

# BARWON GLOBAL LISTED PRIVATE EQUITY FUND

Initiation Note | Q2 2025

## Fund Overview

The Barwon Global Listed Private Equity Fund is an open-ended fund providing exposure to private equity (PE). PE has delivered excellent returns but proven difficult for many investors to own due to its illiquidity and high minimum investment requirements. The fund overcomes these challenges by investing in listed companies that are directly invested in or closely related to PE strategies. The fund invests in four types of companies: Buyouts, Alternative Asset Managers (AAMs), PE Backed Listed Companies, and Private Debt. The strategy, and listed private equity more generally, represents an alternative to the evergreen private equity funds that are becoming increasingly popular,

The team's process aims to identify high quality management teams with assets that are carried at attractive valuations and have strong capital growth prospects. To achieve this the manager has an investment team of 6 portfolio managers and analysts conducting intensive company research.

This is a concentrated portfolio of high conviction positions that are held for the long term. The portfolio is comprised of 20-25 holdings with weights between 2% and 7.5% and the average ownership period of 4.5 years.

Portfolio positioning is driven by views on individual companies. The allocation across its four segments has been managed dynamically in response to opportunities and to manage risks.

The fund's objective is to outperform the MSCI ACWI Small Cap Index by 3% p.a. over the medium term.

Asset Class	Private Equity
Manager	Barwon Investment Partners
Inception Date	UCITS Fund 30/11/2012 Wider strategy 01/06/2007
Domicile	Luxembourg
Dealing Frequency	Daily
Net Gearing	None
ISIN Code	LU2908897403 GBP, Acc
	LU08566658553 EUR, Dist
	LU0856664106 GBP, Dist
	LU0940438756 USD, Acc

### Report Author: Solomon Nevins

Solomon has been researching alternative investment funds for 17 years. His experience was gained at institutional asset managers, CCLA and AXA IM, where he was the real assets and private assets specialist. At CCLA he managed a £2bn alternatives allocation. He is a CFA Charterholder.

## Our View

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This is a high-quality fund providing liquid and actively managed exposure to listed PE. The listed approach overcomes many of the challenges of PE investing and has historically delivered similar returns, but it does come with the drawback of relatively high equity market sensitivity.

We agree with the manager's thesis this is an inefficient asset class due to the wide dispersion of performance across PE managers and the patchy sell-side coverage of listed PE companies.

The Barwon Listed Private Equity team has an edge in terms of the quality of research it can produce given the size of the team and its depth of experience. The concentrated approach where a team of 6 is managing a 20-25 stock portfolio ensures there is a deep, shared knowledge about the companies that supports high quality debate and decision making.

The investment process demonstrates a sophisticated understanding of the sectors' dynamics; the appropriate techniques for valuation analysis; and return forecasting. Decisions are made within a structured framework and there are features that ensure disciplined monitoring of existing and potential investments.

The key personnel that generated the fund's track record are still in place and the strategy is unchanged so we believe the manager can continue to deliver success.

The fund's excellent returns have been generated from a broad set of stocks, suggesting the presence of manager skill and an effective process that should continue to benefit the fund.

Under a conservative set of assumptions, we expect the fund to deliver attractive returns over a 5-year period.

The fees are reasonable for the expected returns and encourage alignment between the manager and its fund investors. We view the fund's daily dealing terms as realistic given the liquidity profile of its underlying assets.

## Using the Fund in a Portfolio

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In a portfolio context, a long-term allocation to PE would have meaningfully enhanced returns when funded from equities, bonds, cash or lower-return alternative assets.

The listed PE structure allows investors to access PE returns with improved liquidity and flexibility. The fund provides a solution for investors that cannot allocate to unquoted PE funds due to the operational constraints, illiquidity or high minimum investment requirements.

Relative to other fund structures for accessing private equity, such as evergreen private equity funds or closed-end LP funds, the listed PE structure periodically presents valuation opportunities to access assets through a share price that is trading below intrinsic value. This is the case at present with the fund's listed buyout holdings trading at very deep discounts-to-NAVs.

The manager has demonstrated its ability to add value over a long-term period so the fund could be used by investors that are not sufficiently resourced to make their own listed PE investments or are restricted due to operational constraints.

Listed PE can assist with managing a broader allocation to direct PE as it allows investors to right-size their overall sector exposure when waiting to deploy capital into unlisted PE fund positions.

## **Asset Class View: Listed Private Equity**

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PE as an investment strategy typically describes buying controlling stakes in private companies with a view to adding value through implementing business improvement initiatives before selling at a higher valuation. Historically, the asset class has delivered excellent long-term returns, far ahead of other major asset classes.

**PE has been one of the best performing asset classes during the past 20 years.**

## Asset Class Returns

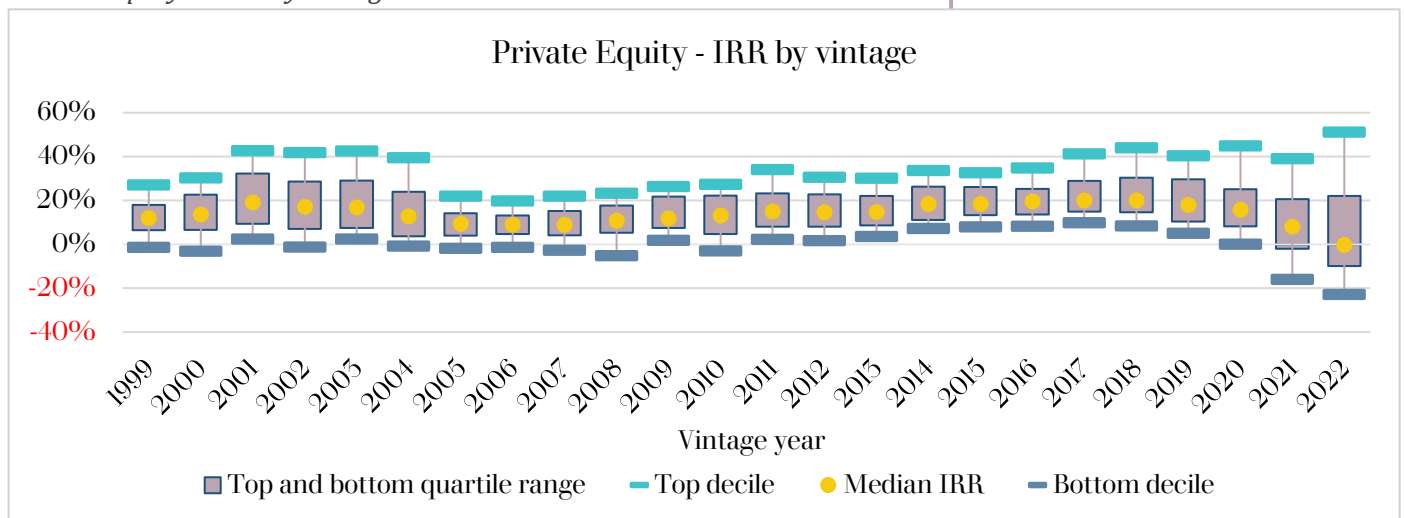
	Strategy	1-year	3-year	5-year	10-year	20-year
Private	<b>Private equity</b>	10.78%	7.45%	16.69%	15.04%	14.06%
	Venture capital	2.51%	-4.51%	12.72%	11.56%	10.27%
	Real estate	-1.48%	3.36%	6.61%	8.64%	7.04%
	Real assets	9.96%	11.72%	9.55%	7.15%	7.76%
	Private debt	8.45%	7.92%	8.70%	8.12%	8.75%
Listed	S&P 500	36.35%	11.91%	15.98%	13.38%	10.71%
	Morningstar Global	31.51%	7.98%	12.29%	9.73%	9.03%
	MSCI World Small Cap Growth	25.03%	-0.59%	8.98%	8.95%	9.41%
	Morningstar Global Real Estate	30.55%	0.47%	2.41%	5.04%	6.46%
	Morningstar Real Assets	18.73%	4.57%	5.90%	3.88%	5.36%
	Morningstar Global High Yield	16.63%	2.62%	4.42%	4.45%	6.36%

Source: Pitchbook. Data as of 31/12/2024. All public index values are total return CAGRs. All private capital returns are net of fees and carry.

There is a wide range of PE funds with varying preferences for their target portfolio companies and approaches to adding value. Consequently, whilst the overall asset class has delivered strong returns, there has been significant dispersion across the performance of PE funds. Historically, there has been at least 10 percentage points of IRR difference between the top and bottom quartile managers for a given vintage.<sup>1</sup> This highlights the importance of manager selection to get the best from the asset class.

**Performance dispersion across PE funds highlights the importance of manager selection.**

### Private Equity – IRRs by vintage



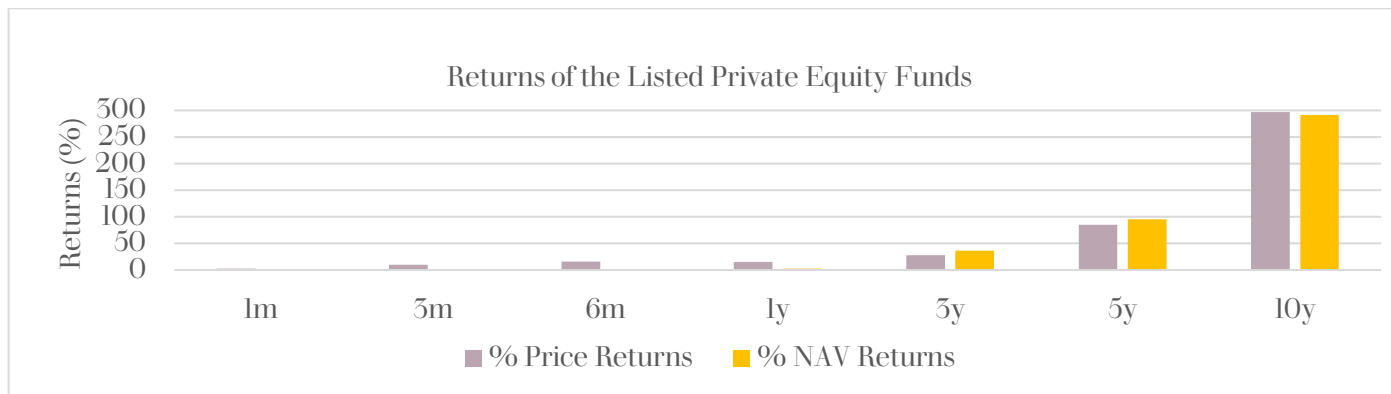
Source: Pitchbook, Global Benchmarks Q3 2023

<sup>1</sup> Q3 2023 PitchBook Benchmarks (with preliminary Q4 2023 data).  
<https://pitchbook.com/news/reports/q3-2023-pitchbook-benchmarks-with-preliminary-q4-2023-data>

The fund’s approach of taking exposure to PE through listed companies is validated by the long-term data showing that listed PE funds’ share price returns have closely matched their NAV returns i.e. the listed PE returns are similar to unlisted PE returns.

**Listed PE has delivered similarly strong returns to PE in its unlisted form.**

*Listed Private Equity Returns*



Source: Listed PE Funds represented by the Numis 'Private Equity Direct (ex 3i)' 30/03/2024

Listed PE companies provide access to an asset class that was historically restricted to institutional investors and is part of a wider trend of democratising private assets. The characteristics of the different fund structures that can be used to access PE are presented in the table below

	Traditional Funds	Evergreen Funds	Listed CEFs
<b>Structure</b>	Closed-ended	Open-ended	Closed-ended
<b>Subscriptions</b>	Subscriptions made during a pre-defined fundraising period	Ongoing monthly or quarterly subscription windows	Shares acquired through primary issuance or in secondary market
<b>Redemptions</b>	No redemptions permitted	Limited redemptions on monthly or quarterly basis. Typically, 5% of NAV per quarter	No redemptions permitted. Shares are traded in the secondary market, so the available liquidity is determined the trading volume of each listed CEF.
<b>Fund Life</b>	10-12 years	Perpetual	Perpetual
<b>Capital Deployment</b>	During a 3-5 year investment period	100% invested at time of a shareholder's subscription	100% invested at time of a shareholder's purchase of shares.
<b>J-Curve</b>	Yes	No J-curve if the fund is already fully invested	No J-curve if the fund is already fully invested
<b>Blind Pool</b>	Investors do not know what assets the fund will buy when they make a subscription	Investors have visibility through the underlying portfolio prior to making a subscription	Investors have visibility through the underlying portfolio prior to purchasing shares
<b>Distribution Policy</b>	Capital from periodic asset sales is distributed and the fund is eventually liquidated	Sales proceeds are re-invested. There is no policy to return capital	Sales proceeds are re-invested. There is no policy to return capital
<b>Typical Fees (e.g. Private Equity)</b>	1.5-2.0% management fee and 20% carried interest	1% management fee and 12.5% carried interest	1% management fee and 12.5% carried interest. Reported fees can be 0% (see 'Costs and Charges' section)
<b>Management Fee Structure</b>	Fees charged on committed capital during the investment period and then on invested capital	Fees based on NAV	Fees based on NAV
<b>Minimum Investment Size (£/\$/€)</b>	250,000-25,000,000	5,000-25,000	1
<b>Asset Allocation</b>	100% private assets	Private assets and a liquid assets allocation	100% private assets.
<b>Investor Returns</b>	NAV Total Returns	NAV Total Returns	Investors returns are determined by share price growth plus dividends
<b>Valuation Frequency</b>	Quarterly NAV valuations.	Quarterly NAV valuations.	Quarterly NAV valuations. The value of the shares can change continuously during stock market trading hours

## The Manager

### Firm

The fund is managed by Barwon Investment Partners, an Australia based fund manager that specialises in managing PE and property strategies. They have an 18-year track record of this listed PE strategy so they can be measured across multiple market cycles. The founding partners, Sam Armstrong and Rob Morrison are still at the firm.

**Barwon is a specialist asset manager with a long track record of managing the strategy.**

Barwon was launched in 2006 and currently manages A\$3.5b. The firm manage A\$877m in the strategy across an Australian unit trust, a UCIT's fund, a set of separately managed accounts (SMAs) and co-investments. The fund represents a meaningful portion of Barwon's overall AUM, so they are motivated to ensure it remains successful.

**The Listed PE strategy represents a meaningful portion of the firm's AUM.**

## Team

There are 33 investment professionals at Barwon, of which 6 are focused on managing the listed PE strategy.

### Barwon Listed Private Equity Team

Investment Team Member	Role	Key responsibilities
Sam Armstrong	Head of Private Equity	Team leader and LPE capability oversight
Bob Liu	Portfolio Manager	Portfolio management and stock selection
James Brown	Portfolio Manager	Portfolio management, stock selection and business dev.
Lisa Swanton	Portfolio Manager	Stock research, portfolio execution
Sargunn Sahota	Investment Analyst	Stock research, market analysis, portfolio analysis
James Mirabito	Investment Analyst	Stock research, market analysis, portfolio analysis

Sam Armstrong, a Founding Partner and Head of Private Equity, leads the team and has responsibility for strategy oversight; setting the research agenda; developing the investment strategy; and also retains research responsibilities. The fund is managed by Bob Liu with the support of the wider Private Equity Team. Mr Armstrong and Mr Liu have been at Barwon for 18 and 15 years, respectively, and team has an average tenure of 8 years.

**There is a well-resourced, stable team managing the fund.**

The team is comprised of experienced investment specialists with a mix of buy-side, fund selection and sell-side experience. There is a broad overlap of responsibilities across the team with all members involved in stock selection and elements of portfolio management, which makes the process resilient to personnel turnover.

**Listed PE has persistent inefficiencies that create the opportunity for strong returns.**

Team turnover has been low during the past 5 years, with 4 additions and 2 departures. The team members responsible for generating the strong historic track record are still in-place, which gives confidence the fund will continue to perform strongly.

The team's compensation is a mix of base salary and a performance related bonus. The presence of a performance fee is a significant motivator and supports alignment with fund unitholders.

**The team's structure and experience are aligned with their investment approach of detailed fundamental analysis and team-based decision making.**

# The Process

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## *Investment Strategy*

The fund's strategy is to invest in listed companies that provide exposure to PE investments. This reflects their view that this is high return asset class and there is persistent inefficiency in the listed PE sector, which presents the opportunity to generate outperformance versus the broader global equity market.

They believe the inefficiency stems from it being an under-researched sector with little institutional share ownership. We find evidence of this from observing broker coverage of the 5 largest listed PE funds in the UK<sup>2</sup>. Each fund has just 5 or 6 sell-side analysts maintaining coverage and none have more than a single analyst producing a share price target.

To generate returns from this inefficiency, Barwon conducts fundamental research on companies using a combination of their sector expertise and disciplined processes.

## *Investment Universe*

The fund invests across 4 types of companies that are related to PE:

- Buyouts
- Alternative asset managers (AAMs)
- PE Backed Listed Companies
- Listed private debt funds.

**Fundamental research on Companies drives the team's investment selection.**

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<sup>2</sup> Largest by market cap. HG Capital Trust, HarbourVest Global Private Equity, Pantheon International, Oakley Capital Investments and ICG Enterprise. Source: Numis, May 2024.

We view the characteristics and profile of each of the 4 segments are as follows:

<i>Segment</i>	<b>Example Companies</b>	<b>Characteristics</b>
<i>Buyouts</i>	<ul style="list-style-type: none"> <li>• Eurazeo</li> <li>• Oakley Capital Investments</li> <li>• Brookfield Business Partners</li> <li>• 3i Group PLC</li> </ul>	<p>Buyouts are listed PE funds that buy controlling stakes in private companies. Listed PE funds have a perpetual time horizon and contain investments made across many years (vintages) so are already generating positive returns. They are typically fully invested, which allows investors to conduct portfolio analysis.</p> <p>The funds publish quarterly valuations that are driven by realised and unrealised gains/losses on the investment portfolio. Total returns should be consistent with the wider PE buyout sector over the long-term. PE funds typically target gross IRRs of 20-25% per investment.</p>
<i>Private Debt</i>	<ul style="list-style-type: none"> <li>• Golub Capital BDC</li> <li>• Ares Capital Corp</li> <li>• Blackstone Secured Lending</li> </ul>	<p>The fund's exposure to private debt comes through investment in Business Development Companies (BDCs). These are listed companies that provide senior-secured, floating rate loans to US mid-cap companies that are backed by PE sponsors.</p> <p>The revenue is interest income plus loan arrangement fees, minus loan losses. BDCs are typically leveraged so the net interest margin between their loans advanced and their own financing costs is an important determinant of returns.</p> <p>They publish a quarterly net book value per share, which the shares may or may not trade in-line with thus presenting potential trading opportunities. This is a high yielding sector where income comprises a large portion of total returns.</p>
<i>Alternative Asset Managers</i>	<ul style="list-style-type: none"> <li>• KKR</li> <li>• Blackstone</li> <li>• Apollo Global Management</li> </ul>	<p>The fund invests in the shares of publicly listed alternative asset managers (AAMs). AAMs are able to charge high fees for managing PE funds, given its profile as a high-return asset class that cannot be easily replicated by low-cost passive investment strategies.</p> <p>The managers' revenue is a combination of annual management charges and performance fees. Growth in the sector's asset base is supported by the structural trend of increasing investor allocations to private assets. The best managers will generate performance fees and grow their assets under management.</p>
<i>PE Backed Listed Companies</i>	<ul style="list-style-type: none"> <li>• PowerSchool Holdings</li> </ul>	<p>Defined by Barwon as listed companies where PE sponsors control at least 40% of the shares to have a controlling position. The investment thesis is that PE control can add significant value beyond what might be achieved under more fragmented, passive ownership. It also allows investors to access a PE manager's expertise without paying the manager fees would be incurred if owning the company via their PE fund.</p>

## ***Investment Selection***

The team identify 750 companies that fit into these four segments. They screen by liquidity (> A\$100m market cap); a set of sector exclusions (see ESG section); a transparency screen to eliminate companies that provide insufficient portfolio information; and in the case of PE-backed listed companies, a minimum PE ownership of 40%. The screening results in a long list of around 250 companies upon which they can conduct fundamental analysis, which is good-sized set of investible opportunities.

The analysis approach varies across the four segments, but the common elements are manager due diligence, forecasting capital growth, and estimating the value of the portfolio. Ultimately, their goal is to understand the quality of the manager and platform to determine whether an optically cheap valuation truly represents good value.

The focus on manager diligence is driven by their belief that those with strong performance over 3-5 years will see improved share price ratings. To judge this, they analyse a manager's track records; their deal origination capabilities; competitive positioning; processes; and skills and experience within the team. This is combined with an assessment of sentiment and technical factors that influence a manager's share price rating such as alignment with shareholders, their capital allocation policy and fee levels.

Valuation analysis and return forecasting is approached differently for each of the four segments.

**The team's opportunity set is comprised of around 250 investible companies across buyouts, alternative asset managers, private debt funds, and PE backed listed companies.**

**Their analysis focuses on manager quality, the prospects for capital growth and valuations.**

**They create detailed forecasts for each company.**

## Valuation Analysis and Return Forecasting

Sector	Valuation Metrics	Approach to estimating value and returns
Buyouts and PE Backed Listed Companies	Sum-of-the-parts analysis to forecast the NAV	<p>Returns are forecast over 1, 3 and 5 years for each portfolio company and aggregated to build a forecast for the buyout fund's NAV.</p> <p>For very diversified funds, they take a high-level approach that considers the portfolio-level operational performance and historic gains that the manager has typically realised when selling its holdings.</p>
Private Debt	Price-to-Book	An estimation of the loss-adjusted interest income plus arrangement fees, and an adjustment for the likelihood of the price-to-book multiple changing.
AAMs	Price-to-earnings	<p>A sum-of-that-parts approach that assigns value to the manager's recurring management fees and performance fees. They forecast the size and timing of performance fees.</p> <p>An assessment of the manager's ability to grow its asset base and earn performance fees underpins this analysis.</p>

Given the limited sell-side research on Listed PE, the team place high importance on their own proprietary analysis. They conduct over 150 company meetings per annum with each attended by at least two team members. This intensity of research for a portfolio of 20-25 stocks fosters a deep, shared knowledge on each investment and is the foundation for well-informed discussions and collegiate decision making.

The team's view of each company is quantified using a scorecard approach, called the 'Forced Ranking Model' which allows them to rank opportunities objectively across sectors. These rankings do not translate directly into portfolio weights but are a focal point for team discussions and are useful for flagging new ideas. The scorecard composition highlights the integration of ESG considerations into the process. The scorecard weightings were revised in July 2024 with the weighting to valuations increasing from 20% to 30%, which came from reducing the weightings placed on the manager (25% to 20%) and liquidity (10% to 5%). These changes were designed to better reflect the importance they place on valuations and to be better aligned with their overall assessment framework. The revision to the scorecard weightings demonstrates the team's commitment to challenging their own processes in the search for improvement.

**Their nuanced approach for each sector reflects their understanding of each type of opportunity.**

**The process is structured with scorecards, formal meetings, and investment notes to ensure there is well-informed debate.**

### *Forced Ranking Model*

Metric	Weight
Quality of manager/management team	20%
NAV Growth	30%
Valuation	30%
Environmental & Social impact	5%
Governance	10%
Liquidity	5%

The process is structured with the team meeting formally twice a week to discuss ongoing projects, news flow, and for in-depth investment and portfolio reviews. Investment reviews are supported by investment notes, that are detailed, clear and demonstrate a sophisticated understanding of the given portfolio, its manager, and wider sector trends.

Overall, the process comes across as carefully considered and designed to encourage informed discussion and action. An example is their 'circuit-breaker' review that is triggered when an investment falls by 40% or underperforms the fund by 40%. This requires the team to revisit their investment thesis to determine if the thesis is broken and decide a course of action. This demonstrates good discipline, transparency, and accountability.

The fund makes use of an advisory committee to support its decision making. This is comprised of two independent members, Ray King and Rick Harper, who have extensive experience in institutional fund management and alternatives investment selection. They meet monthly to review performance; discuss potential portfolio changes; and share views on the PE market.

### ***Portfolio Construction***

This is a relatively concentrated strategy, typically with 20-25 stocks. Position sizes reflect conviction in individual companies, but with adjustments to ensure diversification by geography, manager, sector, and maturity/fund vintage. The team are long-term investors with the average holding period across the portfolio being 4.5 years.

Portfolio weights are set at 2.0%, 3.5%, 5% and 7.5%. The largest holdings can generally be interpreted as those that are highly liquid;

**There is disciplined approach to monitoring the portfolio and performance with inputs from an advisory committee and internal processes such as the 'circuit breaker' for underperforming investments.**

**This is a high conviction, low turnover portfolio of 20-25 stocks that the manager has held for 4.5 years on average.**

have continued likelihood of consistent and robust NAV growth; and a stable and well-regarded management team that has a proven ability to exit well.

When managing the portfolio, the team does not use firm stop losses or trading rules at hard-price targets. This flexibility seems sensible in an asset class characterised by inefficiency and high volatility.

There is no adjustment to reflect macroeconomic views, and positioning is not considered relative to a benchmark. They have a target portfolio shown below, which indicates the core of the portfolio will be buyout funds:

- 40-80% buyouts (listed PE funds) and PE backed listed companies
- 20-45% private debt and alternative asset managers
- 0-20% venture

## **ESG**

This is not a responsible fund and there are no formal ESG targets, but ESG considerations feature in both negative exclusions and positive screening. The negative exclusions serve to remove investments from their universe if they have more than >5% of NAV in controversial sectors.<sup>3</sup> The positive screening feeds directly into the scorecard to reward companies that perform well across environmental, regulatory, social and governance matters.

## **The Portfolio**

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### ***Current Positioning***

At present, the fund is invested in 21 companies and skewed towards the Buyout segment, which the manager has increased steadily over the past 5 years in response to the deep discounts-to-NAVs that set the path for attractive forward-looking returns. Currently the portfolio's average discount-to-NAV on the buyout segment is 38% (15<sup>th</sup> April 2025).

The team note that the current uncertainty from US import tariff changes likely further delays the long-expected recovery in Mergers & Acquisitions (M&A) activity, and the acceleration of portfolio NAV growth to drive tighter discounts. When exit activity does pick-up, they are well placed with a mature portfolio that is 49% invested in pre-2020

**Whilst concentrated by number of stocks, the portfolio is diversified by across the listed PE segments, geography, sector, and maturity/vintage.**

**Portfolio positioning is driven by conviction in individual companies and is not managed with reference to a benchmark. The strategy does not use leverage**

**The fund uses a mix of negative ESG exclusions and positive screening.**

**The fund largest allocation is companies in the Buyout segment to reflecting attractive valuations.**

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<sup>3</sup> Controversial weapons, adult entertainment, and tobacco.

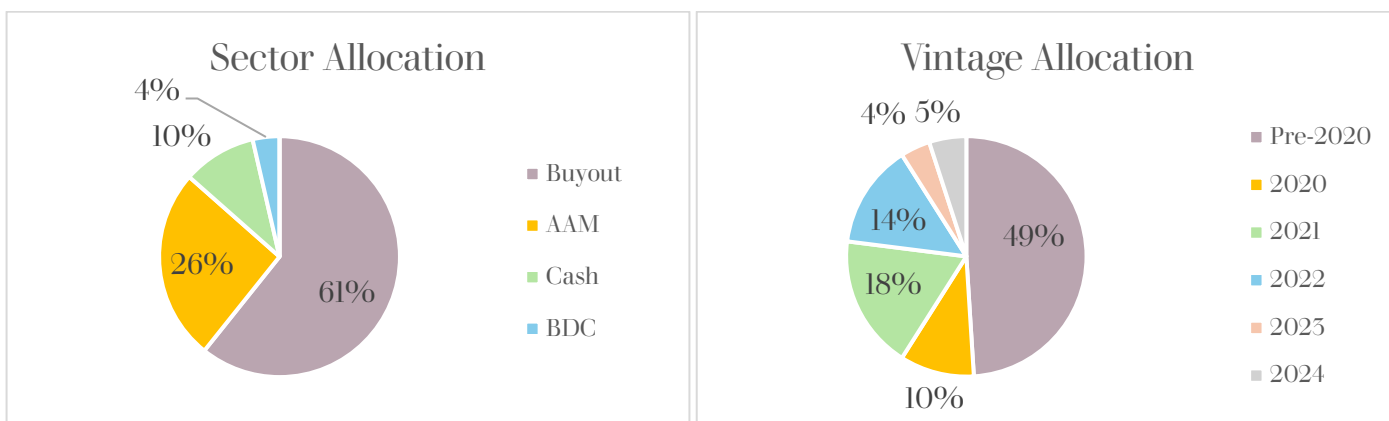
deals with managers that have a strong track record of making exits at valuations above carrying value.

They have recently conducted a portfolio wide study in the context of higher tariffs to understand the potential impact on earnings and buyout fund balance sheets. Fundamentally, they don't expect substantial first-order earnings impact from tariffs due to their skew towards service-oriented companies (70%). Their buyout portfolios are only modestly geared with 5% net debt, but debt at the underlying portfolio companies has stayed elevated.

They are alert to the risks and opportunities in the current environment so currently have a cash level that is elevated following the recent sale of Compass Diversified Holdings in April 2025, on the grounds of its share price not reflecting its high sensitivity to tariffs on developing market countries. They expect to maintain a higher cash allocation until there has either been a further correction in share prices or clearer information on the fundamental impact that tariffs will have on listed PE companies.

**They have taken profits from AAMs to fund the increased allocation to Buyout funds.**

**Portfolio turnover has risen recently in response to the share price volatility triggered by US import tariff changes.**



Source: Barwon Investment Partners, Vintage Allocation at 31/03/2025, Sector Allocation at 30/04/2025

Barwon still expect good returns from AAMs over the long-term, particularly from those with strong fundraising platforms and large amounts of dry powder that they can deploy into attractively-priced deals through a backdrop of market stress. This sector has de-rated substantially in YTD 2025 and is beginning to become increasingly interest, even in the context of a more challenging macro environment.

The low allocation to private debt reflects valuations being relatively unattractive, with the sector trading on 0.9x on a price-to-book multiple basis, and risks to dividends. Lower central bank interest rates will impact the interest income generated from their floating rate loan books and dividend cover.

The fund does not have any exposure to PE-backed listed companies at present.

**They have taken profits from AAMs to fund the increased allocation to Buyout funds.**

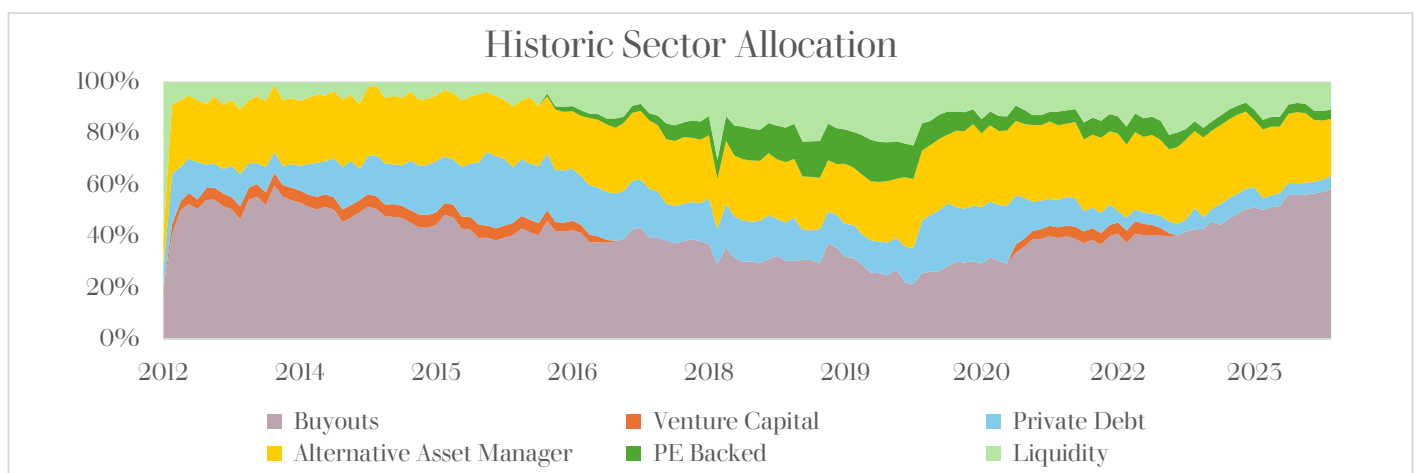
**There is a relatively low allocation to private debt at present as valuations are stretched.**

## Historic Positioning

The fund's allocation has seen substantial changes over its life demonstrating the active approach taken by the team. The most notable recent trend is the steady increase in the allocation to buyout strategies. Through 2019, the team were reducing Buyout exposure during a period when discounts-to-NAV were compressed, demonstrating good valuation discipline. Since April 2021, the manager had been steadily adding to its buyout strategies to an all-time high level of 68% in Feb 2025, before trimming during the volatility of March and April 2025 in favour of a higher cash position.

Periodically, the fund has made allocations to PE fund-of-funds and Venture Capital funds, but these are generally opportunistic in nature. From a fundamental analysis perspective, FoFs are too diversified and lacking in transparency to model effectively. Venture Capital is generally an area they avoid as the best managers don't manage listed funds, and they don't believe their edge is in modelling valuations for pre-profit, fast-growing businesses.

## Historic Sector Allocation



Source: Barwon Investment Partners, 30/04/2025

The fund's benchmark for performance measurement is the MSCI ACWI Small Cap Index, but a thematically closer comparator for the strategy is the S&P Listed Private Index (SPLPI). The SPLPI is constructed to have 'tradable exposure to the leading publicly-listed companies that are active in the PE space'<sup>4</sup> and has been operational since 2007. Like Barwon's strategy, the SPLPI index is comprised of AAMs, private debt and buyout funds. However, whilst the sector focus is similar the weights differ substantially, with the Index having most of its allocation

<sup>4</sup> <https://www.spglobal.com/spdji/en/indices/thematics/sp-listed-private-equity-index/#overview>

**The portfolio has been actively managed, and its sector exposure has evolved in response to the different valuation opportunities that**

**The fund's investments in Venture Capital funds and Fund-of-Funds are infrequent and opportunistic.**

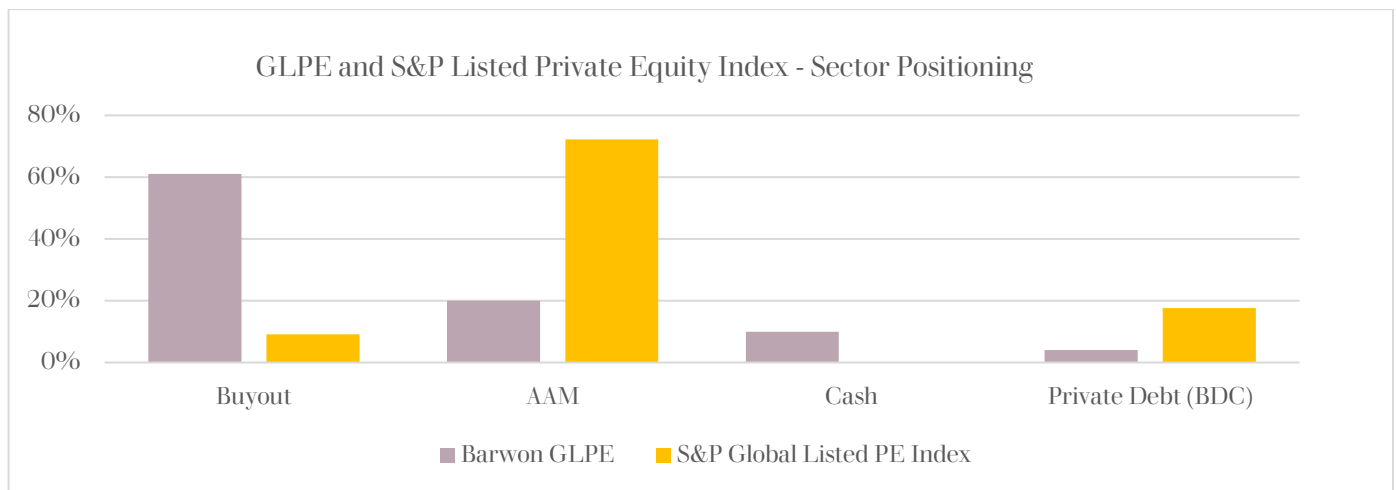
**The fund's positioning is significantly different from listed private equity indices, despite similar types of companies being held.**

in AAMs and a large allocation to private debt, reflecting its market cap weighted approach.

The fund’s dynamic approach means that whilst it could closely resemble the index, it is likely to have very different exposure, which is the present case with 61% of the fund exposed to buyout funds compared with the index’s 9%. The conclusion is that the fund provides differentiated exposure that could not be achieved through an exchange-traded fund (ETF).

*Sector Positioning*

**The fund has delivered excellent performance over a sustained period, both on an absolute and relative basis.**



Source: Barwon Investment Partners, Bloomberg. 30/04/2025

## Performance

**Return Target**

The fund’s objective is to deliver returns of 3% p.a. above public markets over the medium term. This is consistent with the return hurdle that many institutional investors set for allocations to private markets and seems realistic based on long-term historic returns. Over the past 20 years, Global PE has delivered 14.06% annualised returns vs global listed equities return of 9.03%.

**The fund’s return target of +3% p.a. above global equities is consistent with widely held views of PE returns.**

**Historic Returns**

Since its inception on 04/12/2012, the fund’s UCITS GBP share class has delivered excellent absolute returns of 11.9% annualised. This represents substantial outperformance relative to its comparator index, MSCI ACWI Small Cap NR. The returns have been generated with comparable volatility to global equities resulting in a superior risk-

adjusted return metric. The fund's correlation and beta to its global equity benchmark have been high so it has not acted as a diversifier to equities.

The fund has lagged the performance of the S&P Listed Private Equity Index due to its underweight to alternative asset managers that have delivered better performance than listed buyout funds.

### Portfolio Returns

Return Analysis:	PARETURN BARWON LISTED PE - GBGD	MSCI AC WORLD SM CAP NR	S&P LISTED PRIV EQTY NR
Annualised Return (S.I.)	11.89%	9.34%	13.09%
Cumulative Return (S.I.)	303.23%	202.89%	360.52%
Largest Month Gain (S.I.)	15.2%	13.8%	16.8%
Largest Month Loss (S.I.)	-21.2%	-20.8%	-28.6%
% Positive Months (S.I.)	67.11%	63.09%	65.77%
% Negative Months (S.I.)	32.89%	36.91%	34.23%
Total Return (1 Year)	-1.02%	-1.41%	5.32%
Total Return (3 Years)	20.11%	6.23%	32.44%
Total Return (5 Years)	96.27%	62.88%	119.49%

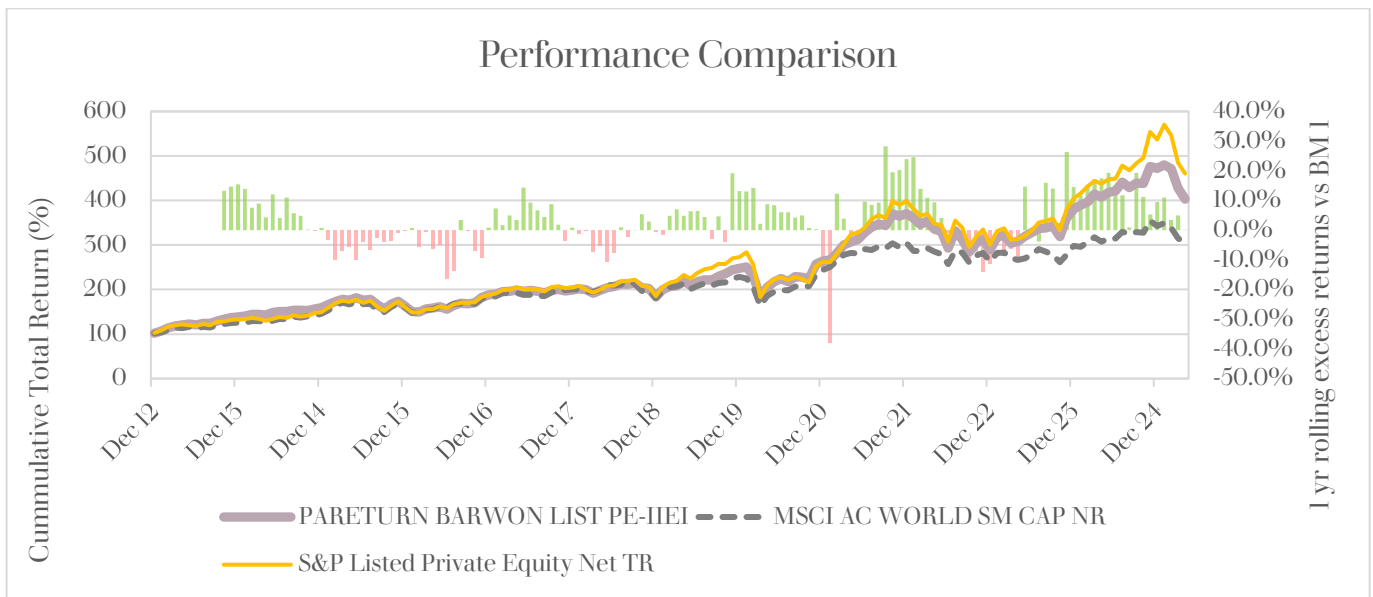
Source: Bloomberg, 30/11/2012-30/04/2025, GBP. S.I. is Since Inception

### Portfolio Risk Metrics (Since Inception)

Risk Analysis:	PARETURN BARWON LISTED PE - GBGD	MSCI AC WORLD SM CAP NR	S&P LISTED PRIV EQTY NR
Annualised Volatility	16.42%	15.37%	18.11%
Mean Return	1.05%	0.85%	1.27%
Sharpe	0.70	0.58	0.76
Alpha	-	2.70	1.38
Beta	-	0.98	0.80
Correlation	-	0.92	0.97

Source: Bloomberg, 30/11/2012-30/04/2025, GBP

Cumulative Returns and excess returns



Source: Bloomberg, 30/11/2012-30/04/2025, GBP

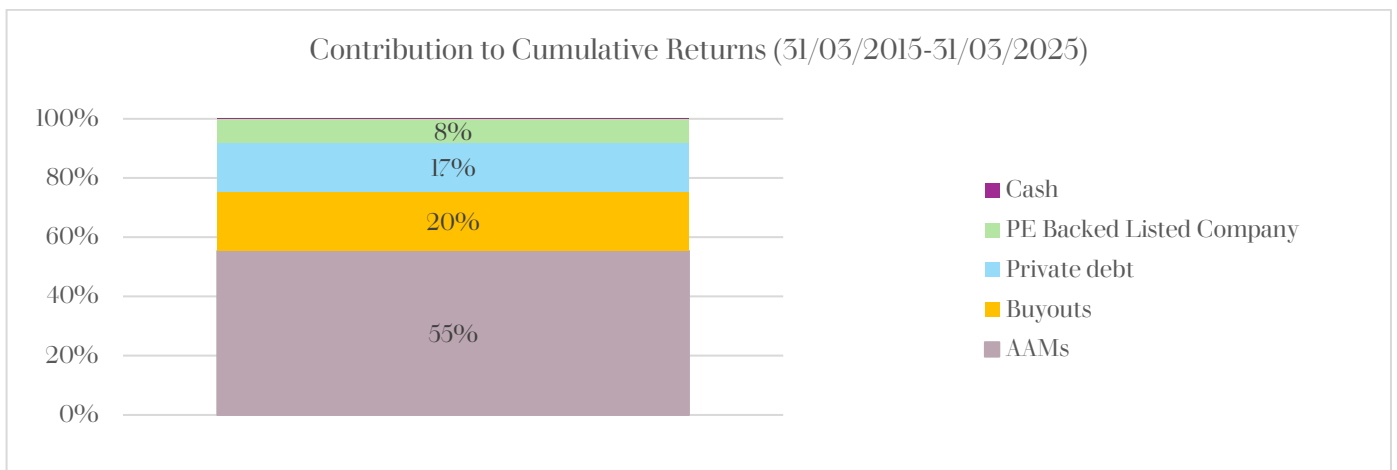
**Return Contributions**

Holdings in the buyout and AAM sectors have been the main contributors to the returns for the fund. These have historically been the largest allocations, and this remains the case as the team continues to find opportunities in the areas where they have previously enjoyed success.

In terms of stock contribution, 10 stocks contributed 87% of the fund’s returns in the past 10 years. This is a good spread noting that this is a concentrated portfolio of 20-25 holdings.

**Returns have been generated from a broad set of stocks across the buyouts and AAMs segments.**

**Fund Returns Contribution**



Source: Barwon Investment Partners, 31/03/2015-31/03/2025

### Contribution to Returns by Holding (31/03/2015-31/03/2025)

Name	Sector	Contribution to cumulative returns (%)
Intermediate Capital Group plc	Alternative Asset Manager	15.35%
Blackstone Inc	Alternative Asset Manager	13.21%
KKR & Co Inc	Alternative Asset Manager	13.11%
3i Group plc	Buyout	8.96%
HgCapital Trust plc	Buyout	8.70%
Ares Management Corporation	Alternative Asset Manager	6.88%
Ares Capital Corp	Private Debt	6.75%
Apollo Global Management Inc	Alternative Asset Manager	5.19%
Hercules Capital Inc	Private Debt	4.57%
Eurazeo	Buyout	4.41%

Source: Barwon Investment Partners, 31/03/2015-31/03/2025

### Forecast Returns

We forecast 10.83% net annualised returns over a 5-year period for the strategy. Given global equities have returned 9.03% p.a. over the past twenty years we believe the fund has the potential to continue delivering attractive relative returns.

To estimate the future returns from the strategy, we make the following assumptions for each sector and then take the weighted average based on the fund's current sector weights:

**We estimate a 5-year net IRR of 10.83% in a base case scenario and 2.08% in a bear case scenario.**

Sector	Bear Case - Key Assumptions	Base Case - Key Assumption
Buyouts and Privately Controlled Companies	Valuation multiples decline from 12x to 10x EBITDA	Valuation multiples stable at 12x EBITDA
	EBITDA growth declines from 7% to 4%	EBITDA growth stable at 7%
	Net debt/EBITDA reduces from 4.9x to 3.5x over the forecast period.	Net debt/EBITDA stable at 4.9x
	Underlying Fund management fees and performance fees of 2% and 20%.	Underlying Fund management fees and performance fees of 2% and 20%.
	<b>0.31% annualised gross levered returns</b>	<b>10.73% annualised gross levered returns</b>
Private Debt	10% starting yield.	10% starting yield.
	3% default rates and 50% recovery rates.	2% default rates and 65% recovery rates.
	Loan hold periods of 7 years with 1% arrangement fees and 2% pre-payment fees.	Loan hold periods of 6 years with 1% arrangement fees and 2% pre-payment fees.
	100% leverage at the private debt company at a 7% cost of debt.	100% leverage at the private debt company at a 6% cost of debt.
	<b>2.63% annualised gross levered returns</b>	<b>10.15% annualised gross levered returns</b>
AAMs	<i>Using KKR, Blackstone and Carlyle as proxies for the sector.</i>	<i>Using KKR, Blackstone and Carlyle as proxies for the sector.</i>
	Current average earnings yield of 5.05%.	Current average earnings yield of 5.05%.
	Apply a <u>50% haircut</u> to the Bloomberg consensus for 3-year compound earnings per share growth rate for the group, which is 16.5% (reduced to 8.25%).	Apply a <u>25% haircut</u> to the Bloomberg consensus for 3-year compound earnings per share growth rate for the group, which is 16.5% (reduced to 12.25%).
	P/E valuation multiples contract from 19.8x to 15.9x.	P/E valuation multiples are stable at 19.8x.
	<b>9.30% annualised returns</b>	<b>17.35% annualised returns</b>
Cash	Based on the EURIBOR 5y swap rate.	Based on the EURIBOR 5y swap rate.
	<b>2.25% annualised returns</b>	<b>2.25% annualised returns</b>

### Forecast Returns – Bear Case

	Buyouts	AAMs	BDCs	Cash	Gross Returns	Net Returns
Portfolio Weight (%)	61%	26%	4%	9%		
Asset Returns (Gross)	2.31%	5.05%	10.29%			
Asset Returns (Net)	0.31%	5.05%	6.63%			
Earnings CAGR		8.25%				
Multiple Contraction/Expansion	0.00%	-20.00%	-20.00%			
Return	2.31%	9.30%	6.30%	2.25%	2.73%	2.08%

### Forecast Returns – Base Case

	Buyouts	AAMs	BDCs	Cash	Gross Returns	Net Returns
Portfolio Weight (%)	61%	26%	4%	9%		
Asset Returns (Gross)	14.19%	5.05%	13.60%			
Asset Returns (Net)	9.75%	5.05%	10.15%			
Earnings CAGR		12.30%				
Multiple Contraction/Expansion	10.00%	0.00%	-0.00%			
Return	15.61%	17.35%	13.60%	2.25%	14.59%	13.43%

## Fund Terms

### Liquidity

The team’s approach to managing liquidity is by ensuring that at least 75% of the fund is invested in companies with a market cap >A\$700m; a daily share turnover >A\$1m; and a bid-ask spread <1%. The liquidity constraints were tightened in July 2023 to ensure greater liquidity (the minimum market cap was raised from A\$350m).

The underlying assets are all listed and this there is a high level of liquidity. Based on the value of the 90-day average daily traded volume (ADTV) they could sell 55% of the portfolio in a 1-day and 70% in 5 days.

The manager views the capacity target of the Listed PE strategy at A\$1.5 to 2bn so there is substantial headroom for growth from the current A\$877m level.

**The fund offers investors daily liquidity, which is comfortably achievable based on the liquidity of the underlying holdings.**

## **Fees**

The fund's annual management charge is 0.65% and there is a 15% performance fee over an 12% hurdle. The performance fee is payable if the annualised return in the current half year, and the preceding two years is greater than 12% p.a., which establishes a high watermark. The performance fee only applies to returns above 12% (i.e. no catchup).

There is a currently an institutional founder share class (ISIN LU2908897403) with an annual management fee of 0.35% and no performance fee; it will be closed to new investors at £75m.

The annual ongoing charge reported in the Key Investor Information Document (KIID) for the institutional founder share class is 0.95%. Relative to other private equity strategies, that frequently report costs above 4% in years where carried interest is triggered, this represents a cost-efficient way to access the asset class.

## **Currency**

The strategy is available in Australia through a unit trust that has its overseas currency exposure 90% hedged into Australian Dollars. The fund is also available through a Luxembourg-domiciled UCITS fund structure with GBP, USD and EUR share classes. The share classes of the UCITS fund do not use currency hedging.

**The fund's fees are reasonable in the context of the high return potential and the excellent performance that has been delivered.**

## Report Disclaimer

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All our opinions represent our judgement made at the date indicated and may be changed at any time without notice.

Past performance is not a guide to future returns. Investments can go down as well as up.

## The Fund Review

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### *About*

We are a team of experienced investors with a background in fund selection and direct investments. These professional skills and processes were honed at institutional asset managers where the founders ran multi-sector, alternatives funds.

Our first-hand experience means we understand the key information that investors need to be confident making a fund investment. We present our insights, substantiated by robust analysis, to support investors as they further their own due diligence.

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