BMO Private Equity Trust PLC

(as at 31 December 2018) CELEBRATING 20 YEARS - 1999 to 2019

April 2019

Manager Commentary
Hamish Mair

The Net Assets of the Company at 31 December are £285.6m giving a NAV per share of 386.29p. This represents a NAV total return over the quarter of 5.8% and gives a NAV total return for 2018 as a whole of 12.4%. This is a strong quarter making a very respectable annual performance. The net debt at 31 December was £5.5m giving gearing of just under 2%. Outstanding undrawn commitments at the year end were £131m with approximately £16m of these to funds where the investment period has expired. A final dividend of 3.65p will be paid on 30 April 2019 to shareholders on the register at 5 April 2019.

One new fund commitment was made in the quarter with €6m committed to Corpfin V, the latest fund from this leading Iberia mid-market investor. In addition, through a purchase in the secondary market arising from pre-emption rights, we have acquired an additional commitment of €5.35m to Italian fund Progressio II.

Two new co-investments were added during the quarter. $3.75m (£3.0m) was invested in the MVM led investment AccuVein, the fast growing company which has developed a revolutionary device for vein visualisation using near infra-red technology to highlight veins and arteries.

£3.6m was invested in Coretrax, a Buckthorn led oil services company based in Aberdeen. Coretrax is a leading player internationally in wellbore clean up, plug and abandonment products.

After the quarter end there has been an additional fund commitment, SEK 40m (£3.5m) to Nordic buyout fund with a sustainability focus, Summa II. There are two further co-investments either made or pending. €5.7m has been invested in Milan based funeral services provider San Siro. This investment is led by Italian buyout house Augens. The plan involves sector consolidation in a highly fragmented market. Lastly, we have invested £2.125m in Unmanned Aerial Vehicle (UAV) company Cyberhawk. This deal is led by Magnesium.

There have been many new investments by the funds in our portfolio. Taking the co-investments and these together gives a total for new investments this quarter of £20.2m. The total of new investments for the year is £71.8m. Some of the larger new investments are summarised below.

In the UK there was a significant add-on to our Inflexion led co-investment in North Wales based builders' merchant chain Huws Gray of £1.5m from the co-investment and from Inflexion Partnership Capital Fund I. This was our contribution to the £100m acquisition of Ridgeons, a leading East Anglia based chain of builders' merchants with 40 branches. This gives some useful additional exposure to the repair, maintenance and improvement (RMI) market. Inflexion have been active with £1.1m combined drawn from Inflexion Enterprise Fund IV and Inflexion Partnership Capital Fund I. Their Enterprise Fund IV made two new investments. PMC Treasury is a provider of treasury and risk management services. LifeCare Group is a specialist travel vaccination business focused on the UK and Danish markets. Inflexion Partnership Capital have made an additional investment in outdoor clothing chain Mountain Warehouse. They have also made new investments in niche motor insurer Granite and in UKFast, a Manchester based business critical IT cloud hosting infrastructure provider.

August Equity IV has called £0.7m for a top-up investment in funerals business Fosters and for a new investment in the Dermatology Partnership, a merger of three clinics. SEP V have called £0.4m for Totally Money, a holding from the earlier SEP III fund which has moved its business model from a credit card comparison site to a free credit card report, used for lead generation for consumer financial services companies. TDR Capital have made a follow-on investment in the longstanding modular buildings company Algeco Scotsman. Our share of this was £0.4m.

There have been several new investments in Europe this quarter. In France, Astorg VI called £1.1m mainly for IGM Resins, a company specialising in resins which are cured by exposure to ultra violet. In Hungary, ARX CEE IV invested £0.5m for us in TMX, a company which repairs mobile phones and provides

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[1]: 2001

Total assets: £317 million

Share price: 317.00p

NAV – per IFRS: 386.29p

Discount/Premium(-/+): -17.9%

Dividend payment dates[#]: Jan, Apr, Jul and Oct

Net dividend yield[†]: 4.5%

Net gearing/Net cash[*]: 1.9%

Management fee rate[**]: 0.9%

Ongoing charges[***]: 1.3%

Year end: 31 December

Sector: Private Equity

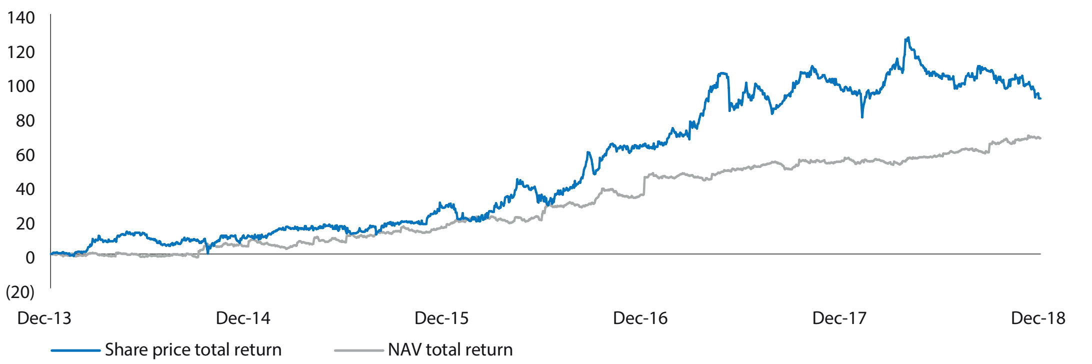
Currency: Sterling

Website: bmoprivateequitytrust.com

***Ongoing charges calculated in accordance with AIC recommendations. Please refer to the latest annual report as to how the fee is structured.

What Investment Best Alternative Investment Trust 2016

5 year Fund performance



Cumulative performance (%) as at 31.12.18

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	N/A	12.4	12.4	46.2	73.5
Share price	-3.6	-2.6	-2.6	48.6	90.6

Standardised annual performance (%) as at 31.12.18

	2018	2017	2016	2015	2014
NAV	12.4	5.6	23.1	10.6	7.3
Share price	-2.6	19.3	27.8	16.4	10.2

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.

BMO

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installation and logistics services to OEMs. In Germany, Chequers Capital XVII have added to one of their holdings with the addition of Senior Living to its care home operator business Emvia Living. Our share is £0.4m. In the Netherlands, Bencis V called £0.7m mainly for fitness chain Fit for Free which has been combined with SportCity.

In the US, Blue Point Capital IV has added £0.4m to its platform aerospace castings business Precision Products Corp. Graycliff III has called £0.4m for industrial electric motors company WWE.

The quarter has seen a continuation of the healthy flow of realisations with £19.9m of realisations and £1.4m of income coming in. This brings the total of realisations and income for 2018 to £82.7m which is 27% greater than in 2017 and represents a new record for the Company. In short, the Company has a well balanced and dynamic portfolio where the investment theses of our investment partners is regularly validated through exits.

The main exits this quarter cover a wide variety of geographies and sectors.

In the UK, RJD Partners III exited tatoo consumables company Barber of Sheffield returning £2.5m (4.2x, 92% IRR). Inflexion realised media and exhibitions company Closer Still through a sale to Providence Private Equity. Across the three funds in which it was held (2010, 2012 and Partnership Capital) a combined £1.4m was returned (2.8x, 27% IRR). August Equity III returned £0.7m from the sale of Vet Partners to BC Partners (4.8x, 131% IRR) and private schools group Minerva to a private syndicate (1.8x, 12.8% IRR). Equity Harvest Fund, the Dunedin managed fund exited longstanding holding CET (drainage repair and testing) returning £1.1m.

In Continental Europe, Argan Capital sold GCE, the Sweden based medical and industrial gases company yielding £2.3m (1.7x, 5% IRR). Chequers Capital XVI exited three holdings yielding a combined £1.1m; German intensive care provider Deutsche Fachpflege Group (DFG) (2.0x, 14%) - through a sale to Advent, Rollon (conveyer belt components) (6.4x, 47%), and Cordenka (Rayon for tyres) (2.0x).

In the US, Graycliff III has achieved an excellent exit of Impakt Holdings, a provider of design, engineering and agile manufacturing solutions which has been sold to strategic buyer Celestica. £2.3m has been returned (7.2x, 138% IRR).

There have been two substantial realisations which fall under the category of secondary deal. TDR Capital have sold their holding in pub company Stonegate to a new vehicle under their management with funding from Landmark Partners. Both the holdings through TDR Capital II and its Annex fund were sold with combined proceeds of £2.3m, with the returns for each fund of 2.0x and 14% IRR and 2.5x and 18% respectively. In Spain N+1 Fund II has been brought to an effective conclusion by the sale of its three remaining assets to one of the fund investors Partners Group. The deal was struck at a premium to NAV of 5.2%. This yielded £2.2m which was considered an acceptable outcome. As the private equity market and its associated secondary market grows it is likely that, on occasion, it will make sense for us to exit 'rump' positions.

There have been a large number of valuation changes this quarter. Most, but not all, of the changes are positive. The larger or more notable ones are as follows.

Our remaining holding in Active Pharmaceutical Ingredient company Ambio is up by £1.7m. Subsequent to the acquisition by Carlyle Asia of 75% of MVM's holding, Carlyle have invested a further $20m into the company at the same price as the deal but have attributed value to the earn-out component which we had not included in our valuation. This has the effect of uplifting MVM's valuation, which we are following. Huws Gray, the co-investment in the enlarged builders' merchant chain, noted above, has performed well fundamentally. This results in an uplift of £1.4m. The Inflexion stable of funds as a whole have performed strongly with various exits and good trading. Taking all our Inflexion fund holdings together the uplift this quarter is £2.7m. Our look through holding via an FPE LP in Eventbrite shares, which we received as part of the consideration for Ticketscript is up by £2m following Eventbrite's listing in September 2018. RJD Partners III is up by £1.3m reflecting the sale of Barber noted above. Graycliff III is up by £1.1m due to Impakt and progress with other holdings. Oil Services company Ashstead is uplifted by £1.0m as profits recover and its merger with Forum Subsea Services beds in. Canada based software company Tier1 CRM is growing well and is up by £1.0m. Recover Nordic is making good progress and is up by £1.0m. Volpi refinanced one of its holdings and this has allowed an uplift of £1.1m. There were several other uplifts for funds and co-investments.

The largest individual negative was Weird Fish which has been reduced by £1.7m to reflect weak trading. Primary Capital III is down by £0.5m mainly because of the write-down to nil of card and stationary retailer Paperchase which is also facing a challenging retail environment. In Europe Capvis IV is down by £0.4m due to weaker trading at process machinery company ProXES. There were a number of other smaller downgrades.

The Company is in good shape financially. Net Debt at 31 December was only £5.5m. Our £70m banking facility from RBS expires at the end of June. We will be working to conclude this fresh agreement over the next couple of months. We have routinely borrowed the term loan element of the facility in euros to provide a partial hedge against our considerable exposure to the euro and this has proved helpful in dampening, but not eliminating, the impact on our NAV of currency. We take the view that currency risks come along with investing internationally.

The final quarter has delivered a very respectable outcome for the year. The performance is broadly based and the benefits of having a well-diversified international portfolio are well demonstrated by the heterogeneity of the portfolio. Many of the companies are operating in specific niches and these often show growth which is primarily a function of the adoption of a product or service. Despite some obvious headwinds in Europe and the UK, the companies in the underlying portfolio seem able to make good progress. The rise in the price of private equity deals internationally is well documented but based on the deals done by our investment partners, it is clearly possible to find attractively priced companies in the lower mid-market across a range of sectors and geographies. There are multiple threats to economic growth as we enter the second quarter of 2019, but the deliberative investment processes that distinguish private equity allows each of these factors to be considered and built into the investment thesis of each investment. From here we expect to make further progress for shareholders in 2019.

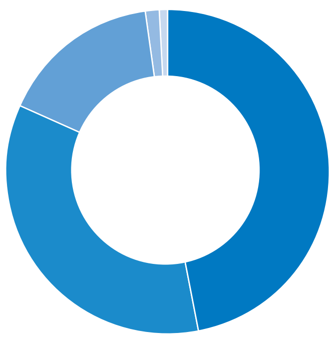
Trust codes

Stock Exchange Code	Sedol
BPET	3073827

Top 10 holdings (%) ∞

Avalon	3.1%
Stirling Square Capital Partners II	2.7%
Ashtead	2.7%
Ambio Holdings	2.5%
TWMA	2.5%
Huws Gray	2.4%
Volpi Capital I	2.1%
Corpfin Capital Fund IV	2.1%
Sigma	2.1%
Collingwood Insurance Group	2.0%
Total	24.2%

Geographical breakdown (%)*



UK	47
Europe	34.9
US	16
Global	1.4
Emerging	0.7

*NB as at 31.12.18

All data as at 31.12.18 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. ¹The Company was launched in March 2019 and the current ordinary shares were created as a share class (continuation shares) in 2001. *Net debt/shareholders' funds. ** Please refer to the latest annual report as to how the fee is structured. ***Ongoing charges are total expenses (both revenue and capital) incurred by the Company (excluding finance costs and any performance fee) divided by the average net assets for the year ended 31 December 2018. Ongoing charges of the Company's underlying investments have not been included in this calculation. ∞ As a percentage of net assets at the year ended 31 December 2018. 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. (04/19)

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