

Barwon Global Listed Private Equity Fund

Monthly Report – May 2021

The Barwon Global Listed Private Equity Fund aims to provide wholesale investors with a high performing portfolio of private equity investments in a fee efficient manner whilst offering daily liquidity.

Net Performance at 31 May 2021¹

	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	10 Years p.a.	ITD p.a. ²
Net Return ³	2.2%	11.8%	52.1%	15.4%	15.9%	13.4%	7.6%

1. A\$ domiciled unit trust. The Fund hedges foreign currency exposures
2. Inception date is 01 June 2007
3. Returns are after management fees, performance fees, and other fund expenses

NAV Price	0.9554
Entry Price	0.9583
Exit Price	0.9525

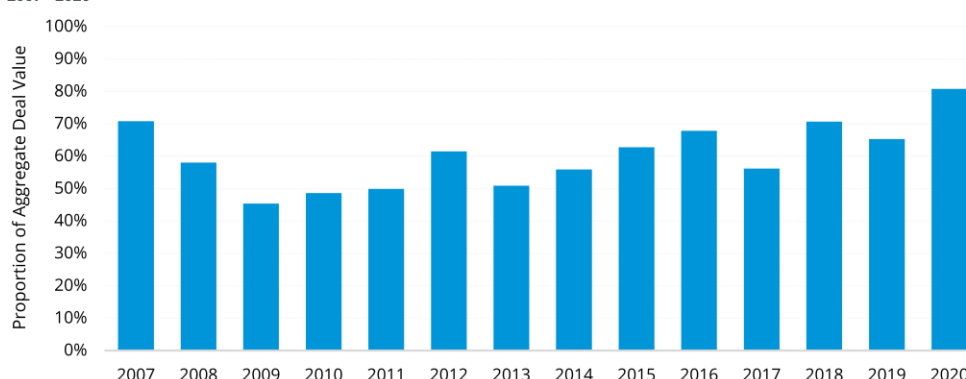
The Barwon Global Listed Private Equity Fund's (Fund) net return for the month of May 2021 was 2.2%. Over the 10 years ended 31 May 2021 the Fund has returned 13.4% p.a.

Market Commentary

Contributors over the month included Brookfield Asset Management (USD +10.7%), Oakley Capital Investments (GBP +5.9%), Eurazeo (EUR +5.4%) and Blackstone Group Inc (USD +4.7%). The largest detractors to performance were Intermediate Capital Group plc (GBP -3.8%), 3i Group PLC (GBP -3.0%) and KKR & Co Inc (USD -1.3%).

Given strength in markets, it comes as no surprise that private equity deal sizes are increasing. In 2020, North American buyout deals over \$1bn in size accounted for 80% of aggregate value and 22% by number. This broke the previous 2007 record of over 70%.

Fig. 2: Proportion of Aggregate Private Equity-Backed Buyout Deal Value in North America Accounted for by \$1bn+ Deals, 2007 - 2020



Source: Preqin Pro



Deal activity in 2021 is also off to a strong start. Most notably, we have recently started to see the return of mega 'club deals' (where two or more PE firms team up to buy a company).

At the time of writing, KKR and Brookfield are teaming up for a possible \$20 billion joint bid to acquire Japanese conglomerate Toshiba. While a consortium of Blackstone, Carlyle, Hellman & Friedman announced one of the largest PE buyouts ever, the \$34 billion acquisition of Medline, the largest healthcare supplies manufacturer and distributor in the US. In the bidding process for Medline, 10¹ of the world's largest PE firms were involved in the process. And these 10 firms collectively manage over \$170 billion in investor commitments to their respective flagship funds.

Post-GFC, these mega club deals had become less common. In 2004, 40% of PE buyouts by value were club deals. However, by 2018 club deals were less than 20% of completed buyouts. Increasing fund sizes, co-investment demand from LPs, family offices and SWFs, and the build out of investment teams means individual PE firms have more firepower than ever before reducing the need to partner up.

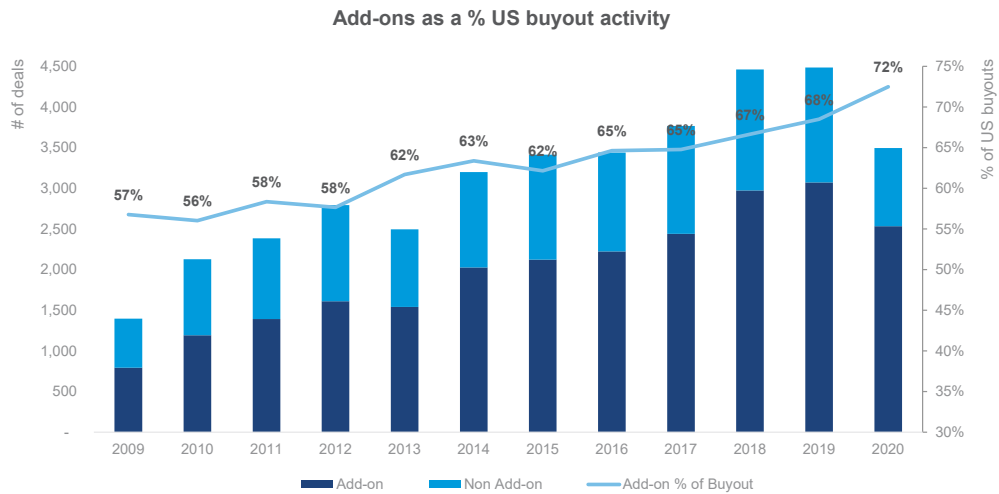
Some of the largest private equity deals have also been some of the most profitable on record including Blackstone's \$26 billion buyout of Hilton Hotels in 2007 and KKR's \$32 billion takeover of Hospital Corporation of America in 2006. Conversely, there have also been high profile stumbles such as the debt-fuelled 2007 \$45 billion buyout of TXU, a Texan electric utility, which ended in a bankruptcy filing in 2014.

The gap between the largest leading PE managers and the rest of the sector is widening. Only a handful of managers globally have the capital and resources to execute on these large deals. We believe this is a competitive advantage for the large established managers **Blackstone, KKR and Brookfield Asset Management** which are held in the Fund. Given the intense competitive deal environment, and the record amounts of committed but uninvested capital in the private equity sector, their ability to deploy large amounts of capital effectively on a global scale can lead to a virtuous cycle.

While we remain constructive on our holdings in the alternative asset managers, the Fund's buyout exposure is generally tilted towards smaller transactions, corporate carveouts, or operationally complex situation. An example in the Fund is **Oakley Capital Investments Ltd** which focuses on entrepreneur/founder backed businesses. In the vast majority of their investments, Oakley is the first private equity or financial investor in the business. Their strong origination network has meant that over 75% of completed deals have been through proprietary channels, and not through contested auction processes.

Across their portfolio, Oakley have also completed over 100 bolt-on acquisitions. A 'buy-and-build' strategy is where a portfolio company acquires a number of smaller competitors within a sector to consolidate and grow. This has become a prominent feature of PE strategies and such transactions now account for over 70% of all PE buyout activity as shown in the chart below.

¹ The 4 competing groups are: 1) Blackstone, Carlyle, Hellman & Friedman; 2) KKR, Clayton, Dubilier & Rice; 3) Advent International, Bain Capital, CVC Capital Partners; 4) Apollo Global Management; 5) Brookfield Asset Management



Source: Pitchbook

The Fund's position in buyout funds has increased this year, re-investing gains from opportunistic positions in listed private debt funds as they trade back up towards fair value. We see strong underlying earnings growth continuing to support positive PE NAV development.



Underlying Investment Exposures on a Look-Through basis

Investment Classification		Vintage Year		Geographic Exposure	
Buyouts	43%	Pre-2016	22%	North America	56%
PE Backed	4%	2016	18%	Europe	37%
Alternative Asset	31%	2017	12%	Other	7%
Private Debt	12%	2018	23%	Total	100%
Liquidity	10%	2019	15%		
Total	100%	2020	9%		
		2021	1%		
		Total	100%		

5 Largest Holdings by Weight

Company	Type
Blackstone Group Inc	Alternative Asset Manager
Eurazeo	Buyouts
KKR & Co Inc	Alternative Asset Manager
HgCapital Trust plc	Buyouts
Oakley Capital Investments Ltd	Buyouts



The Barwon Global Listed Private Equity Fund is an Australian domiciled unit trust offering daily liquidity. Foreign currency exposures are substantially hedged into Australian dollars.

Key Information	
Trustee & Manager	Barwon Investment Partners
Applications & Withdrawals	Daily
Unit Prices	Daily
Minimum Investment	\$50,000
Buy-Sell Spread	0.30%
Distributions	Semi-annual
Management Fee	0.65%
Performance Fee	15% in excess of 12% hurdle
Bloomberg Fund Code	BAGLLPE AU Equity
APIR Code	BAR0001AU

Barwon offers access to the same strategy via a feeder fund, the BGLPEF AF (Access Fund), offered under a PDS and is for financial advisors, financial intermediaries and investors investing via platforms.

Access Fund Ratings & Platform Availability
Asgard
BT Wrap
BT Panorama
Colonial First Wrap
Macquarie Wrap
Netwealth
Hub24
PowerWrap
Praemium



Barwon also manages the Paretum Barwon Listed Private Equity Fund, a Luxembourg-domiciled UCITS Fund and the Barwon Global High Income Fund, an Australian-domiciled unit trust.



About Barwon Investment Partners

Barwon Investment Partners is a Sydney-based fund manager with a 15-year track record of generating strong investment returns for institutional and wholesale clients.

Founded by Rob Morrison and Sam Armstrong, Barwon is independently owned with an experienced team of 35+ investment professionals focused on healthcare property, real estate private debt and global listed private equity.

With expertise in healthcare real estate, property finance and global investments, Barwon manages over \$2 billion on behalf of its clients.



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