

# BMO Private Equity Trust PLC



(as at 30 September 2020)

November 2020

## Manager Commentary Hamish Mair



As at 30 September 2020, the net assets of the Company were £287.4m, giving a Net Asset Value (NAV) per share of 388.68p. Taking into account the dividend of 3.99p paid on 31 July the NAV total return for the quarter is +2.1%, and -2.7% for the nine months to 30 September 2020. At 30 September 2020 the Company had net debt of £67.9m and outstanding undrawn commitments of £133m including £14m to funds where the investment period has expired.

As is typical this valuation is largely based off 30 June valuations adjusted for cashflows, so this is arguably the first valuation in which the impact of the COVID-19 pandemic is reflected in all the underlying valuations. The Company has a well-diversified portfolio, which is not overly exposed to any one company or sector. At this stage, it appears that the portfolio as a whole is proving encouragingly resilient to the crisis.

No new commitments were made to funds or co-investments during the quarter, as we continue to pursue a cautious approach to new investments until the full impact of, and path to recovery from, the pandemic is clearer.

During the quarter we re-financed one of our co-investments Accuvein, producer of vein visualisation devices. In July we contributed £1.3m to a £10m round. There were also a number of drawdowns across the portfolio for new investments and add-on investments. In the UK, Kester Capital drew £1.5m to fund investments in Vixio (previously Compliance Online) and YouGarden (gardening ecommerce). Inflexion Supplemental Fund V drew £0.4m to support Marstons (traffic penalty enforcement and debt collection). In Europe, DBAG Fund VII drew £1.0m for further investment into Cartonplast (supply chain services for the food and beverage industry) and Blikk (radiology services). Montefiore V drew £0.3m for an investment in Groupe Open, a listed French IT services company that it has taken private and Verdane Edda drew £0.5m for a new investment in Evondos, the Nordic market leader in automated medicine dispensing primarily for elderly patients. In the US, Archimed II drew £0.5m for an investment in ActiGraph, a company that provides sensors and software for sleep monitoring for use in both

academic and clinical studies and Graycliff drew £0.5m from Funds III and IV for investment in Gerard Daniel Worldwide a manufacturer and distributor of wire mesh and other wire products.

During the quarter a total of £7.8m was invested (£1.5m into co-investments and £6.3m into funds). This is down from a total of £11.7m in Q1 and £9.9m in Q2, with the funds element being £8.8m and £8.4m in Q1 and Q2 respectively.

The total realisations during the quarter were £6.1m, which is down from what we would expect in a normal quarter, but a recovery from the £4.8m received in Q2 (during Q1 the Company received £9.7m from realisations largely agreed prior to the onset of the pandemic).

The largest distribution at £4.1m was the receipt of final proceeds from the sale of our co-investment in Recover Nordic to EQT bringing the total return for the Company to 3.6x cost and 23% IRR. Other material realisations include £0.6m received from Accession Mezzanine following the sale of Bulgarian telecoms company Vivacom. In the UK, consumer specialist Piper also achieved a strong exit, with the sale of natural dog food brand Forthglade to IK Investment Partners for an excellent 4.8x cost and 37% IRR, resulting in a distribution of £0.5m from Piper Private

Continued overleaf

## Key facts

**Trust aims:** The objective is to achieve long-term capital growth through investment in private equity assets.

**Trust highlights:** Anticipated superior returns relative to the quoted markets. Access to a well diversified portfolio. Manager's understanding and access to 'up and coming' funds.

**Fund type:** Investment Trust

**Launch date:** 2001

**Total assets:** £361 million

**Share price:** 270.50p

**NAV - per IFRS:** 388.68p

**Discount/Premium(-/+):** -30.41%<sup>2</sup>

**Dividend payment dates<sup>#</sup>:** Jan, Apr, Jul and Oct

**Net dividend yield<sup>1</sup>:** 5.9%

**Net gearing/Net cash<sup>2</sup>:** 19.1%

**Management fee rate<sup>\*\*</sup>:** 0.9%

**Ongoing charges<sup>\*\*</sup>:** 1.2%

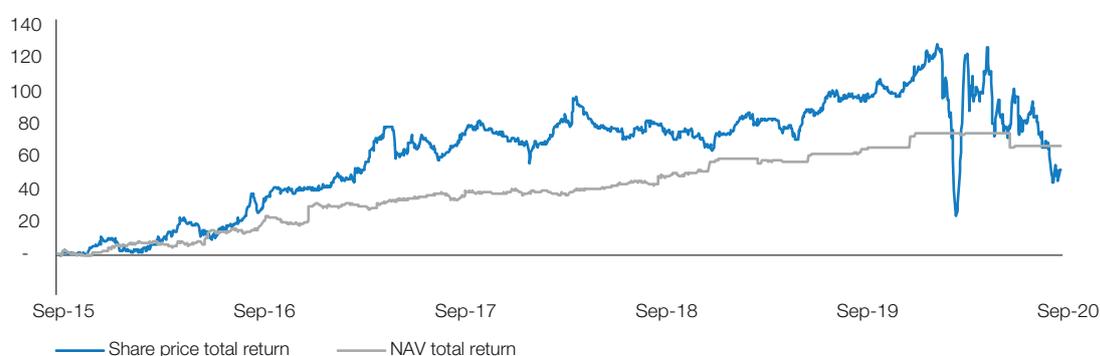
**Year end:** 31 December

**Sector:** Private Equity

**Currency:** Sterling

**Website:** [bmoprivateequitytrust.com](http://bmoprivateequitytrust.com)

## 5 year Fund performance



## Cumulative performance (%) as at 30.09.20

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	N/A	-2.7	3.4	22.1	58.7
Share price	-8.0	-25.7	-21.8	-9.9	48.9

## Standardised annual performance (%) Year to 30 September

	2020	2019	2018	2017	2016
NAV	3.4	10.1	7.2	15.1	12.9
Share price	-21.8	8.6	6.2	32.5	24.7

## Key risks

Stock market movements may cause the value of investments and the income from them to fall as well as rise and investors may not get back the amount originally invested. Changes in rates of exchange may have an adverse effect on the value, price or income of investments. Smaller companies carry a higher degree of risk and their value can be more sensitive to market movement; their shares may be less liquid and performance may be more volatile. The fund may invest in private equity funds which are not normally available to individual investors, exposing the fund to the performance, liquidity and valuation issues of these funds. Such funds typically have high minimum investment levels and may restrict or suspend redemptions or repayment to investors. The asset value of these shares and its prospects may be more difficult to assess. If markets fall, financial leverage can magnify the negative impact on performance.

## Past performance is not a guide to future performance.

Source: Datastream and BMO. Basis: Percentage growth, total return, bid to bid price with net income reinvested in sterling. Basis in accordance with the regulations of the Financial Conduct Authority.

Continued from previous page

Equity V. Finally, in the US, Camden sold debt management software company Katabat for 1.1x cost, returning £0.4m to the Company.

The portfolio was up by £10.1m (2.9%) before the impact of foreign exchange. During the quarter Sterling strengthened particularly against the US dollar (+4.4%), as a result there was a negative impact of 0.8% of portfolio value, taking the overall movement to +2.2%.

Uplifts came from across the portfolio, driven by a combination of recovery from previous pandemic induced lows and company specific circumstances. The largest uplift of £3.1m was in Ambio, the active pharmaceutical ingredients company. Dotmatics, provider of informatics software to research laboratories, continues to trade strongly, with little impact from COVID-19, resulting in an uplift of £2.7m to 2.1x cost. STAXS, the value added distributor of consumables for pharma and cleanrooms, continues to experience exceptional growth driven by COVID-19 induced demand for personal protective equipment, and has been written up by £2.4m to 2.5x cost, with the potential to return c.£3m (the cost of our investment) via a refinancing of the business over coming months. San Siro (Italian funeral homes) is also uplifted by £1.2m to 2.0x cost, reflecting increased profitability following the integration of two acquisitions. Funds that have been written-up include Inflexion 2010 Fund that has been written-up by £0.9m largely due to strong trading in British Engineering Services (testing, inspection and certification), which has been written up to 12.7x cost. Procuritas Capital V (+£0.9m), Procuritas IV (+£0.8m), Avallon MBO Fund III (+£0.6m), Vaaka Partners Buyout Fund II (+£0.6m) and Horizon Capital III (+£0.6m).

There were also write-downs within the portfolio, due to the adverse effects of the pandemic. The largest of these were in our oil and gas co-investments Ashtead, Coretrax and TWMA, which were down £2.4m, £1.9m and £0.7m respectively due to the lower levels of activity in the oil and gas sector. Logistics company Walkers Transport has seen a reduction in palletised freight volumes and although there has been an encouraging recovery in volumes in Q3, year to date trading is down c.30% on the prior year, so the valuation is down by £1.1m. Collingwood Insurance Group also faces a difficult market and has experienced a significant reduction in its taxi business, resulting in a write-down of £1.0m. Finally, within the co-investment portfolio, restaurant chain Rosa Mexicano has been written down a further £0.4m as a result of restaurant closures and reduced capacity. Funds that were hard hit by the pandemic include NEM III (-£1.0m) due to high exposure to travel, Italian Portfolio (-£0.8m) and Astorg VI (-£0.4m).

The Company has seen an increase in net debt of £5.2m over the quarter, due to continued investment by funds, some re-financings, a fall in realisations and the payment of a £3.0m dividend. Our current projections continue to show that the Company should stay well within its covenants and borrowing facility.

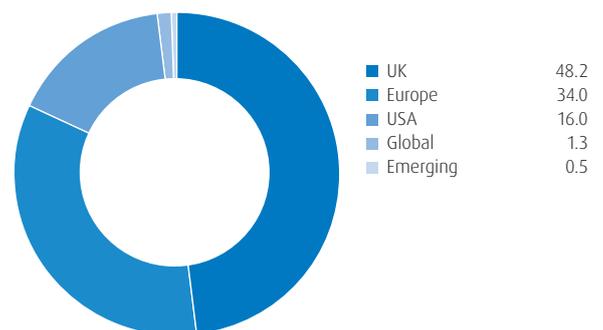
As we write Pfizer has released positive interim results from stage III clinical trials of its messenger RNA based COVID-19 vaccine, causing a surge in global stock markets and driving the MSCI All-Country World Index to a new all-time high. While there is encouraging progress in the development of vaccines and therapies to combat COVID-19 we believe that it is likely that the pandemic

will continue to negatively impact economies around the world for some time. The full implications of the crisis on economic growth and individual businesses are still to be seen – for example, the number of company insolvencies in England and Wales has decreased by c.40% in Q3 2020 vs the same period in the prior year as a result of generous government support. Unfortunately, when this support is withdrawn (as it surely must be at some point) we fear that this trend will reverse rapidly. The US election result has been well received by markets and should provide a more stable political backdrop for businesses. The terms of the UK's exit from the EU however remain to be agreed. We therefore believe that while the outlook is generally positive, huge challenges and uncertainties remain, and there will likely be bumps in the road to recovery. The Company's portfolio has so far proven encouragingly resilient, and requirements for re-financings have been smaller than anticipated. We therefore remain very confident that the Company is well placed to come through the crisis, and to continue to build long-term value for its shareholders.

Trust codes	
Stock Exchange Code	Sedol
BPET	3073827

Top 10 holdings (%) <sup>∞</sup>	
Sigma	4.5
Ambio Holdings	3.8
Inflexion Strategic Partners	3.5
Ashtead	3.4
TWMA	3.1
Dotmatics	3.0
STAXS	2.8
Volpi Capital I	2.8
August Equity Partners IV	2.5
Pet Network	2.5
	31.7

#### Geographical breakdown (%) as at 31.12.19



All data as at 30.09.20 unless otherwise stated.

All information is sourced from BMO, unless otherwise stated. All percentages are based on gross assets unless otherwise stated. \* The Company pays quarterly dividends in January, April, July and October. †The yield is calculated by annualising dividends declared for the Company's current financial year. ‡The Company was launched in March 1999 and the current ordinary shares were created as a share class (continuation shares) in 2001. §Calculated using share price and net asset value at the period ended 30 September 2020. ¶Borrowings less cash/total assets less current liabilities (excluding borrowings and cash). \*\* Please refer to the latest annual report as to how the fee is structured. \*\*\*Ongoing charges as at 31 December 2019. Please refer to the latest Annual Report as to how the figure is calculated. ∞ As a percentage of net assets at the period ended 30 September 2020. The share price may either be below (at a discount) or above (at a premium) the NAV. Discounts and premiums vary continuously. Performance information excludes any product charges which can be found in the Key Investor Document ("KID") for the relevant product. Views and opinions have been arrived at by BMO Global Asset Management and should not be considered to be a recommendation or solicitation to buy or sell any funds that may be mentioned. The factsheet is issued and approved by BMO, a trading name of BMO Asset Management Limited. Authorised and regulated in the UK by the Financial Conduct Authority. Registered office: Exchange House, Primrose Street, London EC2A 2NY. Registered in England & Wales No 517895. (11/20)