

# Barwon Global Listed Private Equity Fund

## Monthly Report – February 2022

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 Performances at 28 February 2022<sup>1</sup>

	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	10 Years p.a.	ITD p.a. <sup>2</sup>
Net Return	-4.0%	-6.1%	17.1%	17.1%	12.7%	15.1%	7.5%

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

<b>NAV Price</b>	0.9564
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<b>Entry Price</b>	0.9593
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<b>Exit Price</b>	0.9535
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The Barwon Global Listed Private Equity Fund's (Fund) net return for the month of February 2022 was -4.0%. Over the 10 years ended 28 February 2022 the Fund has returned 15.1% p.a.

### Market Commentary

Contributors over the month included PennantPark Investment Corporation (USD +9.54%), N-Able Inc (USD +3.67%), Ares Management Corporation (USD +1.72%) and SolarWinds Corporation (USD -0.37%). Detractors to performance included KKR & Co Inc (USD -15.30%), Chrysalis Investments Ltd (GBP -11.22%) and Oakley Capital Investments (GBP -7.82%).

Equity markets continue to exhibit high levels of volatility on the back of inflationary pressures, geopolitical conflicts and the threat of interest rates hikes. As we come in to the back end of 2021 full year results, PE portfolios were up circa 5% in Q4 on average, taking calendar year 2021 PE NAV returns to ~30% on average. This has largely been an earnings driven recovery, with some valuation multiple expansion. With the recent volatility, the average LPE discount to NAV has now widened to ~25%. This month, we take a quick look at how NAV may be sensitive to changes in fundamentals.

### Impact of Valuation Multiples on LBO returns:

Using a “back of the envelope” calculation, a business that is levered at 40% debt, and is able to grow earnings at 20% p.a. over 5 years, will deliver a 3.5x return on equity investment. If the valuation multiple were to decline by 25%, the return on investment is still 2.5x. While valuation multiples and growth are closely linked, we believe companies able to deliver on revenue and earnings growth, will deliver investors a good return despite a more challenged valuation environment.

The biggest de-rating in valuation multiples has been the high growth (>30% p.a. sales) companies valued at high valuation multiples (>20x EV/sales). In many cases, these speculative growth stocks are down 50% or more. Even large cap software, taking the S&P 500 Software & Services Index as a proxy, is down 20% CYTD at time of writing, and has de-rated from 28x to 22x EV/EBITDA.

The Fund has a large holding in HgCapital Trust, a UK listed PE fund with a portfolio of enterprise software investments. It has seen its portfolio valuation multiple now tick up to a weighted average 27.4x EV/EBITDA as at the end of 2021. The portfolio is delivering very strong earnings growth with a weighted average LTM EBITDA growth of 30%. Given the recent weakness in public markets, the valuation multiple is likely to come under some pressure in the coming quarter.

The following example illustrates the impact on valuation of multiples vs earnings growth. If we take a 20% contraction in valuation multiples (as per the recent derating in the S&P 500 Software & Services Index discussed above), Hg's portfolio would need 30% earnings growth to offset the valuation impact given its current level of leverage (7.1x ND/EBITDA). This is an extreme example as the full short-term impact of public market movements typically do not directly translate into PE valuations. And if a business is able to sustain earnings growth over a multi-year period, the compounding effect can be powerful.

Despite the recent volatility, and the potential for softer valuations at 31 March, we remain confident that high quality private equity managers will continue to generate strong returns for investors over time through delivering solid earnings growth in portfolio companies.

That said, we do expect moderation in private equity activity and growth in 2022 over a very strong 2021 which was supercharged due to delayed 2020 deals, and some 2022 deals brought forward on anticipated changes to tax.

## Underlying Investment Exposures on a Look Through basis

Investment Classification		Vintage Year		Geographic Exposure	
Buyouts	47%	Pre-2016	25%	North America	60%
PE Backed	7%	2016	12%	Europe	34%
Alternative Asset Manager	31%	2017	9%	Other	5%
Private Debt	8%	2018	18%	<b>Total</b>	<b>100%</b>
Liquidity	6%	2019	11%		
<b>Total</b>	<b>100%</b>	2020	16%		
		2021	9%		
		2022	0%		
		<b>Total</b>	<b>100%</b>		

## 5 Largest Holdings by Weight

Company	Type
Blackstone Group Inc	Alternative Asset Manager
KKR & Co Inc	Alternative Asset Manager
HgCapital Trust plc	Buyouts
Eurazeo	Buyouts
PennantPark Investment Corp	Private Debt

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



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 and wholesale clients.

Barwon is independently owned with an experienced team of 43 investment professionals focused on healthcare property, property finance and global investments.



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