BARWON

Barwon Global Listed Private Equity Fund

Monthly Report – September 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 30 September 2021[1]

	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]	-1.5%	4.3%	50.9%	16.2%	16.2%	17.6%	7.9%

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	0.9776
Entry Price	0.9805
Exit Price	0.9747

The Barwon Global Listed Private Equity Fund's (Fund) net return for the month of September 2021 was -1.5%. Over the 10 years ended 30 September 2021 the Fund has returned 17.6% p.a.

Market Commentary

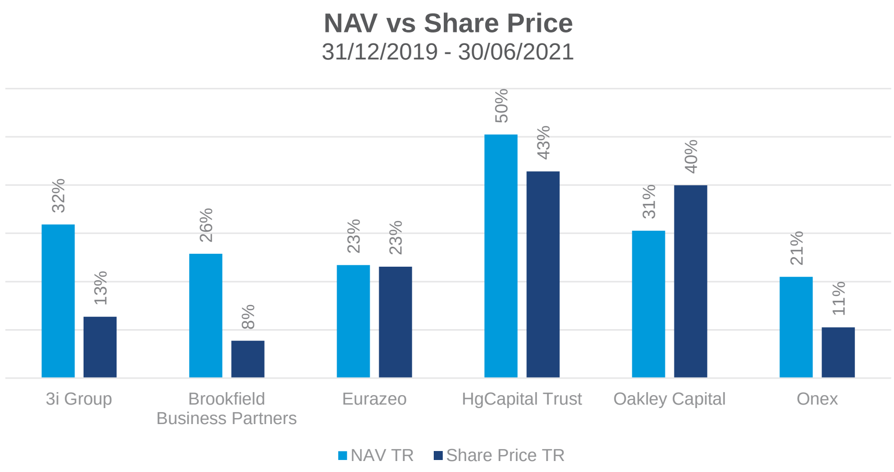
Contributors over the month included Brookfield Business Partners (CAD +7.34%), Ares Capital Corp (USD + 4.25%), PennantPark Investment Corporation (USD +1.87%) and Apollo Global Management (USD +3.03%). The largest detractors to performance were Eurazeo (EUR -6.72%), Blackstone Group Inc (USD -7.47%) and KKR & Co Inc (USD -5.30%).

This month, we take a look at how some fundamental LPE metrics compare against pre-COVID levels. Our Fund has not been immune to the global disruption and market volatility over the past 18 months. However, there have been few instances of permanent loss of capital, and we have been encouraged by both the development of earnings and improvement in balance sheet liquidity in underlying portfolio companies and the LPEs in which we invest.

Buyouts – NAV growth

Private equity NAVs have performed strongly over the period. PE sponsors were quick to provide capital support to impacted portfolio companies where needed. And the narrative quickly pivoted from defence, i.e. preserving liquidity and cutting costs, to offence and new investment. Our underlying buyout portfolio is benefitting from the global reopening trade and trailing 12-month earnings growth is averaging over 20%. Rising inflationary and supply chain pressures present the greatest near-term risk to sustaining this growth.

This earnings growth and sale of investments at valuations well above carrying value have driven PE NAVs to above pre-pandemic levels. A key pillar of our investment philosophy is that *NAV returns ultimately drive shareholder returns*. Over the recent period, this has held true again with NAV growth being the primary driver of LPE returns.

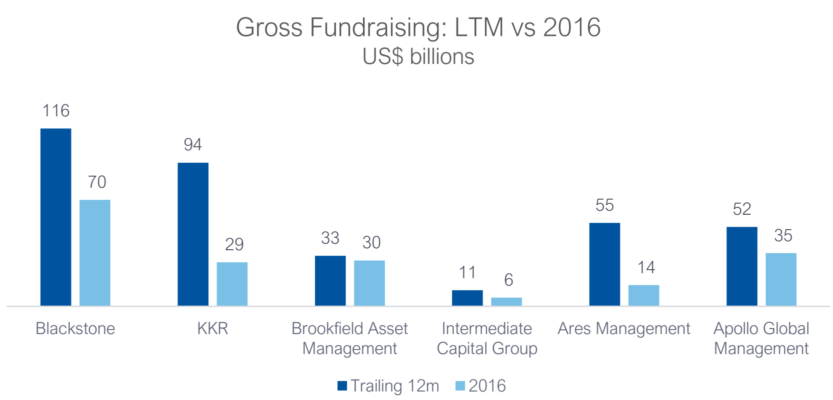


Despite the stronger fundamentals, the average discount to NAV on which LPEs trade is 10-15%, similar to 2019 levels. The high valuation environment has created great conditions to be a seller of assets, but presents a challenge for underwriting returns to new deals. Certainly, paying too much can turn a good asset into a bad investment.

One of the ways PE managers are mitigating the high valuation, competition for deals, and inflationary pressures, is focusing their efforts on targeting secular long term growth trends. Some of these include:
The increasing need for logistics assets, automated material handling and distribution technology.
The digital and data revolution in healthcare services.
Increasing consumer awareness and demand for sustainable products and services.

Alternative Asset Managers (AAMs) – expanding platforms, deepening relationships

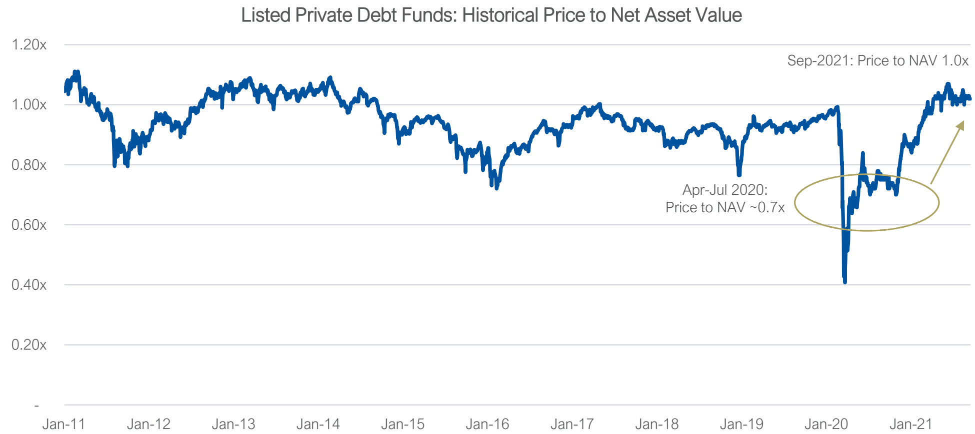
The large, established listed AAMs including Blackstone, KKR and Brookfield have strengthened their competitive position. One thing that has stood out to us has been their ability to raise capital despite the market volatility and being prevented from meeting investors face to face. This is a testament to the value of long standing and deepening relationships with a broadening global investor base which now spans institutional investors, pension funds, endowments, family offices, and increasingly – insurance clients and HNW individuals. As the chart below shows, most AAMs are raising significantly more capital across larger platforms compared to 5 years ago.



AAMs have been one of the largest contributors to fund returns. While investor interest in them has picked up markedly, we believe they are very well positioned to further expand their platforms and capture market share as global portfolio allocations to private capital increase.

Private Debt Funds – resilient income

The Fund's investments in Business Development Companies (BDCs) doubled in 2020 during the extreme sell-off to almost 28% of the Fund. The allocation has returned back to 2019 levels as the stocks have recovered.



Credit quality has again proven much more resilient than what the market was pricing. Going forward, we believe credit performance is likely to be even better than historical sector figures suggest. Some of the fundamental metrics which support this thesis include:
Recent loans (2017 onwards) sit in front of a larger equity cushion. The average equity contribution in PE buyouts has averaged over 50% of enterprise value compared to only 35% pre-GFC.
Serviceability of borrowings is stronger due to lower interest rates and tighter credit spreads.
>75% of loan portfolios are invested in senior secured instruments today. Pre-GFC, loan portfolios were predominantly subordinated loans and mezzanine.

Moreover, BDCs finance their balance sheets using fixed rate debt, but >90% of their assets are *floating rate* loans. Ceteris paribus, BDC incomes stand to benefit from the floating rate asset exposure in a rising rate environment.

We think the sector continues to offer very attractive stable income. For the Fund, we continue to look for opportunistic situations with recovery or re-rating potential.

Underlying Investment Exposures on a Look-Through basis

Investment Classification	
Buyouts	46%
PE Backed	5%
Alternative Asset Manager	30%
Private Debt	12%
Liquidity	7%
Total	100%

Vintage Year	
Pre-2016	22%
2016	16%
2017	11%
2018	23%
2019	15%
2020	13%
2021	1%
Total	100%

Geographic Exposure	
North America	57%
Europe	36%
Other	7%
Total	100%

5 Largest Holdings by Weight

Company	Type
KKR & Co Inc	Alternative Asset Manager
Hg Capital Trust PLC	Buyouts
Eurazeo	Buyouts
Blackstone Group Inc	Alternative Asset Manager
Brookfield Business Partners LP	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% p.a.
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
AMP North
Asgard
BT Panorama
Colonial First Wrap
Macquarie Wrap
Netwealth
Hub24
PowerWrap
Praemium

Zenith Investment Partners
HIGHLY RECOMMENDED
Recommended
APPROVED
NOT RATED
REDEEM

Barwon also manages the Pareturn 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 an Australian fund manager with a 15+ year track record of generating strong investment returns for institutional, wholesale and retail clients.

Barwon is independently owned with an experienced team of 35+ investment professionals focused on healthcare property, property finance and global investments.

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