



THE PRIVATE EQUITY OPPORTUNITY

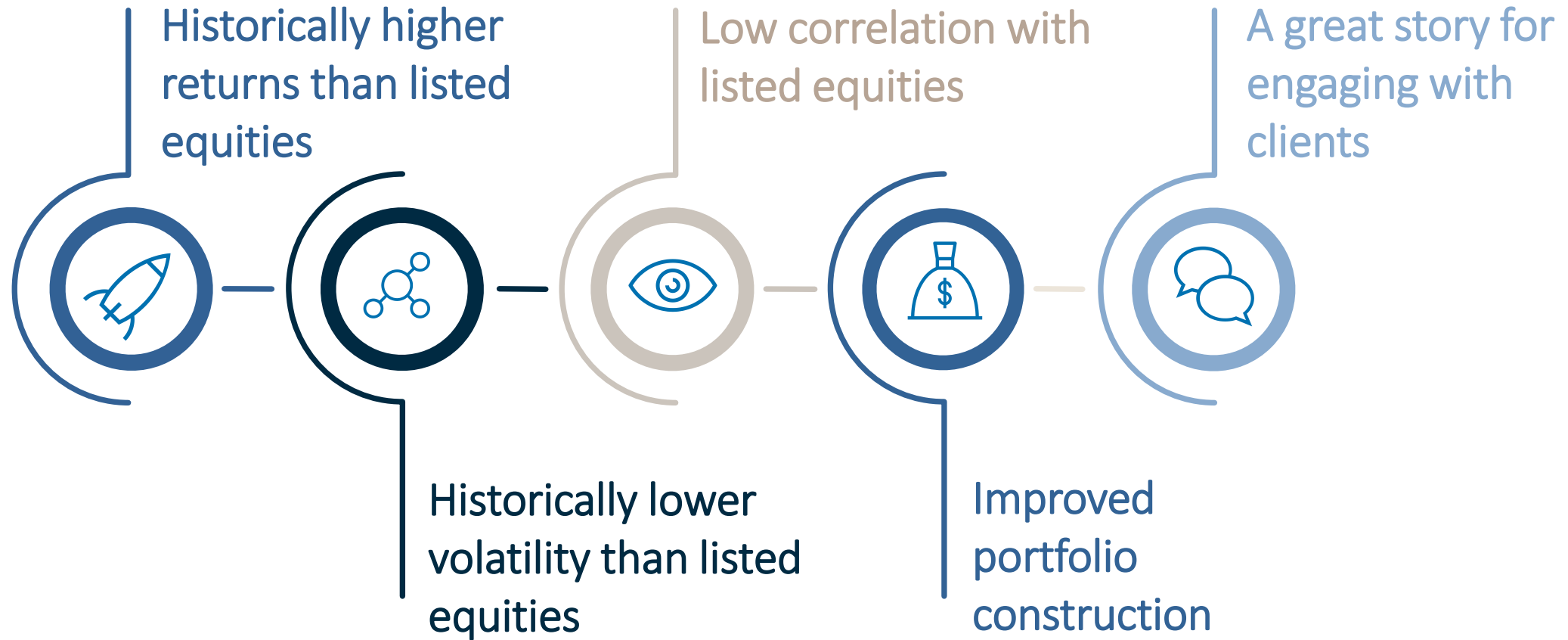
Public companies are only the tip of the iceberg

Russel Pillemer

CEO, Pengana Capital Group

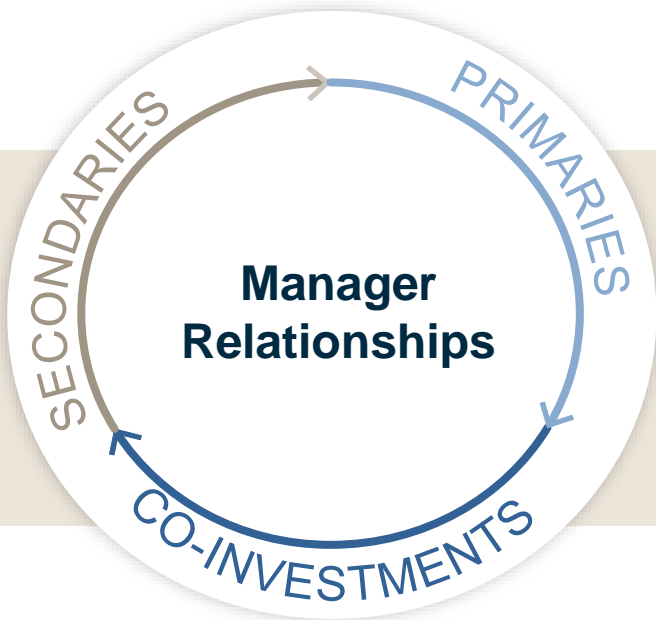


WHY PRIVATE EQUITY



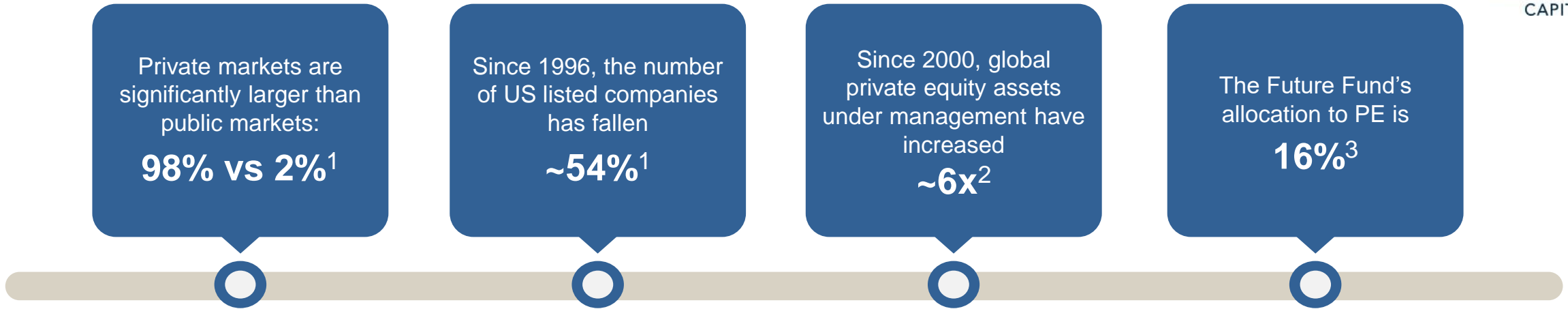
IMPLEMENTING PRIVATE EQUITY INVESTMENTS

A hands-on investment in private businesses or assets



Primary fund investments provide access to managers who may offer **co-investments**. These relationships may also provide increased access to **secondary** opportunities.

THE PRIVATE EQUITY OPPORTUNITY – KEY STATS



Private market assets under management are experiencing dramatic growth

PE has offered attractive investment returns through different market conditions⁴

¹ Includes U.S. and European companies. Sources: S&P Capital IQ (utilising certain information obtained from its database) for public and private company data as of 5 August 2019. Includes all private companies with revenues \geq US\$15 million. The World Bank, <https://data.worldbank.org/indicator/cm.mkt.lcom.no>, for historical listed company data (31 December 1996 for the U.S.; 31 December 2001 for Europe). Neither S&P Capital IQ nor the World Bank has provided consent to the inclusion of references to their databases and publications or material drawn from the databases and publications.

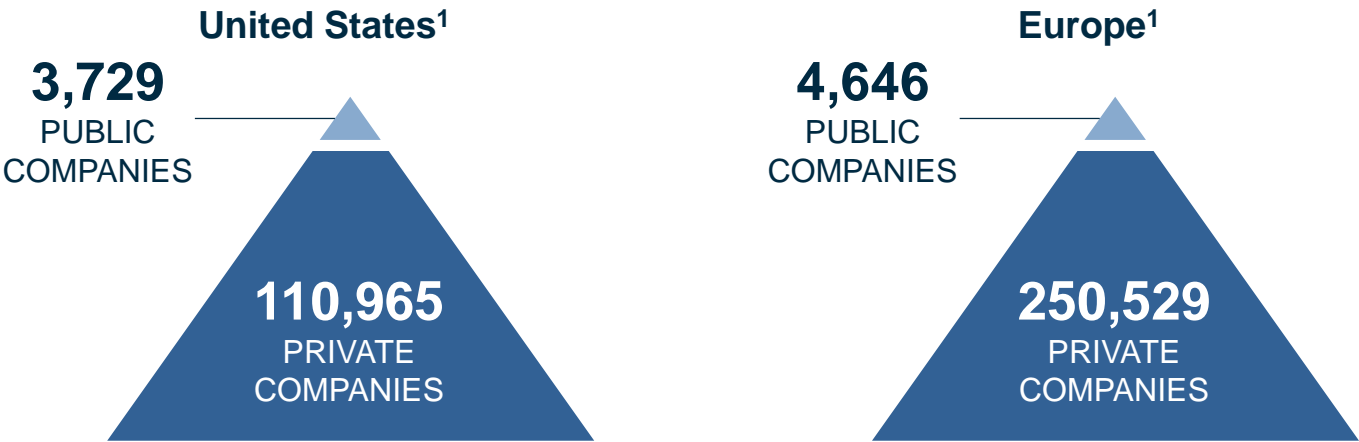
² Source: As of June 2018. GCM, utilising certain information obtained from the database of Preqin Ltd. Assets under management represents the sum of available Committed Capital and unrealised value. Preqin Ltd. has not provided consent for the use of its data.

³ Sources: Future Fund's quarterly portfolio update at 30 September 2019 (<https://www.futurefund.gov.au/investment/investment-performance/portfolio-updates>). The author of this publication has not provided consent to the inclusion of references to this publication and material drawn from this publication.

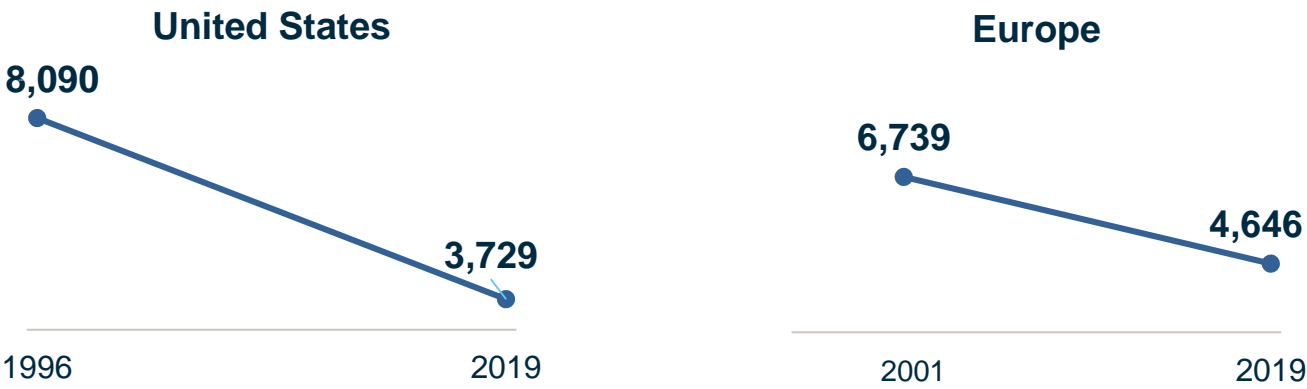
⁴ Source: GCM, utilising certain information obtained from The Burgiss Group ("Burgiss"). Burgiss is an independent subscription-based data provider. This information is based on published 3Q 2018 industry data as of January 2019. Burgiss sources their data from MSCI, S&P and Bloomberg Barclays and other data providers, as well as private equity funds worldwide. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data utilised. The MSCI data may not be further redistributed or used to create indices or financial products. This information is not approved or produced by MSCI. S&P and their third party information providers do not accept liability for the information and the context from which it is drawn. Burgiss, MSCI, S&P and Bloomberg Barclays have not provided consent to the inclusion of statements utilising their data. No assurance can be given that any investment will achieve its objectives or avoid losses. Past performance is not necessarily a guide to future performance.

THE PRIVATE MARKETS OPPORTUNITY

Private markets are significantly larger than public markets



The number of listed companies has been steadily decreasing

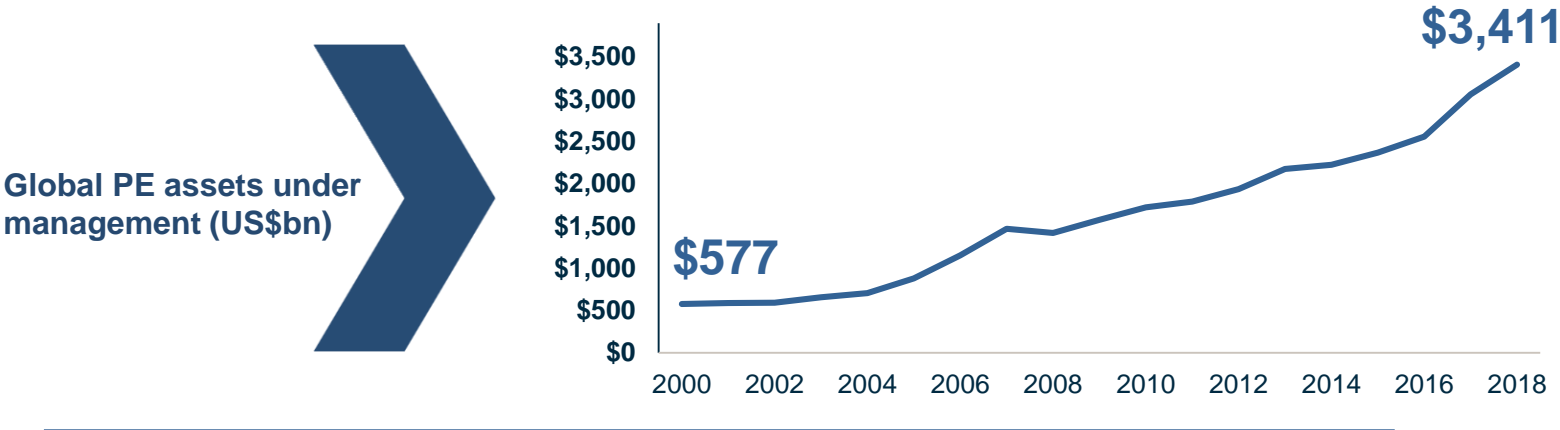


¹ Includes U.S. and European companies. Sources: S&P Capital IQ (utilising certain information obtained from its database) for public and private company data as of 5 August 2019. Includes all private companies with revenues ≥ US\$15 million. The World Bank, <https://data.worldbank.org/indicator/cm.mkt.lcom.no>, for historical listed company data (31 December 1996 for the U.S.; 31 December 2001 for Europe). Neither S&P Capital IQ nor the World Bank has provided consent to the inclusion of references to their databases and publications or material drawn from the databases and publications.

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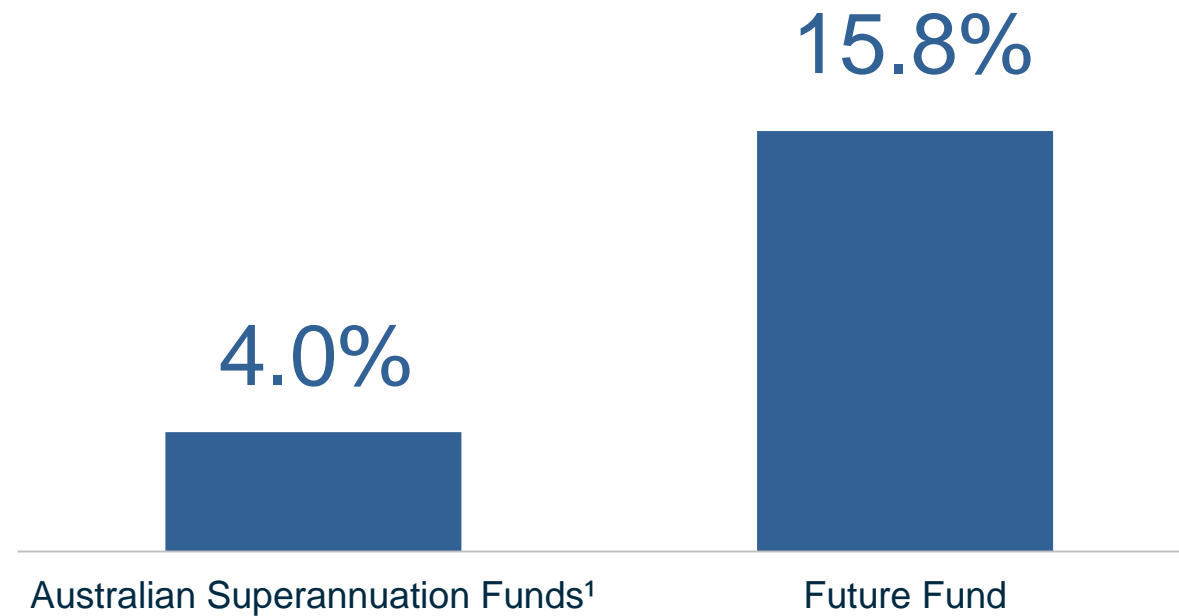
GLOBAL ALLOCATION TO PRIVATE EQUITY IS INCREASING

Steady and large increases in PE allocations by institutions over the past 2 decades



Sources: The above graph was prepared as of June 2018 by GCM utilising certain information obtained from the database of Preqin Ltd. Assets under management represents the sum of available Committed Capital and unrealised value. The above diagram was sourced from Preqin, Ltd. February 2019. Preqin Investor Outlook: Alternative Assets, H1 2019. Preqin Ltd has not provided consent for the use of this data and diagram.

Australian superannuation investors have minimal private equity exposure



¹ Includes funds with more than 4 members.

Sources: The Association of Superannuation Funds of Australia's September 2019 Superannuation Statistics (<https://www.superannuation.asn.au/resources/superannuation-statistics>). Future Fund's quarterly portfolio update at 30 September 2019 (<https://www.futurefund.gov.au/investment/investment-performance/portfolio-updates>). The authors of these publications have not provided consent to the inclusion of references to these publications and material drawn from these publications.

ATTRACTIVE INVESTMENT RETURNS



LONG TERM VALUE CREATION:

Lack of short-term, public pressure allows for a long-term investment orientation



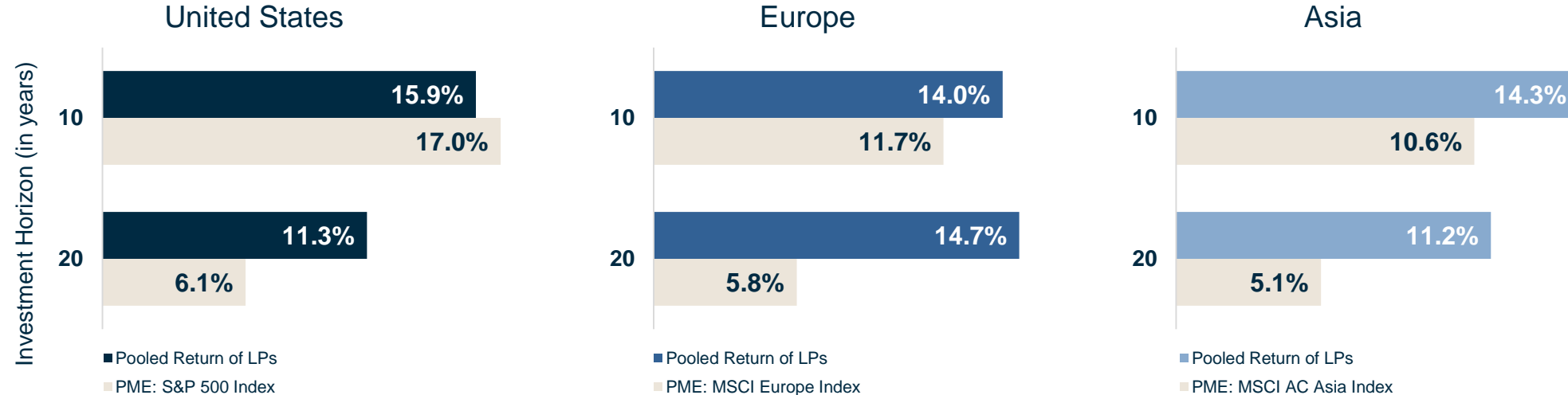
MARKET CYCLE INDEPENDENCE:

Historical performance resilient across various investment environments



ILLIQUIDITY PREMIUM:

Captures illiquidity premiums associated with long-term investments.

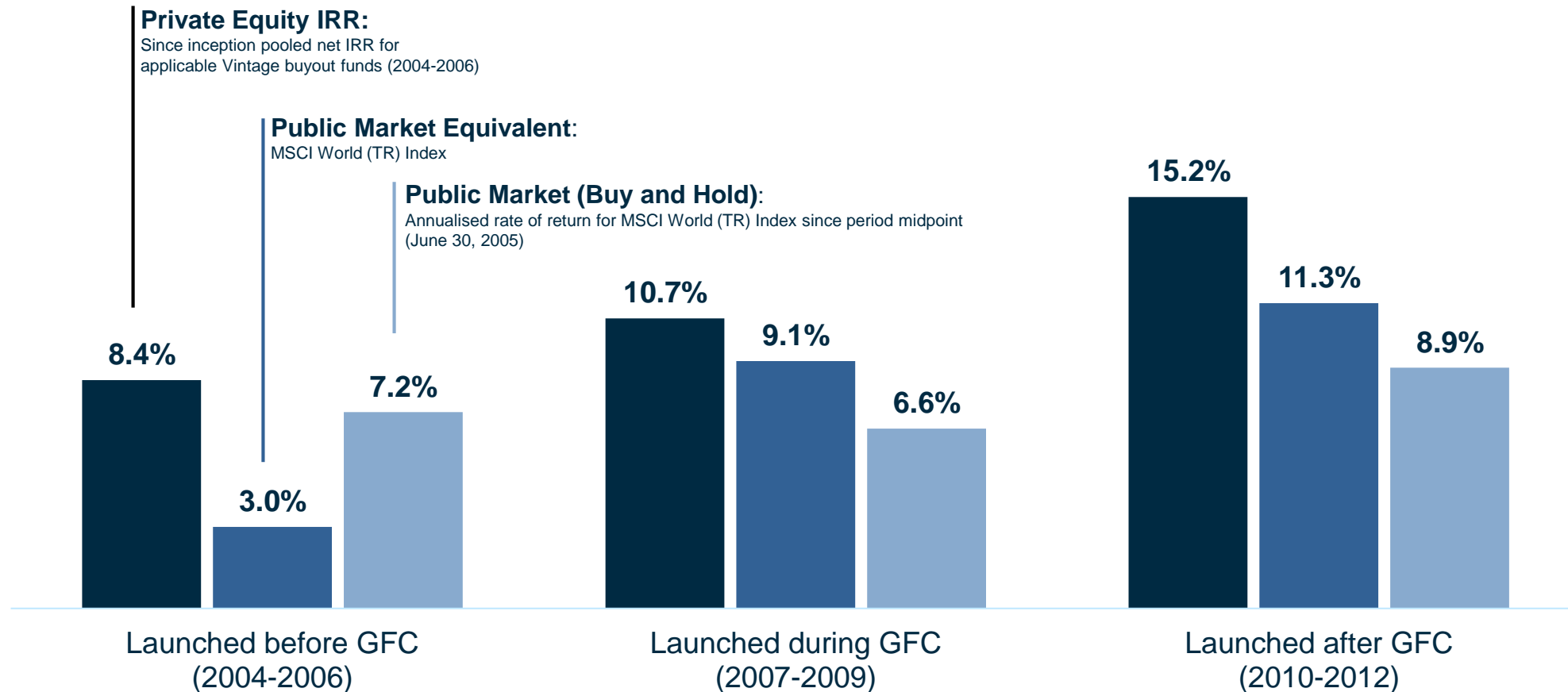


PME allows comparison by creating a theoretical investment into an index using private equity type cashflows

Source: The above graphs were prepared by GCM utilising certain information obtained from the Burgiss Group ("Burgiss"). Burgiss is an independent subscription-based data provider, which calculates and publishes quarterly performance information from cash flows and valuations collected from a sample of private equity firms worldwide (the "Burgiss Manager Universe"). The Burgiss Manager Universe includes data from 8,267 global private funds. The graphs are based on published 1Q 2019 industry data as of August 2019. "Pooled Return of LPs" represents pooled IRR since inception through to 31 March 2019 for all buyout funds in the Burgiss Manager Universe. United States returns are stated in USD. Europe returns include investments with a focus on the developed world. Asia returns include private equity expansion capital investments and are stated in USD. All "Public Market Equivalent" returns were calculated using the Long-Nickels methodology and were obtained from Burgiss. All data shown as net return of Limited Partners ("LPs").

Burgiss sources their data from MSCI, S&P and private equity funds worldwide. GCM uploads data into its system used to prepare the above graphs one-time each quarter, however, the data service may continue to update its information thereafter. Therefore, information in GCM's system may not always agree with the most current information available from the data service. Additional information available upon request. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used to create indices or financial products. These graphs are not approved or produced by MSCI. S&P and their third-party information providers do not accept liability for the information and the context from which it is drawn. Burgiss, MSCI and S&P have not provided consent to the inclusion of statements utilising their data. **No assurance can be given that any investment will achieve its objectives or avoid losses. Past performance is not necessarily a guide to future performance.**

PRIVATE EQUITY IN DIFFERENT MARKET ENVIRONMENTS

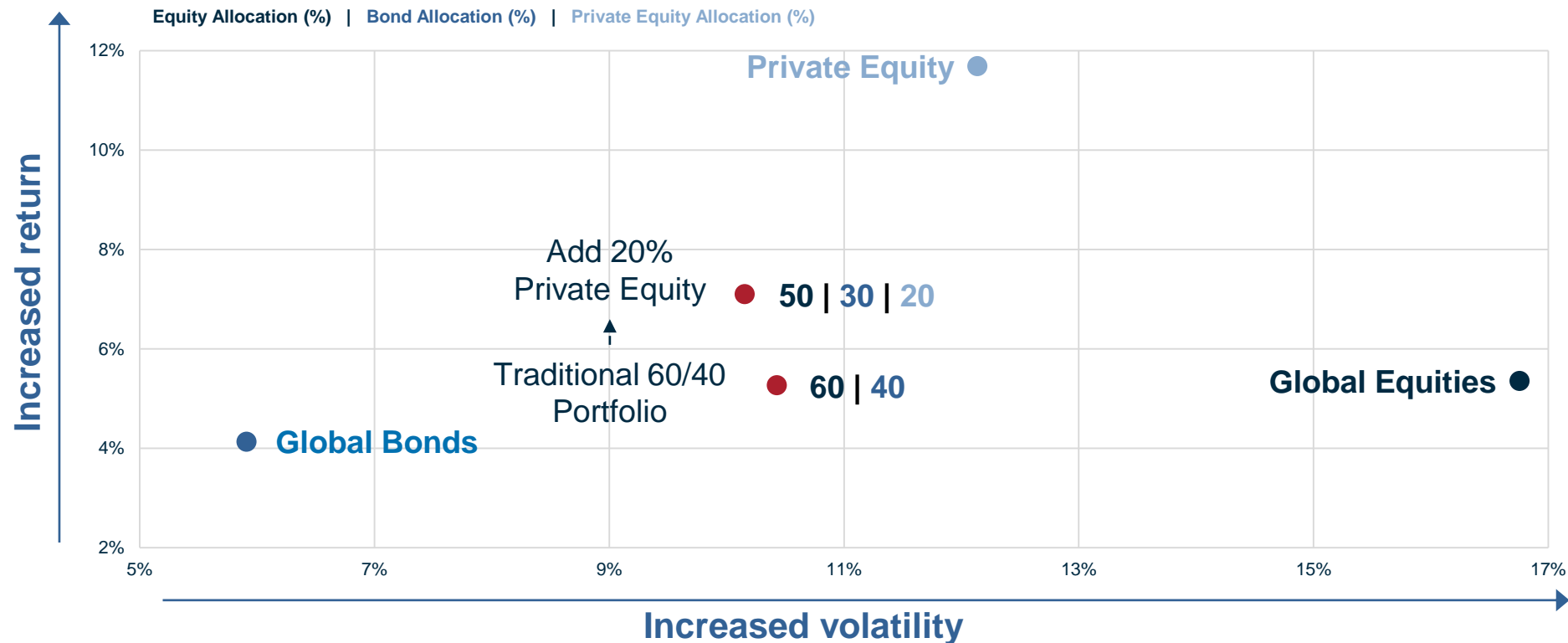


Source: The above graphs were prepared by GCM utilising certain information obtained from The Burgiss Group ("Burgiss"). Burgiss is an independent subscription-based data provider, which calculates and publishes quarterly performance information from cash flows and valuations collected from a sample of private equity firms worldwide (the "Burgiss Manager Universe"). The Burgiss Manager Universe includes data from 8,267 global private funds. The graphs are based on published 1Q 2019 industry data as of August 2019. "Private Equity IRR" represents pooled IRR since inception through to 31 March 2019 for all buyout funds in the Burgiss Manager Universe with Vintages 2004-2006, 2007-2009 and 2010-2012. "Public Market Equivalent" returns reflect the MSCI World (TR) Index using the Long-Nickels methodology and were obtained from Burgiss. "Public Market (Buy and Hold)" represents annualised rate of return for the MSCI World (TR) Index (Ticker: GDDUW1) from the midpoint of each time period through to 31 March 2019.

Burgiss sources their data from MSCI and private equity funds worldwide. GCM uploads data into its system used to prepare the above graphs one-time each quarter, however, the data service may continue to update its information thereafter. Therefore, information in GCM's system may not always agree with the most current information available from the data service. Additional information available upon request. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used to create indices or financial products. These graphs are not approved or produced by MSCI. Burgiss and MSCI have not provided consent to the inclusion of statements utilising their data. **No assurance can be given that any investment will achieve its objectives or avoid losses. Past performance is not necessarily a guide to future performance.**

BENEFITS OF ADDING PRIVATE EQUITY TO A TRADITIONAL PORTFOLIO

Including private equity in a traditional portfolio of equities/bonds has historically resulted in higher returns with lower volatility



Annualised return (%) (the vertical axis) versus annualised standard deviation (%) (the horizontal axis), 20 years ending 31 March 2019. "Annualised Standard Deviation" is a measure of how much the price of an asset or the return of a portfolio of assets has fluctuated (both up and down) over a certain period. If a portfolio of assets has a high Annualised Standard Deviation, the return of the portfolio of assets has historically fluctuated vigorously. If a portfolio of assets has a low Annualised Standard Deviation, the return of the portfolio of assets has historically moved at a steady pace over a period of time.

Portfolio calculation assumes quarterly rebalancing of stock and bond allocations. Index returns assume reinvestment of coupons. "Global Equity Allocation" represented by MSCI World Index, "Global Bond Allocation" represented by Bloomberg Barclays Global Aggregate Bond Index, "Private Equity Allocation" represented by Burgiss private equity pooled time-weighted returns.

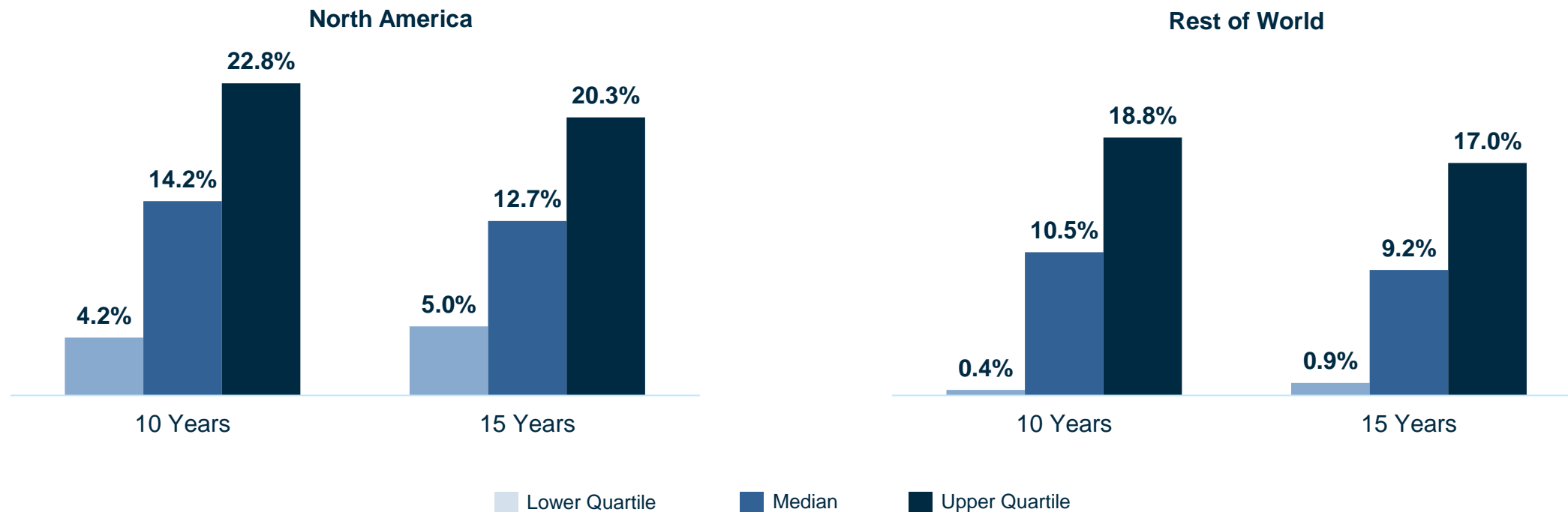
Source: The above graph was prepared by GCM utilising certain information obtained from Burgiss. The graph is based on published 1Q 2019 benchmark data.

Burgiss sources their data from MSCI, Bloomberg Barclays and private equity funds worldwide (the "Burgiss Manager Universe"). The Burgiss Manager Universe includes data from 8,250 global private funds. GCM uploads data into its system used to prepare the above graph one-time each quarter; however, the data service may continue to update its information thereafter. Therefore, information in GCM's system may not always agree with the most current information available from the data service. Additional information is available upon request. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used to create indices or financial products. This graph is not approved or produced by MSCI. Burgiss, MSCI, and Bloomberg Barclays have not provided consent to the inclusion of statements utilising their data. **Past performance is not necessarily a guide to future performance. No assurance can be given that any investment will achieve its objective or avoid losses.**

ACCESS TO TOP PERFORMING MANAGERS IS CRITICAL

Not all private equity investments are equal. Alignment with, and access to, top performing managers is critical in building a successful private equity program

Quartile[†] annualised performance (IRR) of private equity buyout funds



[†] In a sorted list of returns:

- the 'lower quartile' is the return below which lies 25% of the returns;
- the 'median' is the middle return;
- the 'upper quartile' or 'top quartile' is the return below which lies 75% of the returns.

For illustrative purposes only. Source: The above graphs were prepared by GCM utilising certain information, including benchmarks, is obtained from The Burgiss Group ("Burgiss"). Burgiss is an independent subscription-based data provider, which calculates and publishes quarterly performance information from cash flows and valuations collected from a sample of private equity firms worldwide (the "Burgiss Manager Universe"). The Burgiss Manager Universe includes data from 8,250 global private funds. The graphs are based on published 3Q 2018 benchmark data as of January 2019. "North America" represents North American buyout funds in the Burgiss Manager Universe. "Rest of World" represents non-North American buyout funds in the Burgiss Manager Universe. Returns represent pooled IRRs of a broad selection of buyout private equity funds formed since the beginning of each illustrated period and thereafter. Ten-year returns are for funds formed in Vintages 2009 to 3Q 2018 and fifteen-year returns are for funds formed in Vintages 2004 to 3Q 2018. GCM uploads data into its system used to prepare the above graphs one-time each quarter, however, the data service may continue to update its information thereafter. Therefore, information in GCM's system may not always agree with the most current information available from the data service. Additional information available upon request.

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PE INVESTMENT CHALLENGES FOR “ORDINARY” INVESTORS

EXPERTISE

INFORMATION

Lack of information about PE managers available to general public

INFORMED DECISION

No expertise to make informed decisions on PE managers

ACCESS

EXCESS DEMAND

Access to best managers highly unlikely as significant excess demand relative to supply

AVAILABILITY

Large minimum equity commitments makes direct access unachievable; diversification impossible. Investors simply don't have the scale.

RETURN PROFILE

DISTRIBUTIONS

PE in general does not pay a regular distributions

RETURN TIMING

The J-curve impact: investments made and costs incurred initially; investment returns only recognised towards the end of a fund's life

LIQUIDITY & REINVESTMENT

NOT PRACTICAL FOR RETAIL

due to slow draw-downs and long term lock ups

MOMENTUM / ALLOCATIONS

Draw-downs and pay-backs make it impossible to have steady continuous portfolio allocation



KEY REQUIREMENTS FOR A DIVERSIFIED RETAIL PE FUND

Expertise & Access

Expertise of FoF manager is essential but not sufficient; access is the hardest element



Sources

Important to include Primaries, Secondaries and Co-invests to create balanced portfolio



Yield & Capital Growth

Portfolio construction to enable consistent yield plus capital growth



Diversification

Essential to have diversification across PE Funds, PE managers, geographies and vintages

Scale

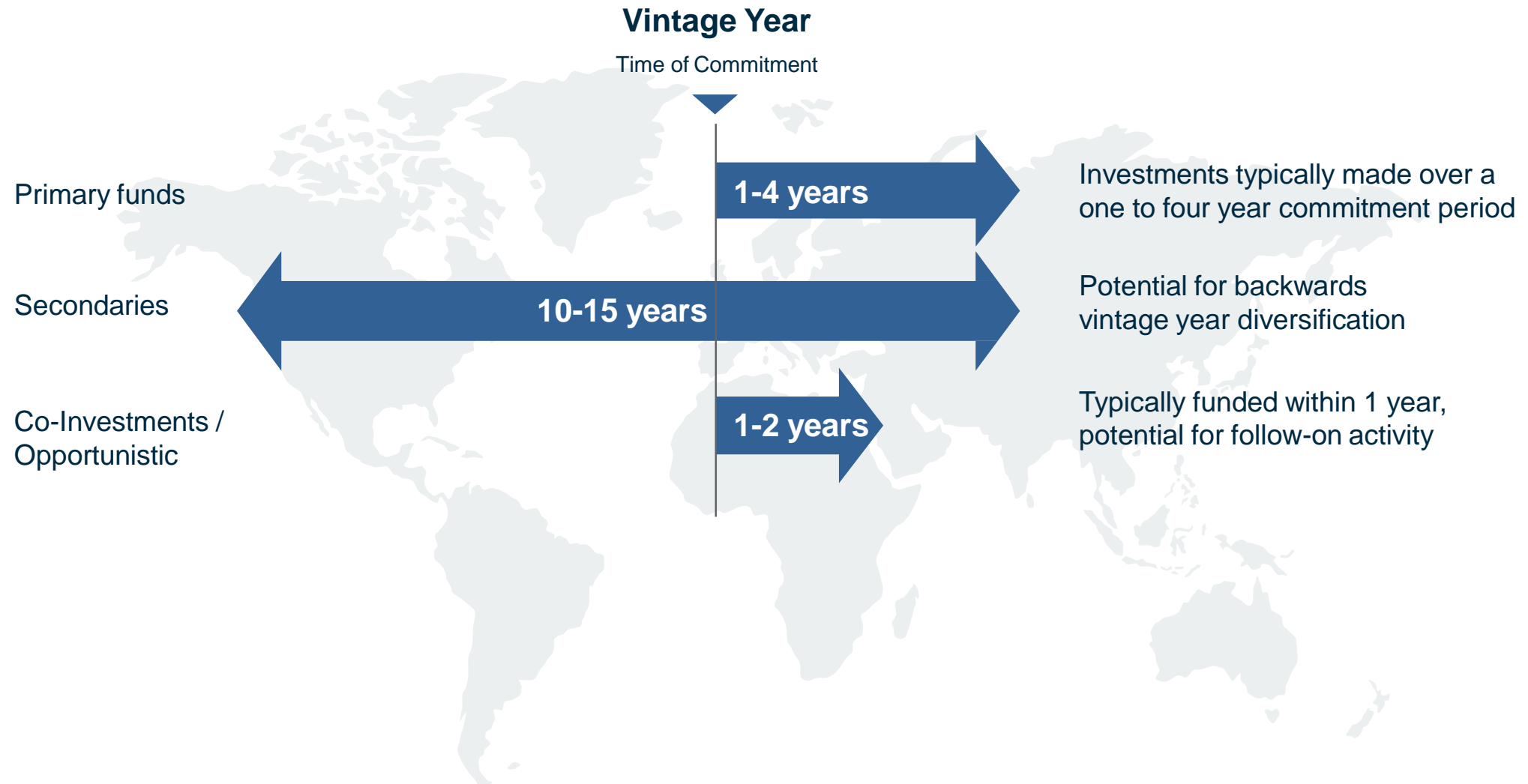
Sufficient scale necessary to attract to attract top FoF manager as well as diversification of portfolio

Liquidity

Requirement for liquidity is paramount, especially to enable redemptions – also allow re-balancing

VINTAGE DIVERSIFICATION

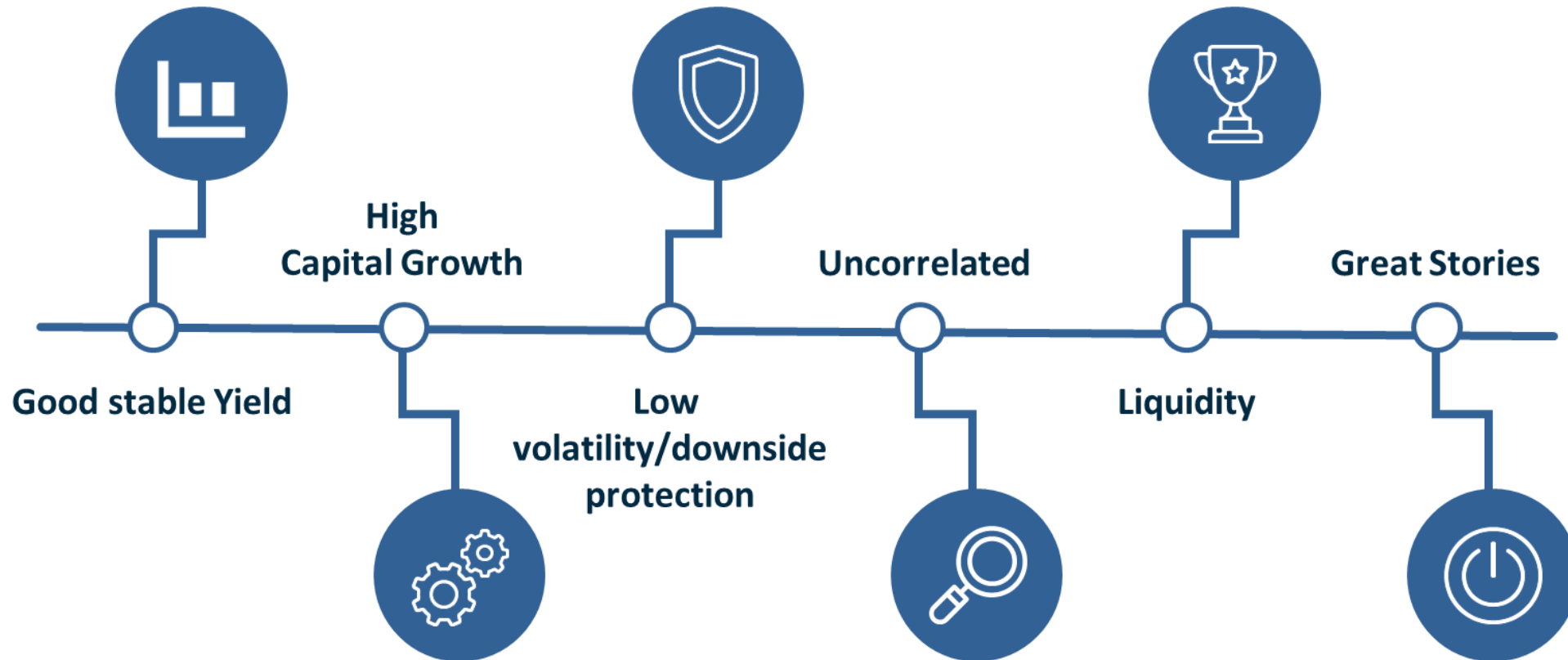
Critical to Risk Management



CONCLUSION

A TRULY UNIQUE INVESTMENT

A well structured listed diversified PE fund should be a highly beneficial addition to investment portfolios





RUSSEL PILLEMER

CEO, PENGANA CAPITAL GROUP



Russel Pillemer co-founded Pengana in 2003.
He has been Pengana's Chief Executive Officer since inception.

Prior to founding Pengana, Russel worked in the Investment Banking Division of Goldman Sachs in New York where he specialised in providing advice to funds management businesses.
Before moving to New York, he was responsible for leading Goldman Sachs' Australian Financial Institutions Group.
Russel was previously Chairman of Centric Wealth Group and a Principal of Turnbull Pillemer Capital.
He is a member of the Institute of Chartered Accountants in Australia and has a Bachelor of Commerce (Hons) from the University of New South Wales.



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PENGANA
CAPITAL

INVESTMENT MANAGER

Grosvenor Capital
Management, L.P.

RESPONSIBLE ENTITY

Pengana Investment
Management Limited
ABN 69 063 612
AFSL 219 462

CONTACT

T: +61 2 8524 9900
E: clientservice@pengana.com

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