# ASX: PCX

Unparalleled Access to Diversified Global Private Credit Portfolio.
Opportunity for Quarterly Liquidity at NAV[1].

January 2025

# PENGANA GLOBAL PRIVATE CREDIT TRUST

**$2.00**
NAV PER UNIT[2]

**7%**
MINIMUM TARGET DISTRIBUTION YIELD (P.A.)[3]

## Fund Information

**Responsible Entity:** Pengana Investment Management Limited

**Investment Manager:** Pengana Credit Pty Ltd

**Investment Consultant:** Mercer Consulting (Australia) Pty Ltd

**Investment Objective:** To generate strong risk adjusted returns with a high degree of capital protection and stable and consistent income over a rolling 3-year period.

## Research House Ratings

Lonsec SQM

## PCX Snapshot

**as at 31 January 2025**

| | |
|---|---|
| ASX Code: | PCX |
| IPO Date: | 21 June 2024 |
| Issue Price: | $2.00 |
| ASX Price: | $2.02 |
| NAV / Unit: | $2.00 |
| Market Cap: | $170.28m |
| Distributions: | Monthly |
| NAV Pricing: | Monthly |

## Platform availability:

- ✓ AMP North
- ✓ BT Panorama
- ✓ CFS Edge and Firstwrap
- ✓ Hub24
- ✓ Macquarie
- ✓ Mason Stevens
- ✓ Netwealth
- ✓ Praemium

Dear Investor,

Since our last update, two key themes have dominated news flow and investor queries regarding private credit: (i) how the actions taken by Donald Trump since being inaugurated as the 47th President of the United States will impact on performance drivers, particularly inflation and the absolute level of interest rates and economic conditions; and (ii) the continuing growth in the flow of funds to private credit and how this will impact on the sustainability of returns. In this update, we seek to provide some perspective regarding these concerns and how they may impact on fund performance.

## The Trump Effect?

Trump has hit the ground running from inauguration day with a series of executive orders that have created significant uncertainty and increased volatility in global markets. Questions regarding the impact of tariffs, tax cuts and increasing budget deficits on inflation, rates and economic growth have created a wide range of prognostications about the implications for financial markets – both good and bad.

While we cannot predict the future, we feel confident that our core tenets of manager selection, diversification, and flexible portfolio construction will serve to mitigate the downside implications of any adverse outcomes and help to provide stability within increasing uncertainty given the following:

1. **Manager selection:** Our focus on selecting managers with proven track records of performance through economic cycles and market turbulence. Uncertainty and volatility have been the norm since the GFC. Managers with proven credit origination, deal construction, portfolio management and workout skills, and the ability to adjust to dynamic circumstances are the first line of defence. In particular, the focus on senior secured lending with significant equity cushions; resilient, non-cyclical industries; selective origination with lots of top of funnel opportunities and low conversion rates; selecting strong companies with significant market share and high free cash flows; and resilient deal structures and tight documentation;
2. **Portfolio diversification:** With over 2,000 loans across the US and Europe; 19 managers across 20 funds; different risk/return drivers from different strategies; the majority of borrowers in asset light, services oriented, non-cyclical businesses; and a focus on minimising concentration and correlations across the portfolio; we are well placed to mitigate these risks and create a very sound foundation of resilience; and
3. **Flexible portfolio construction:** Our all-weather portfolio is anchored with our Direct Lending managers but provides us with the flexibility to take advantage of dislocation, volatility and distress through our credit opportunities and multi-strategy managers, as well as to gain footholds in new and emerging strategies which attract enhanced economics through high illiquidity and complexity premia.

So, while uncertainty may reign, we believe we are well positioned to deliver attractive risk adjusted returns through our manager quality, diversification and portfolio flexibility.

## Implications of Explosive Growth in Private Credit

Private credit has experienced significant growth since the GFC with over 15% compound annual growth to approximately $3 trillion of assets under management based on recent analysis published by Oliver Wyman[4]. This growth has raised many questions regarding the sustainability of returns and illiquidity premia, particularly around spreads and asset quality. While various segments of the market are experiencing heightened competition and less favourable terms, the structural dynamics remain positive. Key observations are as follows:

1. There is a growing bifurcation in the market between the mega funds in Direct Lending and smaller funds that have raised large amounts of capital but do not have large, existing portfolios. With the M&A market still subdued, these funds are having to compete directly with the leveraged loan market for new deals, which is driving significant spread contraction, up to 300 bps from 2022 levels, and poor deal structures and protections. While the mega funds can withstand this competition given their scale and significant, diversified portfolios of loans, smaller managers can only take pieces of these deals with no ability to manage or control outcomes. We expect there will be significant performance dispersion that arises as a result. This is already evident when looking at performance dispersion across the BDC market. Manager selection and portfolio diversification are key.

2. Where competition between public and private credit is most aggressive is in the large corporate and upper mid-market segments where private credit competes directly with the high yield and leveraged loan markets. While these markets are large, over $2.6 trillion of outstandings, they are subject to very large swings in capital supply, which reduce their reliability as a funding source for issuers. While the current trend is to refinance private credit transactions originated at very wide spreads when markets were shut in 2022, borrowers continue to recognise the value of flexible private credit solutions and the scale of managers who are able to deliver them, particularly when public markets are not available;
3. There are still very significant and growing structural opportunities for private credit strategies. For example,

    a. the top US banks have assets of more than $20 trillion with private credit being approximately 10% of that total. With banks continuing to focus on improving their capital efficiency and balance sheet optimisation as a result of increasing regulatory and market demands, private credit is expected to continue to absorb bank capacity;
    b. private equity dry power remains at all-time highs at US$2.6 trillion. Private credit's value proposition of certainty, speed, efficiency and discretion will continue to attract PE firms and their companies; and
    c. there is a fast-growing demand for private credit's value proposition in asset-backed markets across many different types of asset classes and strategies, many of which are the domain of banks or securitised credit markets. It is estimated that private credit accounts for less than 5% of a current addressable market of $5.5 trillion, with expectations this will continue to grow as banks and non-banks seek bespoke, structured solutions. Specialist managers in these segments achieve very attractive illiquidity and complexity premia given the favourable supply/demand dynamics.

So, while the market continues to grow, we believe the structural opportunity will remain very attractive for many years to come.

Our master portfolio is very well positioned to continue to reap the benefits of these dynamics for our investors given:

- Our clear line of sight to the industry dynamics and trends, existing and emerging managers, and our ability to assess and select managers through our partnership with Mercer;
- Our Direct Lending portfolio is focused on the core middle-market, where there is no alternative to high yield or leveraged loan markets, and so credit spreads, deal structures and protections remain attractive for scaled, long tenured managers; and
- Our ability to flexibly allocate across managers, geographies and strategies as market conditions evolve.

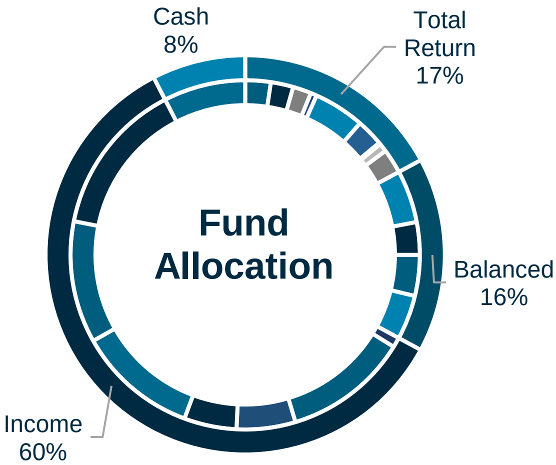
In summary, we remain very positive about the outlook for global private credit. While market conditions will continue to change with political, economic and competitive dynamics, our core focus and capabilities around manager selection, diversification and flexible portfolio construction provides investors with unparalleled access and the ability to realise attractive risk adjusted returns despite an uncertain macro-economic environment.

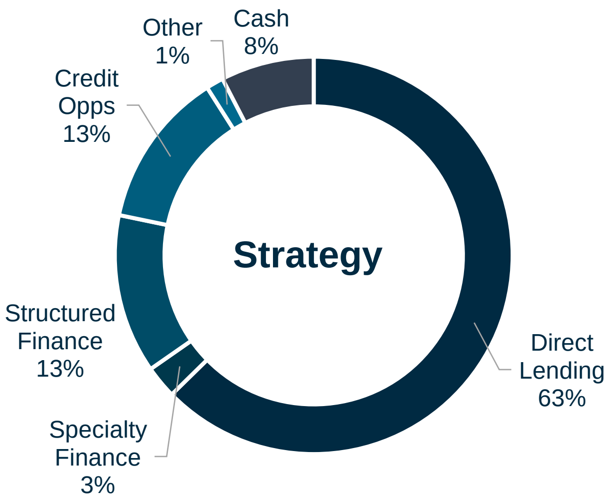
# PORTFOLIO UPDATE

**The Trust's underlying funds continue to perform at or above their return targets.**

During February and March, we expect to receive the majority of the Q4 '24 fund valuations. As a result, we expect the NAV to trend higher after payment of the monthly distribution of at least 0.58%.

# PORTFOLIO COMPOSITION[5]

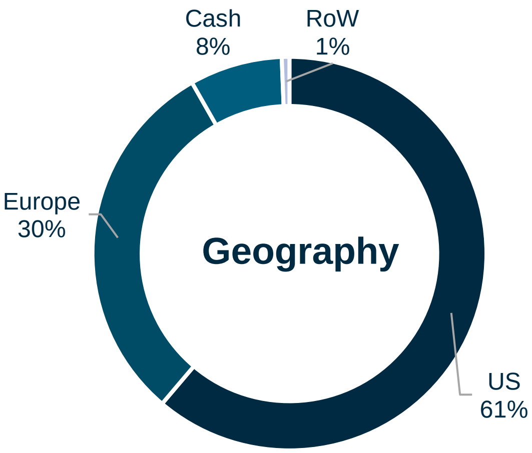


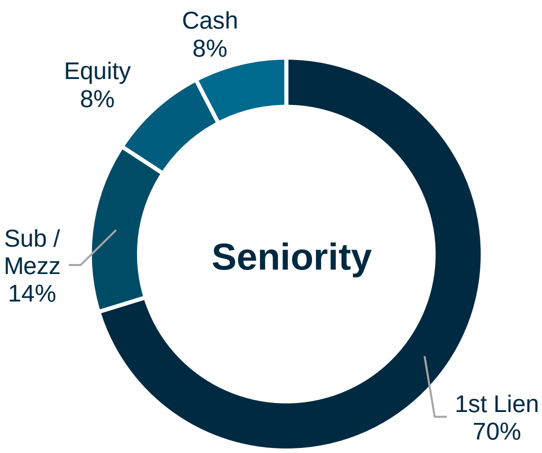




**At 31 January, the Trust has maintained its target allocation mix, with the following allocations to fund types:**

- Income: $105.9m invested across 7 managers
- Balanced: $28.2m invested across 4 managers
- Total Return: $29.6m invested across 9 managers

The Trust is well diversified and within stated seniority, geography, and strategy guidelines.



As always, we thank you for your support of PCX.

**Nehemiah Richardson**
CEO Pengana Credit

**Adam Rapeport**
Portfolio Manager

1. The Responsible Entity will make an off-market buy-back offer each calendar quarter to buy-back up to 5% of the PCX issued capital each calendar quarter. The Responsible Entity will only be able to continue to buy-back 5% of the capital each calendar quarter where it would exceed the 10/12 Limit (10% of the smallest number of units that are on issue at any time during the previous 12 months) if the Responsible Entity has obtained approval by ordinary resolution of unitholders prior to effecting the buy-back. It is the Responsible Entity's intention to seek unitholder approval when required so that it can continue to buy-back 5% of the issued capital each quarter. If the Responsible Entity receives acceptances for more units than 5% of the issued capital of PCX for any quarterly buy-back offer, the number of each acceptor's units will be subject to a proportional scale-back.
2. The NAV is unaudited. The NAV is net of distributions paid since inception on 21 June 2024 to the date of this announcement.
3. The minimum target distribution yield is an objective target only and may not be achieved. Any shortfall in net income generated may result in a distribution payment made from capital invested. Future returns are not guaranteed, and a loss of principal may occur. Investors should review the Risks summary set out in Section 8 of the PDS. Past performance is not necessarily a guide to future performance.
4. Oliver Wyman. *Private Credit's Next Act,* 2024.
5. Portfolio Information charts show the Trust's percentage ownership in the investments based on the latest available data provided by the underlying funds.

Pengana Investment Management Limited (ACN 063 081 612, AFSL 219462) ("Pengana") is the issuer of this document and units in PCX (ARSN 673 024 489). There are no guarantees that an active trading market with sufficient liquidity will develop or that such a secondary market will sustain a price representative of the NAV per unit. In circumstances where units are suspended from the ASX, unitholders may not be able to sell their units via the ASX until trading recommences.

The information provided in this document is of a general nature only and has been prepared without taking into account your objectives, financial situation or needs. Before making an investment decision in respect of PCX you should access whether PCX is appropriate give your objective, financial situation or needs. None of Pengana, Mercer Consulting (Australia) Pty Ltd, nor any of their related entities, directors, partners or officers guarantees the performance of, or the repayment of capital, or income invested in PCX. An investment in PCX is subject to investment risk including a possible loss of income and principal invested. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.

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**Authorised by: Paula Ferrao, Company Secretary**

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