

# BMO Private Equity Trust PLC

(as at 30 June 2019) CELEBRATING 20 YEARS - 1999 to 2019



August 2019

Manager Commentary  
Hamish Mair



At the 30 June 2019 the net assets of the company were £286.9m, giving a NAV per share of 388.05p. Taking into account the quarterly dividend of 3.65p, paid on 30 April, the NAV total return for the quarter was 2.8%. This gives a NAV total return for the first half of the year of 2.4%. Since the quarter end there has been a further quarterly dividend of 3.73p paid on 31 July. The net debt of the company at 30 June was £18.5m giving gearing of 6%. Outstanding undrawn commitments were £111.9m, including £16.4m to funds where the investment period has expired. Sterling has been weak against all the major currencies over the period and exchange movements have contributed 1.9% to the NAV movement this quarter.

The only new investments during the quarter were the previously reported investments in Inflexion Enterprise

Fund V (£2.7m) and Inflexion Supplemental Fund V (£6.0m). These are the latest in a series of investments with this UK based leading mid-market buyout group.

The funds in the portfolio have been active with a wide range of new investments being established. Total drawdowns in the quarter were £12.6m bringing the total for the first half to £28.0m. As is typical, the new investments cover a diverse range of industrial sectors and geographies. Some of the more notable ones illustrate this mix.

In the UK £2.4m was drawn by deal leaders Buckthorn for a follow-on investment in oil services company Coretrax. This was for the acquisition of US company Mohawk, which designs, manufactures and operates a range of downhole tools which are complementary to Coretrax's suite of well bore clean-up and plug and abandonment products. August Equity IV called £0.8m for veterinary imaging business Hallmarq. SEP V called £0.6m for Immedis, a cloud based payroll and employment tax software provider. Our co-investment in Apposite Capital led care provider Swanton made two follow-on acquisitions and an additional £0.5m was called for these. RJD III called £0.7m, of which

£0.6m was for a new investment in Survey Solutions, a land and buildings survey company. The balance was for a refinancing of training company Babington. We also contributed £0.4m to the refinancing of our co-investment in Babington.

In Continental Europe Silverfleet European Development Fund invested £0.6m in Netherlands based cleanroom consumables company STAXS. This complements our £3.0m co-investment made in STAXS at the end of last quarter. In France Montefiore IV invested £0.4m in MCS Groupe, a credit management services company.

The US component of the portfolio has seen some new deals. Graycliff III called £0.9m for Sweeteners Plus, a New York State based manufacturer and distributor of liquid and dry sweeteners which are sold into restaurants and the beverage, bakery, confectionary and pharmaceutical sectors. Bluepoint Capital IV called £0.3m for W.A. Kendall, a Georgia based company providing vegetation management services to utilities, specifically to ensure the safety of powerlines. They also called £0.4m for TAS Environmental Services, a Texas based company involved in specialised environmental and industrial cleaning and waste transportation.

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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:** 2001

**Total assets:** £315 million

**Share price:** 353.00p

**NAV - per IFRS:** 388.05p

**Discount/Premium(-/+):** - 9.0%<sup>2</sup>

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

**Net dividend yield<sup>†</sup>:** 4.3%

**Net gearing/Net cash<sup>\*</sup>:** 6.4%

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

**Ongoing charges<sup>\*\*\*</sup>:** 1.3%

**Year end:** 31 December

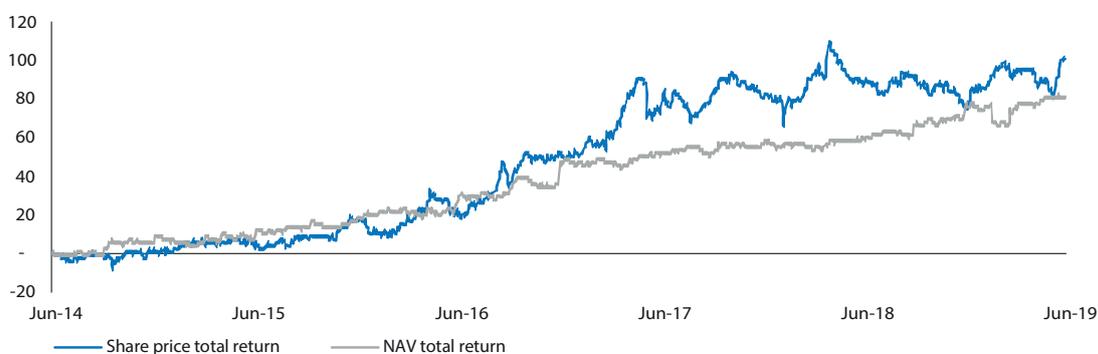
**Sector:** Private Equity

**Currency:** Sterling

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

<sup>\*\*\*</sup>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 30.06.19

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	N/A	2.4	13.2	39.6	79.9
Share price	9.3	13.7	7.0	66.1	98.6

## Standardised annual performance (%) as at 30.06.19

	2019	2018	2017	2016	2015
NAV	13.2	4.8	17.7	16.5	10.6
Share price	7.0	4.5	48.5	16.4	2.7

## 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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This was a fairly active quarter for exits with a total of £12.6m distributed, including £1.5m of income. This brings the total of realisations and income for the first half to £25.4m.

The largest distribution came from the sale of shares in Eventbrite, which we had received as consideration for our holding in cloud enabled ticketing software company Ticketscript. Eventbrite was listed in New York in September 2018. After a strong debut the shares fell back and once the lock up had expired FPE, the deal leaders, were able to exit at \$19.4, some way below the peak of \$40. The net proceeds to us were £3.1m, which meant that the final return for the total holding was 2.0x cost and an IRR of 17%. Collingwood, the Gibraltar based niche motor insurer, returned £1.9m through repayment of loan notes along with interest and dividends. This was a result of a debt refinancing of the company and this repays 80% of the cost of the investment. Healthpoint Capital distributed £0.8m following the sale of Orthospace, an Israel based company with disruptive technology for the treatment of rotator cuff injuries. The initial consideration may be doubled if certain performance milestones are met and this could result in a return of 3.7x cost and an IRR of 43%. The Italian fund NEM Impresse distributed £0.8m following the sale of plastic packaging for household, personal care and cosmetics company Taplast. This represented 2.8x cost and an IRR of over 100% since our acquisition in January 2018. Portobello Capital III exited Iberconsa, the Spanish hake, shrimp and squid fishing business through the sale to Platinum Equity. Our proceeds were £0.7m representing 3.6x cost and 50% IRR. In France Ciclad 5 had two good exits. £0.6m came in from the sale of Slat&Infodis, a secure power supplies company (2.4x

cost, 24% IRR). A further £0.6m came from the sale of Val'Eco & Nord Coffrage, specialists in rental equipment for the building industry (2.6x, 31% IRR).

The valuation movements this quarter were quite broadly spread. The largest uplift, of £2.9m was from medical device company AccuVein, which is seeing strong revenue growth on the back of a new product launch. Our co-investment in US based electrical motors company Sigma was up by £1.1m reflecting growth in revenues and EBITDA of 15% for the year ended March 2019. Specialist care provider Swanton was up by £0.5m reflecting good progress with the roll-out and in trading. Chequers Capital XV was up by £0.4m due to the last remaining holding Thermocoax (temperature measurement systems) being sold after the quarter end to Spirax-Sarco plc.

There were some negative movements. Ambio was adjusted down by £1.3m due to a weakening of sales momentum. Weird Fish is down by £0.7m due to continuing trading difficulties in a weak market. Pinebridge New Europe Fund II, which has been a poor performer, was down by £0.6m on the back of weak trading in some of its key remaining holdings and an underwhelming exit of car battery recycler Orzel Bialy. In the US, Camden Partners IV was down by £0.6m mainly due to a number of adverse portfolio movements driven by weaker trading. Lastly, our holding in Environmental Technologies Fund was down by £0.5m due to the administration of their longstanding holding in metals refiner, Metalysis.

On 19 June the Company entered into new five year unsecured facility agreement with The Royal Bank of Scotland International Limited (RBSI) comprising a

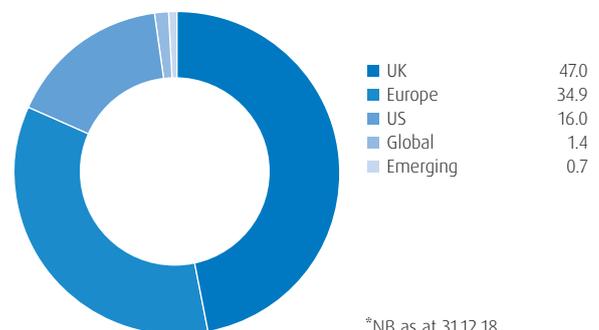
€25m term loan and a £75m multi-currency revolving credit facility. At present, the term loan is fully drawn (€25m, £23.2m) with another £4m of the revolver drawn. This leaves £71m of the revolving credit facility potentially available, subject to compliance with the various covenants. The margin on the new facility is better than the last one. This leaves the Company well placed to fund any gap between drawdown and realisations as well as funding the cash element of an acquisition.

The economic and political background has deteriorated over the last few months with a resolution to the Brexit impasse appearing no nearer and the threat of 'no deal', or something close to it, rising in probability. Both the UK economy and the German economy appear to be at real risk of dipping into recession and similar trends are seen elsewhere in Europe. Notwithstanding these challenges there is a very healthy amount of activity within the private equity market internationally. Our portfolio has recorded a slightly lower amount of exit activity in the first half of the year compared with last year, which was a record year, with total proceeds to date around 15% down. There has been exit activity in every section of the portfolio and the mature element of the portfolio is expected to continue to yield a healthy flow of realisations in the second half of the year. There are some companies in the portfolio facing challenges, but the general picture is one of good progress and the broadly based rise in valuations underlines this. Our dealflow in both funds and co-investments is strong and we expect to add a number of new investments over the remainder of the year. Our assessment is that there is excellent scope for further growth in shareholder value between now and the year end.

Trust codes	
Stock Exchange Code	Sedol
BPET	3073827

Top 10 holdings (%) ∞	
Avalon	3.2
Sigma	3.1
Ashtead	2.9
TWMA	2.8
Stirling Square Capital Partners II	2.8
Huws Gray	2.5
Volpi Capital I	2.2
Ambio	2.2
Corpfm Capital Fund IV	2.1
Recover Nordic	2.1
Total	25.9

#### Geographical breakdown (%)\*



\*NB as at 31.12.18

All data as at 30.06.19 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. ‡The Company was launched in March 1999 and the current ordinary shares were created as a share class (continuation shares) in 2001. ²Calculated using share price and net asset value at the period ended 30 June 2019. \*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 30 June 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. (08/19)