BMO Private Equity Trust PLC

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

BMO

May 2019

Manager Commentary
Hamish Mair

As at 31 March 2019, the net assets of the Company were £281.7 million, giving a Net Asset Value (NAV) per share of 381.01p. When taking into account the dividend of 3.58p per share paid on 31 January, this gives a decrease of 0.4% over the quarter. The portfolio has gained in value modestly, but this gain was completely offset by currency movements, with euro weakness against sterling being the principal factor. At 31 March 2019, the Company had net debt of £11.0 million. Outstanding undrawn commitments were £121.2 million, including £18.0m to funds where the investment period has expired. In line with the Company's policy to pay dividends on a quarterly basis, a dividend of 3.65p per share was paid on 30 April 2019. A further dividend of 3.73p per share will be paid on 31 July 2019 to shareholders on the register on 5 July 2019 and an ex-dividend date of 4 July 2019.

Three new fund commitments and three new co-investments were made during the quarter. After the quarter-end a further two new fund commitments were made. In the UK, £7 million was committed to Kester Capital II, a buy-out fund focusing on the lower mid-market. We are already investors with Kester, an emerging private equity firm, through their first fund and as a co-investor in Jollyes (a pet shop chain) and CETA (a provider of caravan insurance). Meanwhile, €7 million was committed to Silverfleet European Development Fund, a new fund from the well-established firm Silverfleet, which will focus on lower mid-market buy-outs in the size range of enterprise value between €25 million and €75 million across Europe. These are deals which are somewhat below the size bracket usually targeted by Silverfleet; a dedicated team has been created within Silverfleet to implement this extension to their strategy. Elsewhere, 40 million in Swedish krona (£3.5 million) has been committed to Summa II, a Nordic-focused buyout fund focusing on companies where there is a sustainability angle. This follows our current investment in Summa's original fund. After the quarter-end, two commitments were made to Inflexion Supplemental Fund V (£2.7 million) and Inflexion Enterprise Fund V (£6.0 million), updating and adding to this longstanding successful relationship.

The new co-investments are diverse by sector and geography. The portfolio invested £2.9 million in San Siro, a funeral services company based in Milan in Northern Italy. The investment is led by Augens, an Italy focused mid-market private equity firm. The investment thesis is centred around expanding from the two initial funeral homes in Milan to establish a small chain in Northern Italy. Unlike in the US, UK or France, the funeral services market in Italy is highly fragmented and Augens believes that there is scope to build San Siro into a clear market leader. Meanwhile, €3.5 million has been invested in STAXS, a Netherlands-based supplier of cleanroom consumable products, selling principally to the pharmaceutical sector. The investment is led by the lower mid-market team at Silverfleet, noted above. This company gives exposure to a growing niche market with high barriers to entry and significant scope for internationalisation. Lastly, closer to home for us, £2.1 million has been invested in Unmanned Aerial Vehicle (UAV) company, Cyberhawk. Based in Livingston, near Edinburgh, Cyberhawk has pioneered the use of UAVs to inspect critical energy infrastructure and has a blue-chip customer base in the oil and gas, wind power and utilities sectors. Not only does this allow safer and more efficient inspections of pylons, wind turbines and oil rigs, Cyberhawk also delivers inspection results via its proprietary cloud-based asset management software. The component of the portfolio in co-investments is now 42.3%.

In the funds element of the portfolio, a number of diverse new investments were made during the quarter. In the Benelux region, Bencis called £0.7 million for investment in two companies: Bons & Evers (metal forging) and Medsen &

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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: £312 million

Share price: 340.00p

NAV – per IFRS: 381.01p

Discount/Premium(-/+): -10.8%

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

Net dividend yield[†]: 4.4%

Net gearing/Net cash[*]: 3.8%

Management fee rate[**]: 0.9%

Ongoing charges[***]: 1.3%

Year end: 31 December

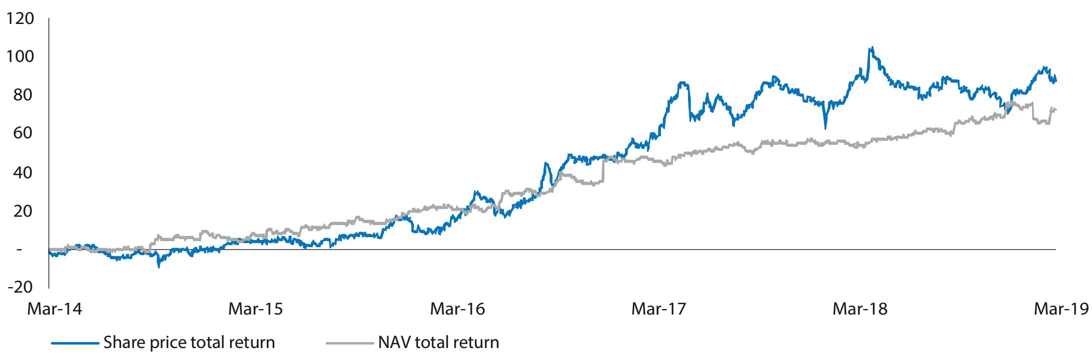
Sector: Private Equity

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.

5 year Fund performance



Cumulative performance (%) as at 31.03.19

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	N/A	-0.4	13.3	42.1	73.9
Share price	-2.9	8.4	-0.4	59.6	87.2

Standardised annual performance (%) as at 31.03.19

	2019	2018	2017	2016	2015
NAV	13.3	4.3	20.2	14.1	7.3
Share price	-0.4	17.2	36.7	12.0	4.7

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.

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Ceban (pharmacy chain and pill compounding). August Equity IV called £1.0 million for Charterhouse Voice and Data (voice and data communications, hosting and cyber security). In Germany, DBAG VII called £0.7 million for investment in KEF (steel and textile cutting machines for making tyres). Apiary Capital called £0.4 million for a platform investment for a children's nursery chain in Scotland and North West England. These co-investments and all the drawdowns for the funds together totalled £15.5 million in new investments for the quarter.

The largest realisation in the quarter was the exit of August Equity II's holding in UK based cyber security company, SecureData. The company was sold after six and half years to French telecoms company Orange SA. This excellent realisation returned £4.0 million with an investment multiple of 7.2 times and an internal rate of return (IRR) of 35%. Argan Capital has continued to sell its holding in Swedish health care company Humana, which is listed on the Stockholm Stock Exchange. During the quarter, two tranches were sold returning £1.8 million. So far the investment has yielded five times the original investment. Hutton Collins exited its longstanding investment in restaurant chain Wagamama through the sale to UK listed Restaurant Group. This yielded £0.9 million (2.6 times; IRR of 17%). Hutton Collins also exited its holding in both funds I and II in Healthcare at Home through a sale to private equity group Fram. This returned £0.6 million, representing 0.9 times cost. Corpfin IV sold Spanish perfume and cosmetics retail chain Arenal to listed Portuguese company Sonae Group. This yielded £0.8 million, which represents 1.8 times, with the potential to improve, through earn-outs and escrows, to 2.4x and an IRR of 32%. Herkules III has exited Stamina Group AS (Hjelp 24), a leading occupational health service provider in the Nordic region through a sale to Norvestor. This investment had not achieved its potential and the £0.7 million received represented a return of cost. TDR Capital Fund II, which now only holds companies comprising the modular buildings group Algeco Scotsman, continued its realisation process. During the quarter, the US remote accommodation section was spun out into a NASDAQ listed vehicle and the fund returned £1.3 million. Lastly, from the Italian portfolio of secondary positions, £0.7 million was received from the sale by ILP III of Clouditalia, the fibre optic telecoms network. There were a number of other realisations over the quarter, with total realisations and associated income coming to £12.8 million.

The largest positive influence over the quarter was the uplift of specialist software company Dotmatics by £1.9 million. This SEP-led investment is making good progress against the original plan. In the US, electrical components company Sigma is growing well both organically and through bolt-on acquisitions; this is uplifted by £1.7 million. August Equity IV was up by £1.1 million, mainly reflecting the exit of SecureData noted above. US fund Graycliff continues to do well, with an uplift of £0.7 million. The Italian portfolio is up by £0.4 million, mainly reflecting good progress for furniture company Georgetti. Swiss-based adhesive company Schaetti is recovering and is up by £0.6 million. On the negative side, cement company Calucem is slightly behind plan and is down by £0.5 million. Astorg IV is down by £0.3 million, reflecting a bumpy start to liver diagnostics equipment company Echosens. Warburg Pincus VIII, which has several listed shares that have been under pressure, is down by £0.3 million. Our residual holding in Eventbrite, which was received through the exit of Ticketscript, was realised during April once the lock-up period expired. Share-price weakness since the year-end resulted in a valuation reduction of £2.1m.

As noted above, adverse currency movements meant that the progress of the underlying portfolio was offset this quarter. The Company will shortly replace its current borrowing facility with a fresh, larger and somewhat cheaper facility. This will run for five years and provide the Company with plenty of headroom for handling any mismatch of drawdowns and realisations or for securing the acquisition of assets.

At this stage of the year, it appears that the levels of activity within the portfolio are very similar to the same point during 2018. There remains a very active market for private equity exits, with many of our partners noting record amounts of 'incoming' interest in their portfolio companies. On the other side of the equation, finding attractive deals is, as always, competitive, with acquirers having to demonstrate a genuine 'edge' when winning over vendors and management teams. This is usually far more than the mere provision of attractively priced capital. Private equity investment harnesses strategic, and sometimes operational, expertise to capital, improving the chance of a target company's success being sustained. Ideally the better the investor's understanding of a company or sector, the more value they can add and the less they will be required to pay to invest. Private equity firms who take this approach can usually find good deals, even when markets are competitive. Much fresh capital has been raised for private equity in recent years, but the increase is not out of line with overall growth in deal value. Nor is it surprising, given that private equity investment is growing in popularity with institutional and retail investors alike. Yet at present, this represents only a low single-figure percentage of all equity investment. There are clearly some 'headwinds' for investment, ranging from the UK/EU Brexit impasse to trade tensions between the US and China; however, these factors are incorporated by private equity investors into their long-term investment plans. They certainly do not deter our investment partners from their value-creation activities, nor should they discourage investors looking to participate in the output from their efforts by gaining exposure to our well-diversified portfolio. At this early stage in the year, we expect further growth for shareholders.

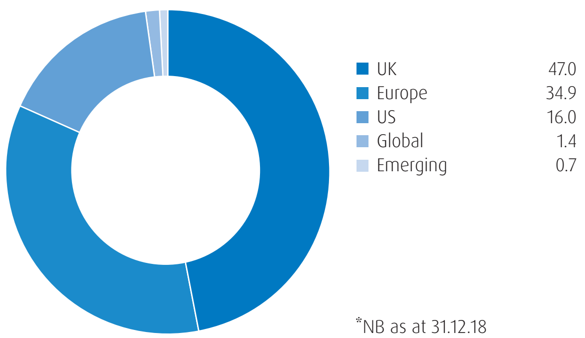
Trust codes

Stock Exchange Code	Sedol
BPET	3073827

Top 10 holdings (%) ∞

Avalon	3.3
TWMA	2.9
Ashtead	2.8
Stirling Square Capital Partners II	2.7
Sigma	2.7
Ambio Holdings	2.6
Huws Gray	2.5
Volpi Capital I	2.1
Collingwood Insurance Group	2.1
Dotmatics	2.1
Total	25.8

Geographical breakdown (%)*



*NB as at 31.12.18

All data as at 31.03.19 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 1999 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 period ended 31 March 2019. 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. (05/19)

0800 136420 **info@bmogam.com** **www.bmogam.com**