

Barwon Global Listed Private Equity Fund

Monthly Report – June 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 Performance at 30 June 2022¹

	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	10 Years p.a.	ITD p.a. ²
Net Return	-12.1%	-19.6%	-16.8%	7.1%	6.7%	12.8%	5.9%

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

CUM NAV Price	0.7800
Entry Price	0.7823
Exit Price	0.7777

The Fund paid a distribution of \$0.09297 per unit for the 12 months ended 30 June 2022. The EX NAV price is \$0.6873.

The Barwon Global Listed Private Equity Fund's (Fund) net return for the month of June 2022 was -12.1%. Over the 10 years ended 30 June 2022 the Fund has returned 12.8% p.a.

Market Commentary

Contributors over the month included Instructure Holdings (USD +27.2%) and Princess Private Equity Ltd (EUR +5.0%). Detractors to performance over the month included Blackstone Group Inc (USD -22.6%), Eurazeo (EUR -17.8%) and Chrysalis Investments Ltd (GBP -23.0%).

High market volatility continued to negatively affect Fund performance in June. This has also impacted private equity transaction activity. According to Preqin, PE deal volume was down 22% in 1H 2022 driven primarily by a sharp decline in the second quarter. The rapid re-pricing of public assets has caused a gap between PE buyer and seller expectations, though activity levels should recover over time particularly given the still record levels of dry powder. Globally, PE dry powder stands at \$1.8 trillion with roughly half of that in the United States.

One area PE sponsors have been more active has been takeovers of publicly listed companies. Brookfield Business Partners, a NYSE listed fund participating in Brookfield's private equity investments, has been particularly active. Over the past few months, they have announced the acquisition of polling and media company Nielsen Holdings (\$16bn), auto dealership software provider CDK Global (\$8.3bn), and even a toe-hold position in Australian energy provider AGL after a failed takeover bid. HgCapital Trust, an enterprise software specialist, also announced a takeover offer for UK business software company Ideagen plc at over a 40% premium to its prevailing share price.

Due to the deep discounts (c.35%) at which listed PE funds now trade, we have seen a renewed focus on share buybacks. Pantheon, Oakley Capital, Onex Corporation and Eurazeo, all of which trade at discounts to NAV in excess of 30%, have recently been active in repurchasing their own shares. As

we observed in the years following the GFC, share buybacks at deep discounts to NAV are immediately accretive to NAV and can serve as a positive signal to the market. From a capital allocation perspective, we believe investing in one's own portfolio at a large discount is particularly compelling in volatile markets and presents a high hurdle when stacked against making new investments.

Listed private debt funds have been one of the strongest performing LPE sectors year to date. However, sector valuations have started to weaken over the past 6 weeks. Listed private debt funds now trade at an average valuation of 0.86x price to book value (P/BV), below its long-term average of 0.95x.

As we know, their predominantly floating rate credit portfolios stand to benefit from higher base rates. To provide some context, the average benefit to a BDC's net investment income from a 100bp and 200bp hike tomorrow is 11% and 26% respectively. The exact impact on each BDC will differ based on the proportion of floating rate assets and liabilities.

Now overshadowing this is the risk of credit loss. The sector's credit performance through previous recessions has varied, but has been consistently better than the implied market pricing at the time. BDCs recognised a -26% net portfolio loss rate through the GFC. And through the COVID pandemic, BDCs portfolios actually had a net gain of +1% despite trading at a trough valuation of 0.4x P/BV.

There is fundamental evidence supporting far better performance through a potential recession compared to the GFC. Portfolios are predominantly invested in senior secured instruments and minimal subordinated debt, liabilities have longer duration and less covenants, and the loans BDCs are making sit behind greater equity cushion in capital structures. Moreover, private equity sponsors have demonstrated a strong willingness and ability to support investments with liquidity when needed.

That is all at a "macro level". The wide dispersion in historical credit performance between managers is significant. This is a time to be highly selective as the best managers with well positioned BDCs (from a liability structure and liquidity standpoint) are able to play offense in a time where participants all turn defensive.

Underlying Investment Exposures on a Look Through basis

Investment Classification		Vintage Year		Geographic Exposure	
Buyouts	48%	Pre-2017	35%	North America	59%
PE Backed	7%	2017	8%	Europe	34%
Alternative Asset Manager	32%	2018	17%	Other	7%
Private Debt	5%	2019	13%	Total	100%
Liquidity	8%	2020	14%		
Total	100%	2021	12%		
		2022	1%		
		Total	100%		

5 Largest Holdings by Weight

Company	Type
KKR & Co Inc	Alternative Asset Manager
Blackstone Group Inc	Alternative Asset Manager
Eurazeo	Buyouts
Oakley Capital Investments Ltd	Buyouts
3i Group plc	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



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 over 40 investment professionals focused on healthcare property, property finance and global investments.



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