expected to be well diversified reducing the risk associated with any single investment by the Trust and the underlying funds.

Weaknesses

- As with all fund of fund structures there is a double layer of fees, the fees associated with the Trust plus the fees associated with the underlying funds. The total fees associated with the Trust are high as tends to be the case with private equity funds, however, we note that the fees are being reduced to some extent through the investment in the Grosvenor funds which are able to invest at a lower cost compared to third party funds.
- The Trust is complex with limited transparency into the underlying investments.

Opportunities

- The Trust provides investors the opportunity to gain exposure to a diversified portfolio of private equity and private credit investments that are not typically available to retail investors.
- The Trust will have ASX liquidity, providing unitholders the ability to exit at any stage from what is an illiquid underlying investment.

Threats

- The Trust will invest in private equity and credit investments based internationally with the portfolio expected to be heavily weighted to North America. The Trust is not expected to hedge the currency exposure. As such, movements in the relevant foreign currencies will have an impact, either positively or negatively, on the Australian dollar value of the portfolio.
- While the Trust will have ASX liquidity, the underlying investments will primarily be illiquid and lack transparency. This provides an additional layer of risk and may result in the Investment Manager not being able to exit an investment in a timely manner, which may impact the return of the underlying investment.
- In the event the Trust does not generate sufficient income to pay the target distribution yield, the Trust may return capital to meet the target distribution. In our opinion, it is preferable to retain the capital to invest as opposed to retuning the capital and reducing the investment pool.
- There are significant conflicts of interest associated with the Trust including the Investment Manager allocating capital to it's own funds and the RE and Manager both being wholly owned subsidiaries of PCG.

5. STRUCTURE

PRODUCT OVERVIEW

The Pengana Private Equity Trust (expected ASX code: PE1) is a newly formed trust that will seek to list on the ASX. The Trust will seek to raise $100m to $600m through the issue of 80m to 480m units at $1.25 per unit. Pengana Investment Management Limited will be the Responsible Entity (RE) for the Trust. The RE will appoint Pengana Capital Limited as the Manager of the portfolio. The RE and the Manager are both wholly owned subsidiaries of PCG. PCG will be paying the costs of the offer, with no costs borne by the Trust.

The Manager will in turn appoint Grosvenor Capital Management, L.P. ("Grosvenor" or "Investment Manager") as the Investment Manager of the Trust. Grosvenor is a US based asset management firm that was established in 1971 and has in excess of US$52 billion assets under management, more than US$24 billion of which is invested across its private markets platform.

The Trust will be structured as a fund of funds, providing exposure to a diversified portfolio of private equity and private credit investments sourced through the Grosvenor private markets platform. The Trust will seek to invest a minimum of 70% of the portfolio, once the long-term target portfolio allocation is achieved, in private equity investments across primary funds, co-investments and secondary investments. The remainder of the portfolio will be invested in opportunistic investments (which may include private equity style investments), private/alternative credit investments and cash. The table below shows the long-term target portfolio allocation of the Trust. For detailed information on each of the investment categories please see Section 8. Grosvenor expects that it will take up to four years to reach the long-term target portfolio. To generate a return from the capital raised in the initial years and to meet the target distribution yield, the Investment Manager will initially weight the portfolio heavily to short duration credit investments. The Investment Manager will also allocate a portion of the portfolio to existing co-investment, secondary and opportunistic funds operated by Grosvenor. Investing in or alongside existing funds will provide exposure to private equity investments that are already partially deployed, reducing the time to realisation of the underlying investments.

The Trust will seek to generate attractive returns over the long-term which is considered to be a period of at least 10 years. The Investment Manager has an internal long-term target return of 8%-14%p.a. The Trust will seek to pay a distribution of 4%p.a of the NAV of the Trust at the end of the period the distribution is to be paid. Distributions are expected to be paid semi-annually with the first distribution expected to be paid for the period ending 31 December 2019. The Trust will seek to fund the distribution primarily from income generated from the portfolio and not from a return of capital, however, will pay a return of capital if sufficient income has not been generated to meet the target distribution yield.

Long-Term Target Portfolio Allocation	
Private Equity:	
Primaries	15%-30%
Co-Investments	15%-30%
Secondaries	15%-30%
Opportunistic Investments (may include private equity style investments)	10%-25%
Private/Alternative Credit	5%-15%
Cash	2%-10%

Alignment Shares

The Trust will be issued with "Alignment Shares", which are convertible preference shares in Pengana Capital Group (ASX: PCG), the sole owner of the RE. PCG will issue Alignment Shares equal to 5% of the total subscription amount ($5.0m-$30.0m). The number of Alignment Shares issued to the Trust will be determined by the volume weighted average price (VWAP) of PCG shares over the five trading days prior to the allotment date of the units. Based on the PCG share price of $2.10 at 1 March 2019, the Trust would be issued with 2.4m-14.3m shares.

PCG intends to convert the Alignment Shares into fully paid ordinary shares in PCG approximately two years after the Trust lists subject to a determination by the responsible entity. The Alignment Shares will be distributed 'in specie' to unitholders at the time of conversion. The Alignment Shares provide additional value to unitholders for a nominal cost. As such the pro-forma NAV at the time of listing will be $1.3125, a 5% premium to the offer price of $1.25.

Fee Structure

Given the Trust will have a fund of fund structure, there are multiple layers of fees. The below table provides a breakdown of the fees at the Trust level and provides expectations for the fees at the underlying funds level. We note that the actual fees incurred may differ to the expected fees provided in the below table.

Fees

	Management & RE Fees (p.a)	Performance Fee	Performance Fee Hurdle
Trust	1.25%	20.0%	8% p.a.
Underlying Investments			
Grosvenor Funds:			
Secondaries Fund	1.00%	10.0%	8% p.a.
Co-Investments Fund	0.95%	10.0%	8% p.a.
Opportunistic Fund	1.00%	15.0%	8% p.a.
Non-Grosvenor Funds:			
Primary Private Equity Funds	1.80%	20.0%	8.0% p.a.
Alternative Credit Investments	0.85%	17.5%	7.0%p.a.
Short Duration Credit	0.45%	na	na

We have provided an example portfolio allocation below to show the potential blended fees of the Trust. Please note that the numbers provided below are for illustrative purposes. The returns are not forecast returns and the portfolio allocation, while based on the long-term target portfolio of the Trust, may differ in reality. The below is based on the expected fees and performance fee hurdles detailed in the above table.

Based on the below portfolio allocation the blended management fee would be 2.42%p.a. With respect to performance fees, if you were to assume an 18%p.a gross return from the underlying funds and assume a performance hurdle of 8%p.a across all investments, after management fees the total performance fee would equate to 2.5%p.a. Using this gross return assumption this would equate to total fees (management plus performance fees) of 4.92%p.a.

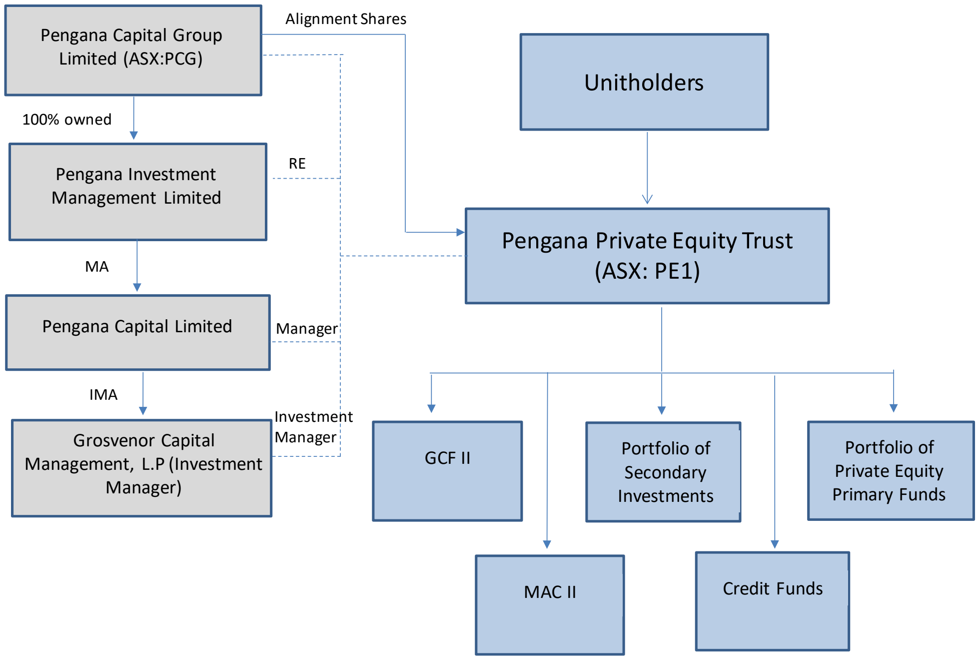
Indicative Blended Fees*

	Portfolio Allocation	Fees	
Underlying Investments		Management Fee Underlying Funds	1.17%
Grosvenor Funds:		Trust Management Fee	1.25%
Secondaries Fund	25.0%	**Blended Management Fee**	**2.42%**
Co-Investments Fund	25.0%		
Opportunistic Fund	15.0%	Performance Fee of Underlying Funds	14.0%
Non-Grosvenor Funds:		Trust Performance Fee	20.0%
Primary Private Equity Funds	25.0%	**Total Performance Fee**	**34.0%**
Credit Investments	10.0%		
Short Duration Credit	0.0%	Performance fee as a % of return**	2.5% p.a
		Total fees as a % of return	**4.92% p.a**

*Blended fees are for illustrative purposes only and are not a forecast of returns or actual fees incurred.

**Assumes a performance hurdle of 8% across all investments.

INVESTMENT STRUCTURE



Product Leverage	
Used:	The Trust may borrow up to 25% of the NAV at the time of borrowing. However, it does not expect to borrow in excess of 15% of NAV and requires the consent of the Manager to do so. Debt will be used to fund investments or pay fees and expenses to address timing issues associated with realisation of investments. The Trust may borrow directly or through an intermediate entity. The Trust will also invest in funds or companies that utilise leverage. Leverage used by the underlying investments may be substantial and has the potential to magnify both gains and losses.
Cost (incl. Fees):	The cost of borrowings will be dependent on market rates.
Capital Protection	na
Tax	
Disclaimer:	***Tax consequences depend on individual circumstances. Investors must seek their own taxation advice. The following comments show Independent Investment Research's expectation of tax for ordinary Australian taxpayers, but cannot be considered tax advice***.
Capital gains:	A capital gains tax (CGT) event will likely occur in the event the investor sells units on market for a higher price than was purchased. Investors will likely be eligible for the CGT discount if the trust are held for more than 12 months.
Dividends:	Distributions will likely be on income account in the year earned.
AMIT Regime:	Under the AMIT regime the Trust may elect not to payout any returns in excess of the target distribution yield of 4%. However, unitholders may still be required to pay the tax on the full distributable income earned by the Trust in any given year, even though unitholders have not received payment of the full distributable amount. This may have tax consequences for unitholders.
Legal Structure	
Wrapper:	Listed Investment Trust
Responsibl Entity:	Pengana Investment Management Limited
Manager:	Pengana Capital Limited
Investment Manager:	Grosvenor Capital Management, L.P.
Investor Leverage	
Available:	No
Risks	***The below is not a full list of all risks associated with the trust but highlights what IIR considers to be the more significant risks associated with the Trust. A detailed risk assessment can be obtained from the PDS.***
Foreign Currency Risk:	The Trust will invest in global private equity investments, primarily in the US. As such the Trust will have direct foreign currency exposure. The Investment Manager may hedge the currency exposure in relation to capital calls, however, is not expected to hedge realised returns. Therefore, the value of the Trust may be impacted by changes in the relevant currency rates.
Target Return Risk:	The Trust will seek to generated an attractive return over the long-term. We would view this as a return that outperforms equity markets. The Trust may not achieve this objective.
Distribution Risk:	The Trust will seek to pay a distribution yield of 4%p.a. While the Trust envisages that it will be able to pay the distribution primarily from income received by the Trust, in the event the Trust does not receive sufficient income, the Trust may pay distributions out of capital.
Conflict of Interest:	The Trust will invest in Grosvenor funds. This may result in the Investment Manager allocating a higher level of the portfolio to its funds to generate fees, creating a conflict of interest. Further to this, both the RE and the Manager are wholly owned subsidiaries of PCG.
Gearing Risk:	The underlying investments of the Trust may have significant levels of gearing, through debt and the use of derivatives. The use of gearing may magnify both gains and losses associated with investments.
Illiquidity Risk:	While the Trust will be ASX-listed, the underlying investments will primarily be illiquid. The Investment Manager may not be able to redeem investments in a timely manner or exit an investment that is not performing to expectations.
Capital Raising Risk:	The Trust is newly established and is yet to secure the capital to execute the investment strategy. In the event the Manager raisies only the minimum subscription amount, the portfolio will likely be less diversified than anticipated by the Trust in the PDS.

6. MANAGEMENT & CORPORATE GOVERNANCE

RESPONSIBLE ENTITY

The Responsible Entity (RE) is Pengana Investment Management Limited, a wholly owned subsidiary of Pengana Capital Group Limited (ASX: PCG). The board of the RE will comprise four directors in total, two executive and two non-executive directors with the Chairman expected to be independent and will have the casting vote. The non-executive directors are:

Ellis Varejes, Non-Executive Chairman

Ellis has degrees in commerce and law, and is a member of the Australian Institute of Company Directors and the Law Society of New South Wales. Currently Ellis is a director of Equity Trustees Superannuation Limited, and consults to the financial services sector. He was for over a decade until 2017 the chief operating officer of Abacus Property Group (ASX: ABP). Before that Ellis was a lawyer in private practice in Sydney, working in corporate advisory, capital markets and financial services law. He was a partner of Abbott Tout (since merged with HWL Ebsworth) and of Rosenblum & Partners (since merged with Ashurst).

Ilan Zimerman, Non-Executive Director

Ilan Zimerman is a solicitor of over 30 years standing. He is currently the principal of Sapient Legal, a law practice that he founded in 2015. Ilan commenced his legal career in South Africa in 1990 and has also held several in house counsel roles. He holds a Bachelor of Arts and Laws as well as an MBA all from the University of the Witwatersrand, South Africa. He also holds an Applied Diploma in Corporate Governance.

The two executive directors will be Russell Pillemer and Katrina Glendinning, whose positions and experience are tabled below.

Pengana Capital Limited Board of Directors

Name	Position	Experience
Russell Pillemer	CEO	Mr. Pillemer co-founded Pengana in 2003 and has been CEO of the company since it's inception. Prior to establishing Pengana, Mr. Pillemer worked in the Investment Banking division of Goldman Sachs in New York where he specialised in providing advice to funds management businesses. Mr. Pillemer was previously Chairman of Centric Wealth Group and a Principal of Turnbull Pillemer Capital.
Katrina Glendinning	CFO	Ms. Glendinning has been the CFO since the inception of Pengana in 2003. Ms. Glendinning has over 25 years experience across a diverse range of products, investors and regulatory regimes. Prior to joining Pengana, Ms. Glendinning was an Executive Vice President at BT Funds Management and at Price Waterhouse, specialising in banking and financial services audit.

The RE is a wholly owned subsidiary of PCG. We note that Russell Pillemer (CEO) is the second largest shareholder with 35.5% of the ordinary shares on issue, and therefore has a strong alignment of interest with the success of the company. Washington H Soul Pattinson is the largest shareholder with 39.2% of the shares on issue. With 74.7% of the shares on issue held by the top two shareholders, the company has a tight shareholder base. The issue of the Alignment Shares will assist with expanding the shareholder base.

INVESTMENT MANAGER - GROSVENOR CAPITAL MANAGEMENT, L.P.

Pengana Capital Limited will be appointed by the RE as the Manager of the Trust. The Manager will in turn appoint Grosvenor Capital Management, L.P. (Grosvenor or Investment Manager) as the Investment Manager of the Trust.

Grosvenor is a US based asset management firm with a focus on alternative assets. Grosvenor has in excess of $52 billion assets under management, 512 employees with 162 investment professionals. The firm was established in 1971 and has been investing in private markets since 1999 with over US$24 billion invested in private equity markets. The Investment Manager specialises in customised investment solutions in the alternative asset market.

The Investment Manager has developed a significant alternative asset investment platform as detailed in the below graphic, developing a significant number of relationships with managers that provide a competitive advantage to the Investment Manager with respect to sourcing investment opportunities.

Grosvenor's Investment Platform (as at 30 June 2018)

The Investment Manager has 27 senior professionals dedicated to private market investments with dedicated investment teams across all investment categories, primary funds, secondary funds, co-investments and opportunistic investments. The senior investment professionals are supported by 34 analysts and associates.

The senior investment professionals detailed below have an average of 16.3 years industry experience and have an average tenure at Grosvenor of 7.8 years.

Investment Team

Name	Position	Years Experience in Industry	Years at Investment Manager	Investment Focus
Derek Jones	Managing Director	32	12	Co-Investments
Arnaud Lipkowicz	Managing Director	21	11	Secondaries/Co-Investments
Jason Metakis	Managing Director	19	9	Co-Investments
Bernard Yancovich	Managing Director	24	19	Primaries/Secondaries
Brian Sullivan	Managing Director	22	4	Secondaries
Iris Zhao	Managing Director	16	15	Primaries/Co-Investments
Lee Brashear	Director/Partner	15	12	Co-Investments
Jason Howard	Director/Partner	19	9	Co-Investments
Marc Iyer	Director/Partner	18	9	Primaries/Co-Investments
Thomas Rest	Director/Partner	29	10	Primaries/Secondaries
Ya Tung	Director/Partner	8	1	Primaries/Secondaries
Mayur Shah	Director	15	10	Secondaries/Co-Investments
David Almodovar	Vice President/Principal	25	14	Primaries
Luis Caberra	Vice President/Principal	14	2	Secondaries
Stephen Cammock	Vice President/Principal	9	9	Primaries
Melford Carter	Vice President/Principal	24	13	Primaries
Nelda Chang	Vice President/Principal	9	4	Co-Investments
Winston Chow	Vice President/Principal	21	2	Co-Investments
Bradford Hanan	Vice President/Principal	14	2	Secondaries
Adeeb Huq	Vice President/Principal	11	9	Co-Investments
Michael Kell	Vice President/Principal	21	7	Co-Investments
Todd Roland	Vice President/Principal	11	4	Co-Investments
Andrew Sherriff	Vice President/Principal	15	1	Co-Investments
Haw Rer Au Yong	Vice President/Principal	6	3	Primaries
Amy Dai	Vice President	8	7	Primaries
Jessica Holsey	Vice President	6	5	Primaries
Bohea Suh	Vice President	8	8	Primaries

The Trust will have a dedicated Investment Committee (IC) with senior investment professionals from all verticals within the Investment Manager. The IC will be responsible for selecting investments for inclusion in the Trust, reviewing and approving investments and portfolio construction/allocation. We note that the IC will be all employees of the Investment Manager and will be making decision about allocations to Grosvenor funds which results in a conflict of interest between the Investment Manager and the Trust.

A Portfolio Manager will also be dedicated to the Trust, who will be responsible for the day to day management of the Trust. In addition to the below, there will be an Operations IC made up of the firm's Chief Operating Officer, Chief Financial Officer, General Counsel and Vice Chairman that are responsible for reviewing operational due diligence for investment opportunities.

The Investment Committee members and the Portfolio Manager have a significant amount of experience in private markets with an average of 18 years experience between them.

PE1 Investment Committee			
Name	**Position**	**Years of Industry Experience**	**Years at Investment Manager**
Jonathan Levin	President	15	7
Jason Metakis	Managing Director	19	9
Bradley Meyers	Managing Director	21	16
Frederick Pollock	Managing Director/Portfolio Manager	14	3
Brian Sullivan	Managing Director	22	4

7. INVESTMENT PROCESS

INVESTMENT OBJECTIVE

The Trust will seek to generate attractive returns over the long-term (which is considered to be a ten year period) from an investment in a diversified portfolio of private equity and credit investments. The Investment Manager has an internal long-term target return of 8-14% p.a.. The Trust will seek to pay a semi-annual distribution of 4%p.a of the NAV at the end of the period for which the distribution is to be paid.

INVESTMENT PHILOSOPHY

The Investment Manager selects investments in private markets based on three key investment principles:

1) Research-Based Approach

- Top-down, bottom-up research approach.
- Extensive analysis of target industries, sectors and regions.
- Focus on factors particularly significant to private market investments.
- Comprehensive bottom-up due diligence on potential investments and managers.

2) Focus on Fewer, Better Managers

- Seek to enhance returns by investing in a portfolio of select top-tier fund managers.
- Source managers with an identifiable competitive advantage in their target markets to execute and exit successful investments.
- Target managers that are believed to have strong deal sourcing capabilities, superior structuring and execution skills and the ability to add value at an operating level.
- Rigorous, dual track record due diligence leads to commitments to managers in whom they have high conviction.

3) Diversification

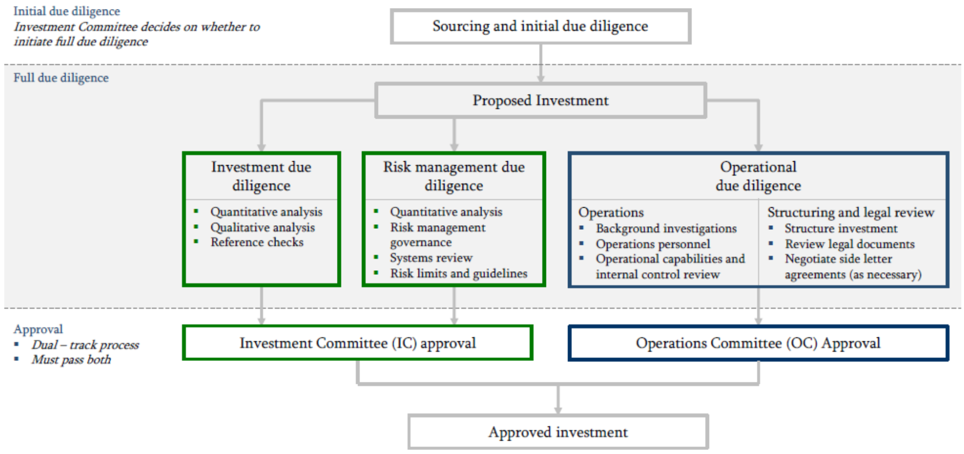
- Seek an appropriate level of diversification across investment type, stage, vintage year, industry, sector and geography.

INVESTMENT PROCESS

Grosvenor will be responsible for the investment selection and management of the Trust's portfolio. Grosvenor has developed a robust investment process in the private equity market, across primary, secondary and co-investments.

The below chart provides an overview of the investment process. The Trust will be investing in third party funds and Grosvenor funds to gain the private equity exposure. The investment process applies to all investments, with an additional layer of due diligence for direct investments and opportunistic investments.

Investment Process



1) Sourcing

Grosvenor uses a research-based approach and use its institutional resources to source funds and co-investments with a focus on top-tier managers. Grosvenor has a proactive, highly selective, deal sourcing process which relies on:

- **Proactive Sourcing Program:** The proprietary deal flow log monitors funds coming to market. The log is based on information obtained through the Grosvenor network and through industry conferences and publications.
- **Existing Manager Relationships:** The majority of the deal flow comes from manager relationships. Grosvenor invests in approximately 950 private equity funds and companies with relationships with both established and emerging managers.
- **Unsolicited Deal Flow:** Given the history of investments in the private equity market, Grosvenor is often approached from prospective managers.

Grosvenor has committed capital to over 950 funds and co-investments from in excess of 12,000 funds and deals. Typically co-investments are sourced from managers that Grosvenor has invested in.

Once an opportunity is identified, relevant investment team members are assigned to do an initial evaluation of the opportunity. The team assess the key materials and conducts an initial meeting with the manager to determine the investment merits and suitability of the investment opportunity. If an investment passes the initial evaluation, detailed due diligence will commence.

2) Due Diligence

Due diligence on an investment opportunity is two-fold. A preliminary due diligence is undertaken before full due diligence is completed.

The preliminary due diligence involves a further review and analysis of the investment merits and suitability of the investment opportunity. The key areas of focus for potential investments are tabled below.

Areas of Focus for Preliminary Due Diligence	
Fund Investments	**Co-investments**
Investment Strategy	Investment thesis
Quality of investor base	Company/asset overview
Track Record	Industry and sector analysis including competitive advantages of the business and barriers to entry
Quality/Capabilities of the team	Management team
Analysis of current investments	Review of sponsor
Preliminary review of legal terms	Transaction terms
	Valuation analysis, including projected returns
	Exit opportunities

Upon completion of the preliminary due diligence the Investment Manager will decide to continue to comprehensive due diligence or cease work. The comprehensive due diligence involves determining whether the investment opportunity is well positioned to generate superior risk-adjusted returns.

There are two independent reviews conducted in the due diligence phase: (1) investment due diligence; and (2) operational due diligence. Potential investments must be approved by both the Investment and Operational Investment Committees before an investment can be included.

(1) Investment due diligence

- Investment due diligence involves a comprehensive analysis of quantitative and qualitative factors in addition to the initial reviews, evaluations of investment risks and on-site meetings with managers or sponsors of potential co-investments. For fund investments, the Investment Manager also does an in depth analysis of the unrealised investments of the fund.
- For co-investments the dedicated co-investments investment team undertake additional levels of due diligence given they are investing directly in the company. The company will utilise the information provided by the sponsor of the investment and then undertakes an internal review of the investment opportunity including completing internal financial models for the risk/return analysis.

(2) Operational due diligence

- Operational due diligence includes a review of both operations and legals and is performed independently of the investment due diligence and is conducted by members of the finance and legal departments.
- The goal of the operational due diligence is to:
  - Evaluate risk: determine whether an investment meets the operational standards.
  - Mitigate risk: seek to avoid losses and reputational risks.
  - Structure: evaluate the legal and governance structure and terms of investment.
  - Enhance terms: the team will seek to negotiate improved terms.
- To achieve these goals, the team performs three main assessments: (1) Background investigations. Grosvenor employs the services of private investigation firms to conduct background investigations of prospective managers to verify the existence of legal entities and target companies, identify potential conflicts of interest and general background checks; (2) Operational capabilities and internal controls review; and (3) legal and structuring review, which is performed by in-house attorneys and paralegals with assistance from outside counsel where necessary.

3) Approval

Identified investment opportunities are required to be approved by two Investment Committees (ICs), for each of the two arms of due diligence, Investment and Operational.
The relevant teams present a comprehensive report to the IC for approval. A majority vote is required for the investment opportunity to be approved.

Portfolio Construction and Portfolio Management

The portfolio will be constructed from approved investments by the dedicated Investment Committee with respect to the investment guidelines and objectives of the Trust. The Trust will have a dedicated Portfolio Manager who will be responsible for the day-to-day management of the Trust. We have detailed the portfolio construction features in Section 8 below.

The Investment Manager has a hands on approach to the ongoing monitoring of investments. The Investment Manager maintains regular formal and informal discussions with managers through to the exit of the fund or company.

The Investment Manager maintains a watch list with any notable changes from investments placed on the list. Communications with managers or companies on the watch list are increased with action taken where appropriate, such as redemption or exit, dissolution of the fund, or termination of future commitments.

8. PORTFOLIO

The Trust is yet to raise capital and therefore the portfolio is yet to be constructed, however, the RE and the Investment Manager have developed a target portfolio for the Trust. Initially the target portfolio is largely invested in short-term credit products to provide some income until the capital is deployed to the private equity investments. It is anticipated that it will take up to four years to meet the long-term target portfolio allocation.

The Investment Manager will invest in three key categories:

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

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

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

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

We note that the Year 1 portfolio allocation below is just a guide and the portfolio allocation may differ in reality. The Manager is expected to transition from the large allocation to short duration credit investments in year 1 to a majority invested in private equity investments (minimum 70%) over a four year period.

Target Portfolio Allocation*

	Year 1	Long-term Target Portfolio
Private Equity:		
Primaries	2%	15%-30%
Co-Investments	11%	15%-30%
Secondaries	8%	15%-30%
Opportunistic Investments	12%	10%-25%
Private/Alternative Credit	2%	5%-15%
Short Duration Credit	57%	na
Cash	4%	2%-10%
Alignment Shares	4%	0.0%

*Based on the Trust raising the maximum subscription amount under the offer.

Long-Term Target Portfolio Characteristics

The Investment Manager has derived an internal target return of 8%-14%p.a. from the historical track record of Grosvenor together with the long-term target portfolio allocation. The below table illustrates the target return expectations for each of the investment categories. The target returns are based on the Investment Manager's historical performance of investment into the categories. The target returns may not be achieved.

Portfolio Target Returns		
	Long-term Target Portfolio	**Net Target Return Range (p.a)***
Private Equity:		
Primaries	15%-30%	12%-15%
Co-Investments	15%-30%	12%-18%
Secondaries	15%-30%	12%-18%
Opportunistic Investments	10%-25%	12%-18%
Private/Alternative Credit	5%-15%	7%-13%
Cash	2%-10%	na

*Return ranges are after fees of underlying funds.

If we assume the portfolio allocations in the long-term are the same as those illustrated in the Blended Fee table in Section 5, and the underlying funds achieved the target returns tabled above, we would expect the Trust's portfolio to achieve the target return over the life of the Trust. We note that there are a number of risks to the Trust achieving this and the Trust may not achieve the target return.

Portfolio Diversification

The Trust is seeking to be diversified through the investment in both the underlying funds and the portfolio of investments by the underlying funds.

The below table has been provided by the Investment Manager to provide an indication of the expected diversification of the long-term target portfolio and is based on the maximum subscription amount being raised under the offer. We note that the below provides the intention of the Investment Manager, however, may not represent the actual portfolio once fully invested.

Each of the funds invested in is expected to have a portfolio of investments. The Investment Manager has advised that the Private Equity Primary and Secondary investments are expected to have an average of 7-10 investments per fund.

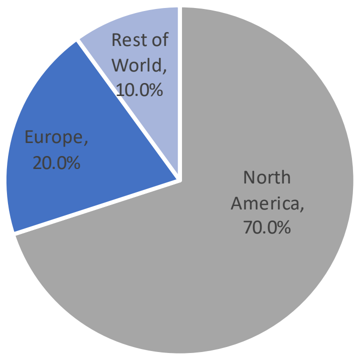
The Investment Manager cannot commit any more than 20% of the portfolio to a single fund.

Target Portfolio Diversification		
Strategy	**Underlying Funds**	**Number of Investments by Underlying Funds**
Private Equity:		
Primaries	32	184
Co-Investments	2*	25
Secondaries	77	274
Opportunistic Investments	2**	26
Credit Investments	14	120
Total	**127**	**629**

*The Trust will gain exposure to co-investments through investing initially in GCF II. The Trust is expected to invest in future iterations of the GCF fund series.
**The Trust will gain exposure initially through investing in the Multi-Asset Class Fund II (MAC II) and then will likely invest in future iterations of the MAC fund series.

The Investment Manager will invest globally with the private equity investments expected to be largely invested in North America, as detailed in the graphic on the following page.

Private Equity Geographic Target Allocation



9. PERFORMANCE ANALYTICS

PE1 is yet to list and therefore has no performance history. While the Trust has no performance history, Grosvenor has been investing in private markets since 1999. The Investment Manager has provided the historical return information across the investment categories of the Trust. We provide an overview of the return information below. We note the returns do include bespoke mandates.

Private Equity Primary Funds

Primary Private Equity Funds (USD) as at 31 March 2018

Investment	Number of Investments	Capital Commitment (USD$m)	Invested Amount (USD$m)	Net IRR*	IRR Range
Total Primary Funds	459	14,459.2	13,082.0	13.3%	-74.2% to 98.7%
Middle Market Buyout Funds	221	8,645.4	7,718.0	16.0%	-74.2% to 44.8%

*Net IRR is net of fees and expenses charged by the underlying manager but does not include fees and expenses charged at the Grosvenor level.

- Grosvenor has committed USD$14.46 billion to 459 primary private equity funds since 2000 of which USD$13.082 billion has been called. Across all funds, Grosvenor has generated an IRR of 13.3%. We note that the values for unrealised funds are based on the latest valuations for the underlying investments. It's also important to note that the IRR is an annualised return figure, however, the return profile for primary funds is lumpy, with the large majority of returns towards the end of the investment term.
- The primary fund investment IRRs range from -74.2% to 98.7%. We note that given the style of private equity investments, the funds typically generate a significant negative IRR in the initial years of investment as the capital is being called with no returns and due to the fees that are charged during this period. It is difficult to assess the returns of a fund until the investments have been fully realised.
- The allocation to private equity funds is expected to be focused on middle market buyout funds (MMBOs). 59.8% of primary fund commitments have been in MMBOs. Grosvenor has generated an IRR of 16.0% from the 221 investments in MMBOs. We note that these returns are based in USD.

Private Equity Secondary Funds

Private Equity Secondary Funds (as at 31 March 2018)

Investment	Number of Investments	Capital Commitment (USD$m)	Invested Amount (USD$m)	Net IRR*	IRR Range
Secondary Funds	94	1,461.8	1,181.0	12.4%	-19.4% to 41,252.0%**

*Net IRR is net of fees and expenses charged by the underlying manager but does not include fees and expenses charged at the Grosvenor level.
**The top end of the IRR range is based on an anomoly and does not reflect the likely return from this investment category.

- The Investment Manager has committed USD$1.46 billion in 94 secondary funds since 2003 across a range of investment strategies. The Investment Manager has had an average commitment of USD$14.9m.
- To 31 March 2018, the secondary investments had generated a net IRR of 12.4%, although we note that the large majority of secondary investments have not been fully realised.
- Of the 94 investments, 19 had a negative IRR at 31 March 2018, with the largest negative IRR being -19.4%. Given the nature of secondary investments we would expect the downside to be much less than an investment in a primary fund.

Grosvenor Private Equity Secondary Funds (as at 31 March 2018)

Investment	Establishment Date	Fund Size (USD$m)	Capital Committed (USD$m)	Average Discount	Net IRR*
Grosvenor Secondary Opportunities Fund I	March 2015	238.4	171.3	16.8%	21.7%
Grosvenor Secondary Opportunities Fund II	May 2017	704.2	50.9	12.3%	34.9%

*Net of all fees and expenses charged by both the underlying manager and Grosvenor.

- The Investment Manager has established two secondary fund of funds (GSF I and GSF II) both of which are closed. The Trust will seek to invest alongside the investments in GCF II until the other iterations of the GSF funds are established.
- Secondary funds are often acquired at a discount given a party is seeking to exit the illiquid investment. As at 31 March 2018, investments have been purchased at a discount of 16.8% for GSF I and 12.3% for GSF II. Given this, Secondary funds can offer a degree of downside protection.

Private Equity Co-Investments

Private Equity Co-Investments (as at 30 June 2018)

Investment	Number of Investments	Capital Commitment (USD$m)	Invested Amount (USD$m)	Net IRR*	IRR Range
Buyout Co-Investments	132	2,941.0	2,776.2	16.2%	-100.0% to 268.5%

*Net IRR is net of fees and expenses charged by the underlying manager but does not include fees and expenses charged at the Grosvenor level.

- Grosvenor has made 132 buyout co-investments since 2003, which have returned a net IRR of 16.2% 30 June 2018. We note this includes both realised and unrealised investments. The Manager has realised 72 investments for a net IRR of 19.2%.
- Committment amounts range from USD$0.13m to USD$282.3m with an average committment of USD$20.7m.
- 7 of the 72 realized buyout co-investments (9.7% by number of co-investments) were written down to zero. 8 of the 132 total buyout co-investments (6.1% by number of co-investments) have been written down to zero.

Grosvenor Co-Investment Funds (as at 30 June 2018)

Investment	Establishment Date	Fund Size (USD$m)	Invested Amount (USD$m)	NAV (USD$m)	Gross IRR*	Net IRR**
Grosvenor Co-Investment Fund I	2014	249.6	216.9	283.9	16.3%	10.1%
Grosvenor Co-Investment Fund II	2018	257.5	na	na	na	na

*Gross IRR is net of fees and expenses charged by the underlying manager but does not include fees and expenses charged at the Grosvenor level.

**Net IRR of all fees and expenses charged by both the underlying manager and Grosvenor.

- Grosvenor has established two funds - Grosvenor Co-Investment Fund I (GCF I) and Grosvenor Co-Investment Fund II (GCF II). The Trust will be investing in GCF II and is likely to invest in subsequent iterations of the GCF fund series. GCF II is relatively newly established, therefore we provide portfolio and performance details of GCF I to provide an indication as to the Trust's co-investment exposure.

- GCF I was established in 2014 and is fully committed across 16 investments. Commitments range from USD$5.9m to USD$22.4m.
- As at 30 June 2018, GCF I had a Net Asset Value (NAV) of $283.9m with a gross IRR of 16.3% and a net IRR of 10.1%. The net IRR is net of fees with fees for GCF I based upon the committed capital during the commitment period. GCF II only charges fees on invested capital during the commitment period as opposed to the committed capital.
- 10 of the 16 investments have been revalued upwards since investment. 6 of the investments have not changed in value since investment.

Opportunistic Investments

- The Trust will initally gain exposure to opportunistic investments through the Grosvenor Multi-Asset Class Fund II (MAC II), the second fund in the series.
- MAC II was established in May 2018 and will dissolve eight years from this date, unless extended for an additional year. MAC II is expected to invest in 20-30 investments from across the Grosvenor platform.
- MAC II has a target net IRR of 15% and seeks to achieve this without the use of leverage. However, the fund has established a line of credit to provide interim bridging financing for certain investments. Borrowings are not expected to exceed 50% of the total capital commitments of MAC II.
- MAC I was established in 2016 and has committed USD$253m in capital across 22 investments. The fund has generated a net IRR of 16.0% to 30 June 2018. We note that MAC II has higher fee levels than MAC I and therefore returns would be lower under the MAC II structure.

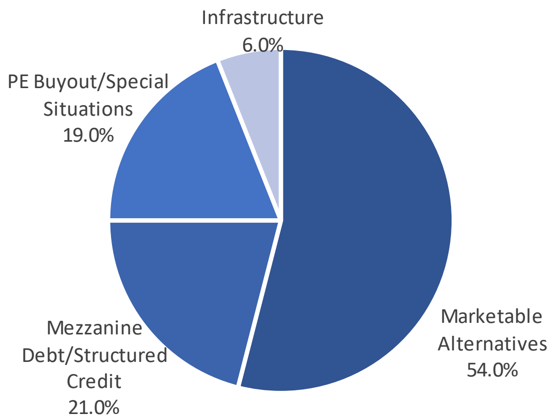
Grosvenor Opportunistic Funds (as at 30 June 2018)

Investment	Establishment Date	Fund Size (USD$m)	NAV (USD$m)	Number of Investments	Net IRR*
Grosvenor Multi-Asset Class Fund I	2016	$206.0	$216.9	22	16.0%

*Net IRR is net of fees and expenses charged by the underlying manager but does not include fees and expenses charged at the Grosvenor level

- MAC I invests both directly and indirectly through funds, with investments in marketable alternatives, structured credit, private equity and infrastructure.
- Marketable alternatives (co-investments and direct investments) make up the lion's share of the MAC I with 54% of the portfolio allocated to this investment category with a large portion of the portfolio also allocated to mezzanine debt/structured credit (21%). We would expect MAC II portfolio to be similar in nature.

MAC I Portfolio Allocation



Credit Investments

- Grosvenor has invested over USD$8 billion in credit investments and funds across 183 investments, generating strong returns across the investments to date.
- The Grosvenor Credit Opportunities Investments outlined in the following table represents bespoke funds produced by Grosvenor for their clients. The Special Situation Primary Fund Investments represents primarily the distressed debt and mezzanine funds that Grosvenor has invested in.

Grosvenor Credit Investments (as at 31 March 2018)				
Investment	**Number of Investments**	**Capital Commitment (USD$m)**	**Invested Amount (USD$m)**	**Net IRR**
Grosvenor Credit Opportunities Investments	102	$5,912.9	$5,654.2	10.6%
Special Situation Primary Fund Investments	81	$2,950.2	$2,788.7	9.9%

10. PEER COMPARISON

- There are very limited opportunities to gain exposure to private equity through an ASX listed investment vehicle. There are the Cordish Dixon series of private equity trusts and Bailador Technology Investments Limited. The Cordish Dixon trusts are similar to PE1 given they are a fund of fund structure, while BTI invests directly into private companies.
- The Trust will provide a unique portfolio structure with the Investment Manager utilising investments in short duration credit investments initially to mitigate the long-dated nature of private equity investments and provide a distribution from the outset.
- From a fee perspective, the management fee for PE1 is at the low end of the peer group, although CD1 and CD2 have a higher management fee given no performance fee. PE1 performance fees are high, but we view the performance hurdle as appropriate for the asset class. The table below does not include fees charged by underlying investments.

Peer Comparison					
Company/Trust	**ASX Code**	**Market Cap ($m)***	**Management Fee**	**Performance Fee**	**Performance Hurdle**
Bailador Technology Investments Limited	BTI	101.0	1.75%	17.5%	8% compound annual return
Cordish Dixon Private Equity Fund I	CD1	69.8	2.33%	na	na
Cordish Dixon Private Equity Fund II	CD2	120.9	2.33%	na	na
Cordish Dixon Private Equity Fund III	CD3	115.2	1.0%	10.0%	8% compound annual return
Pengana Private Equity Trust	**PE1**	**100-600**	**1.25%**	**20.0%**	**8.0% compound annual return**

*As at 24 October 2018.

- We have provided a comparison of the diversification of the private equity fund of fund structures available to retail investors.
- PE1 is expected to have the highest amount of diversification with an investment in over 100 funds for a potential total number of underlying investments of 629. This compares to the Cordish Dixon Private Equity Fund series, which have committed the capital raised to no more than 13 funds. CD2 has the greatest number of underlying investments with 107 investments at 30 June 2018. This is well below the expected number of underlying investments of PE1.

Portfolio Diversification			
Company/Trust	**ASX Code**	**Number of Investments in Funds**	**Number of Underlying Investments**
Cordish Dixon Private Equity Fund I	CD1	9	95*
Cordish Dixon Private Equity Fund II	CD2	12	107*
Cordish Dixon Private Equity Fund III	CD3	13	58*
Pengana Private Equity Trust	**PE1**	**127****	**629****

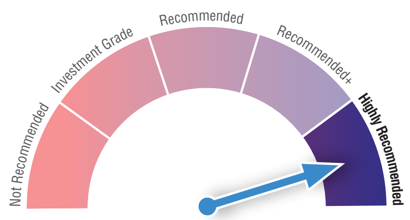
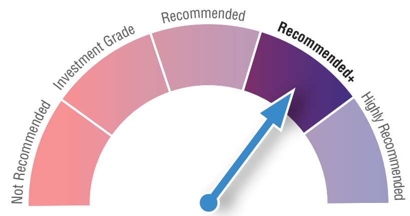
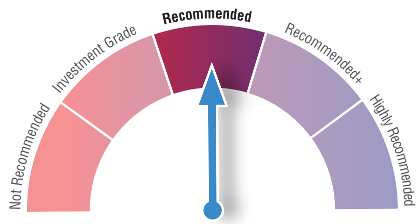
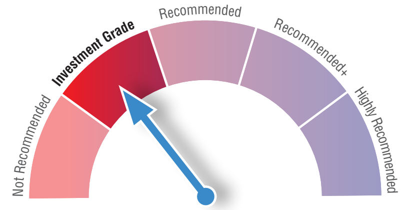
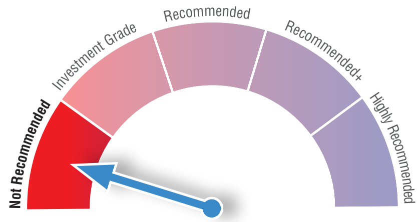
*As at 30 June 2018.

**Based on the Trust raising the maximum subscription amount under the offer and the Trust achieving the long-term target portfolio allocation.

APPENDIX A – RATINGS PROCESS

INDEPENDENT INVESTMENT RESEARCH PTY LTD "IIR" RATING SYSTEM.

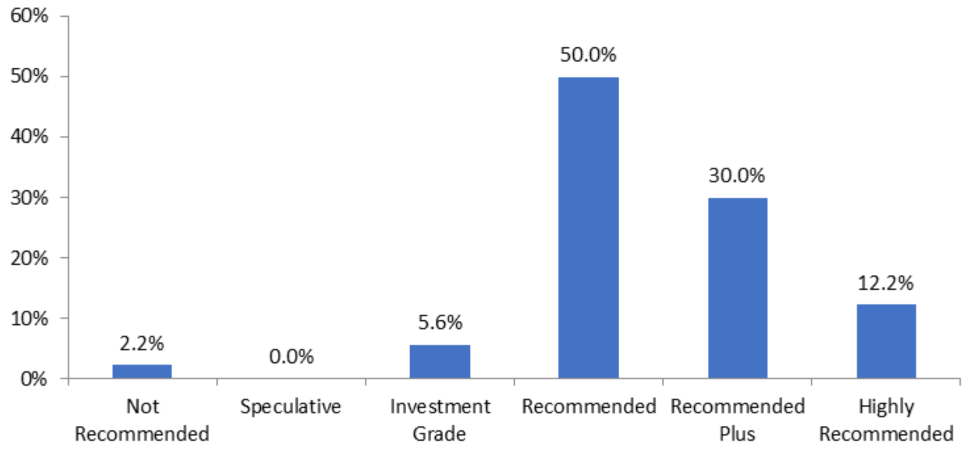
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product management and underlying portfolio construction;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

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

APPENDIX B – MANAGED INVESTMENTS COVERAGE

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

Spread of Managed Investment Ratings



DISCLAIMER

(a) Disclaimer

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

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

(b) Disclosure of Interest

General

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

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

Corporate Research

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

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

(c) Copyright Protection

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

(d) Trade Marks

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

(e) Limitation of Liability

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

(f) No Warranties

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

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

Independent Investment Research (Aust.) Pty Limited

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

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

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

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

MAILING ADDRESS
PO Box H297 Australia Square
NSW 1215