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REALIZING POTENTIAL IN PRIVATE MARKETS

PGG Update – February 27th 2023

Hello, my name is Andrew Bellis.

This is the second update of 2023 for unitholders in PGG.

January 2023 proved to be a positive month in terms of overall market sentiment. Many risk assets posted strong performance as there was a view that we were nearing the end of the global rate hike cycle and that economic conditions weren't quite as bad as many had feared. This sentiment was particularly noticeable in Europe; a few months ago many investors were worrying that Europe would experience widespread blackouts during the winter with severe economic impacts; the reality has proved to be quite different!

However, as we moved into February some of this enthusiasm began to wane; hotter than expected inflation indicators in the US in particular, changed the view that the rate hikes were almost at an end. Whilst these hikes won't be anywhere near as rapid in 2023, it is becoming more likely that we will continue to see gradual increases and in particular see interest rates remain high for some period of time. Given the portfolio of PGG is nearly all floating rate in nature it will likely continue to benefit from higher interest rate payments from companies within its portfolio for some period of time.

On this theme in early February the Reserve Bank of Australia increased rates again by 0.25% to 3.35%; this will mean that the stated distribution rate for PGG will increase to 7.35% per unit or approximately 9% based on the current price per unit.

During January PGG returned 3.78% based upon both the distribution and growth in the NTA. The weighted average price of the underlying assets in the portfolio increased by approximately 1.5% during the month of January.

During the month, the Underlying Fund invested in one new primary transaction, the world's leading marketing data, insight and consultancy company, with an attractive OID of 93.0; this means that the fund effectively received a fee of 7% for providing this loan. The company benefits from a leading global position in key segments, long standing relationships with blue-chip customers, diverse revenue streams and good recent financial performance. So whilst investment flow is lower than normal due to subdued M&A markets there are still highly attractive investment opportunities that PGG can take advantage of.

The Fund has also reduced or exited positions in some first lien loans which experienced significant price appreciation during January such as a global specialty chemicals distributor.

Software remains the largest sector at 13%, followed by Health Care Providers & Services at 9%. Approximately 86% of the portfolio consists of First Lien Senior Secured Loans.

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Many thanks, Andrew