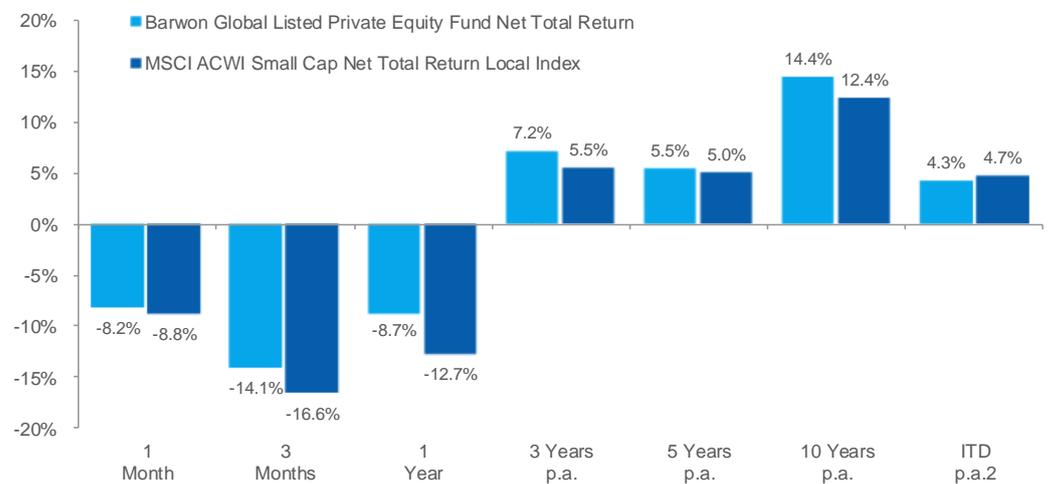


MONTHLY REPORT DECEMBER 2018

BARWON GLOBAL LISTED PRIVATE EQUITY FUND

Barwon Investment Partners is an investment management company specialising in private equity and real estate.

Net Performance at 31 December 2018¹



	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	10 Years p.a.	ITD p.a. ²
Net Return³	-8.2%	-14.1%	-8.7%	7.2%	5.5%	14.4%	4.3%
MSCI ACWI Small Cap Index⁴	-8.8%	-16.6%	-12.7%	5.5%	5.0%	12.4%	4.7%
Relative performance	0.6%	2.5%	4.0%	1.7%	0.5%	2.0%	-0.4%

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

4. MSCI ACWI Small Cap Net Total Return Local Index

Unit Price as at 31 December 2018

NAV Price	0.6974
Entry Price	0.7002
Exit Price	0.6946

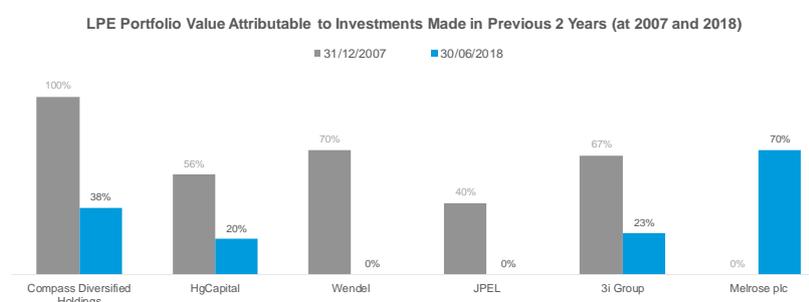
The Barwon Global Listed Private Equity Fund's (Fund) net return for the month of December was -8.2%, outperforming the MSCI ACWI Small Cap Net Total Return Local Index (Index) by 0.6%. Over the full calendar year, the Fund returned -8.7%, outperforming the Index by 4.0%. Over the 5 years ended 31 December 2018 the Fund has returned 5.5% p.a., outperforming the Index by 0.5% p.a. and outperforming the listed private equity sector, as measured by the LPX50 Index, by 1.0% p.a.

Market Commentary

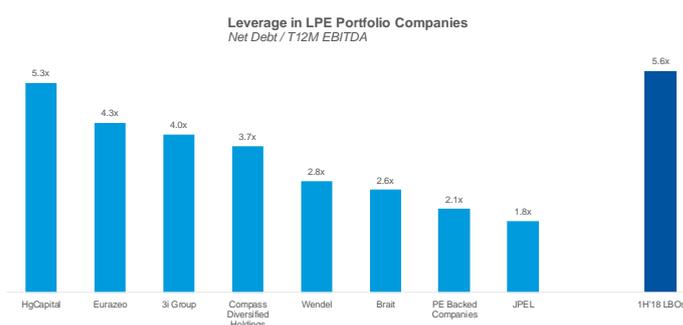
The one contributor in December was Recordati SpA (EUR +6.6%). Detractors over the month included Ares Management Corp (USD -19.7%), KKR & Co Inc (USD -14.4%), Blackstone Group LP (USD -11.6%) and Onex Corp (CAD -9.8%).

Over the full calendar year, the largest contributors to Fund performance were Ares Capital Corp (USD +8.8%), JPEL Private Equity (USD +5.3%) and Recordati SpA (EUR +0% over period held), while the largest detractors were Brait (ZAR -28.0%), Wendel (EUR -25.9%) and Onex Corp (CAD -19.0%).

LPE buyout funds (38% of portfolio) average headline discounts to NAV widened from 14% to 21% over the fourth quarter (albeit there has been some recovery in January). Listed buyout funds will naturally be impacted by movements in broader equity markets, however, they are positioned much more conservatively than in 2007. The generally cautious and slower pace of capital deployment has resulted in PE portfolios today being much more diversified in terms of vintage, and more mature compared to the pre-GFC period.



As the chart above shows, back in 2007 most LPE portfolios were comprised of newly acquired and highly levered businesses. The more mature portfolios of today have roughly half the leverage used to finance new buyouts. The chart below presents the leverage in the portfolio companies of the Fund's buyout investments, which is materially less than the debt in newly completed buyouts.



Source: New LBOs: S&P Leveraged Buyout Quarterly Review.

PE Backed Companies include: ADT Inc, Advanced Drainage Systems, Cardno, Gentrack Group, PQ Corporation, Recordati SpA, TI Fluid Systems

Leverage on LPE fund balance sheets is also significantly lower. LPE managers have spent the past decade reducing balance sheet debt, reducing overcommitments, and/or refinancing remaining debt on improved terms.

Despite a number of headwinds starting to bite (most notably rising raw material costs and tight labour markets), performance of underlying portfolio companies has been broadly robust to date. There has been a deceleration of earnings growth over 2018 and the recent volatility has opened attractive entry points in high quality, well managed LPEs.

The Fund's exposure to alternative asset managers (AAMs) (27% of the portfolio) performed relatively well in 2018, despite gains generated in the first nine months of the year being largely erased in the fourth quarter. Secular demand for private investments has been the driver behind record fundraising for leading listed AAMs. The balance of power has also shifted to top performing managers, who experience little fee pressure, and in many instances are earning higher fees due to less discounting. Double digit management fee growth, strong unrealized gains and a favourable exit environment provided a strong backdrop for share price returns. On the technical side, the conversion from a partnership structure to a corporation by Ares Management and KKR also highlighted value in the sector.

A decline in public markets has little direct impact on near term management fee earnings. Management fees are typically charged on committed capital or residual cost. The greater effect of market volatility is on:

1. Valuations of existing investments, which impacts unrealised performance fee earnings.
2. The pace and valuation of exits, which impacts realised performance fee earnings.

Given the stickiness, recurring nature, and foreseeable growth in management fee revenues, drawdowns in AAM share prices of over 30% in the fourth quarter appear overdone. We noted in September's commentary that pre-GFC private equity funds (2005-2007 vintage) of the listed AAMs delivered ~2x net return. Market volatility should give rise to attractive opportunities for capital deployment. We continue to believe in the durability of their strong business fundamentals and maintain a positive long-term outlook.

The Fund has a 17% exposure to Private Debt comprising investments in four Business Development Companies (BDCs), which lend to private equity-backed middle market businesses.

The BDC sector returned -3.5% for the 12 months to 31 December 2018, measured as an average of the returns of the 42 BDCs in our universe. The sector's comparative outperformance to financial stocks and broader equity markets was driven by a combination of positive regulatory change and solid credit performance.

At a time when the debt markets are heated and all the market factors point to being in the later stages of a credit cycle, our key focus has been to select our managers carefully, investing alongside those BDC managers that have strong long-term track records. We also seek to take advantage of mispriced risks. The loan market was not immune to broader market volatility in the fourth quarter, and the sector traded down to close out the year at an average valuation of 0.80x price to book value, offering attractive entry points for a number of funds.

Recently we've seen credit spreads stabilise and rising LIBOR rates (+100bps over 12 months) meaning more attractive deal terms and a tailwind for portfolio yields. We expect credit markets to become less issuer friendly and increasingly lender friendly in 2019.

At year end, the Fund had investments in 8 private equity backed listed companies (16% of the portfolio). The strategy seeks to co-invest in the shares of listed private equity-backed companies. The strategy offers a unique way to access private equity and it will continue to grow.

Following feedback from clients we have changed the equity index referenced in our report this month. We believe the new equity index presented (MSCI All Country World Small Cap Index) is a better reflection of the Fund's investment exposure in terms of market capitalisation and geography, when compared to the previously used MSCI World Index.

Underlying Investment Exposures on a Look-Through Basis

Investment Classification		Vintage Year		Geographic Exposure	
Buyouts/ Growth Capital	38%	Pre-2013	23%	North America	62%
Alternative Asset Manager	27%	2013	2%	Europe	27%
Private Debt	17%	2014	12%	Other	11%
PE Backed	16%	2015	13%	Total	100%
Liquidity	2%	2016	17%		
Total	100%	2017	18%		
		2018	15%		
		Total	100%		

5 Largest Holdings by Weight

Company	Type
Onex Corp	Buyouts/ Growth Capital
KKR & Co Inc	Alternative Asset Manager
Blackstone Group LP	Alternative Asset Manager
JPEL Private Equity Ltd	Buyouts/ Growth Capital
Wendel SA	Buyouts/ Growth Capital

Key Information

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.

Trustee & Manager	Barwon Investment Partners
Applications & Withdrawals	Daily
Unit Prices	Daily
Minimum Investment	\$50,000
Buy-Sell Spread	0.40%
Distributions	Semi-annual
Management Fee	0.65%
Performance Fee	15% in excess of 12% hurdle
Bloomberg Fund Code	BAGLLPE AU Equity

Barwon also manages the Pareturn Barwon Listed Private Equity Fund, a Luxembourg-domiciled UCITS Fund and the Barwon Global Listed Private Debt Fund, an Australian-domiciled unit trust.



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