

# Barwon Global Listed Private Equity Fund

## Monthly Report – September 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 September 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	-10.4%	-6.6%	-25.4%	3.6%	4.8%	11.0%	5.3%

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>	0.6420
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<b>Entry Price</b>	0.6439
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<b>Exit Price</b>	0.6401
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The Barwon Global Listed Private Equity Fund's (Fund) net return for the month of September 2022 was -10.4%. Over the 10 years ended 30 September 2022 the Fund has returned 11.0% p.a.

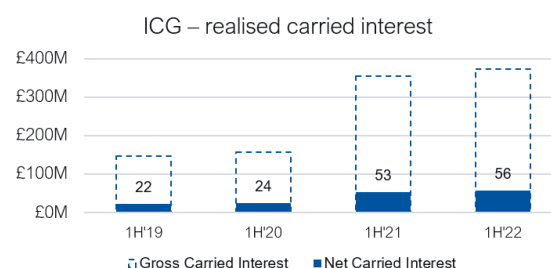
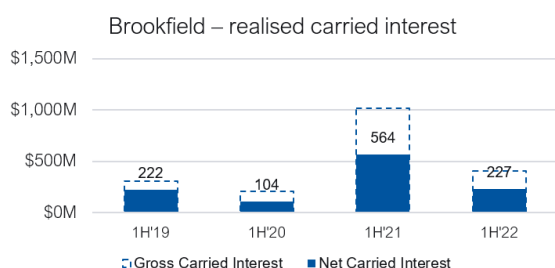
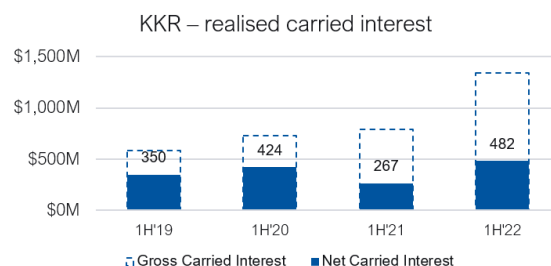
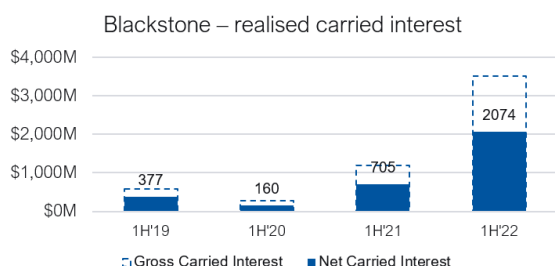
### Market Commentary

Contributors over the month included ADT Inc (USD +3.2%) and Apax Global Alpha (GBP +0.5%). Detractors to performance included Intermediate Capital Group (GBP -28.1%), KKR & Co Inc (USD -15.0%), Brookfield Asset Management (USD -15.0%) and Eurazeo (EUR -9.7%).

The alternative asset managers were the biggest detractors from Fund performance in September, as they have been for much of this year. The sector has declined primarily due to the fear around rising interest rates and inflation, though in our view, this view is not well grounded in fundamentals. The market is concerned about:

- a) Potential slowdown in fundraising,
- b) Negative impact on performance fees,
- c) Whether demand for alternative assets will be sustained as rates rise and traditional fixed income begins to earn a return above near-zero.

Out of the three, market volatility has had the greatest near-term financial impact on carried interest or performance fees for the sector. As transaction activity moderates, we expect carried interest earnings to fall. As the charts below illustrate however, managers with large platforms diversified across strategies were able to generate healthy carried interest in 1H'22 despite the equity bear market.



Fundraising momentum for the large and established managers appears to be faring better than emerging and midmarket managers. We expect fundraising overall for the sector to moderate, but it naturally will vary by manager and strategy. Infrastructure with inflation hedges and private credit with floating rate exposure continue to attract strong capital inflows. And traditional private equity continues to raise capital as investors look to capture opportunities from the market dislocation.

Access to large multibillion dollar debt packages to fund the largest buyouts remains challenging. PE sponsors seek committed financing when they sign a transaction, but it can take upwards of six months to close. A recent example is the take-private of Citrix by Vista Equity which involved an \$8.5bn debt package. As market conditions rapidly deteriorated, its debt traded down into the low 90 cents on the dollar, leaving the syndicate of Wall Street banks sitting on \$700m in losses. Similarly, banks are holding the bag on large underwritten debt packages for Twitter (led by Elon Musk) and Nielsen (take-private by Brookfield Asset Management) still awaiting completion and syndication.

As we have commented previously, this bodes well for private debt lenders with capital to invest. The listed private debt sector has de-rated from trading at a 5% discount to NAV in May to a 23% discount today. On average, it is already pricing in portfolio credit losses of approximately 10%. To put this into perspective, credit losses over a five year period spanning the GFC from 2008 totalled 10%, at a time when private debt portfolios had a much higher allocation to risky subordinated and mezzanine loans. Today, the average subordinated debt exposure is only 3%.

The portfolios of listed private debt funds today are 80% floating rate senior secured debt, and well positioned to benefit from rising rates. We remain mindful of the impact of rising debt costs on borrowers, coupled with inflationary pressure on input prices, and weakening consumer demand. It is a time to be highly selective as the best managers with well positioned private debt funds (from a liability structure and liquidity standpoint) will meaningfully outperform the broader market which has a strong track record of being sold-off indiscriminately.

## Underlying Investment Exposures on a Look Through basis

Investment Classification		Vintage Year		Geographic Exposure	
Buyouts	46%	Pre-2017	34%	North America	60%
PE Backed	6%	2017	9%	Europe	32%
Alternative Asset Manager	32%	2018	18%	Other	8%
Private Debt	5%	2019	12%	<b>Total</b>	<b>100%</b>
Liquidity	11%	2020	14%		
<b>Total</b>	<b>100%</b>	2021	11%		
		2022	2%		
		<b>Total</b>	<b>100%</b>		

## 5 Largest Holdings by Weight

Company	Type
Eurazeo	Buyouts
Blackstone Group Inc	Alternative Asset Manager
KKR & Co Inc	Alternative Asset Manager
3i Group plc	Buyouts
Onex Corp	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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