

BMO Private Equity Trust PLC

(as at 31 December 2020)



April 2021

Manager Commentary
Hamish Mair



As at 31 December 2020, the net assets of the Company were £359.5m, giving a Net Asset Value (NAV) per share of 486.17p. The NAV total return for the year is 22.7%. The NAV total return for the fourth quarter was 26.1%. At year end the Company had net debt of £62.8m and outstanding undrawn commitments of £125.1m, including £21.2m to funds where the investment period had expired.

There were only two new investments made during 2020, both of them pre-pandemic. €6m was committed to Avallon Buy-out Fund III, the second fund we have backed from this leading Polish mid-market investor. €5m was committed to Montefiore V, a France based mid-market firm specialising in companies in the services sector whom we have also backed before. Given the considerable uncertainty which pertained throughout most of the year we have deliberately held back from making new commitments to funds or co-investments until very recently.

After the year end a commitment of €5m was made to Agilitas 2020 Fund. This is the second time we have backed this dynamic European mid-market specialist in a buyout fund. We have also successfully co-invested with them twice. Our connection with the principals goes back two decades. Further modest new commitments to funds and co-investments are expected this year.

A further £6.7m was called for new investment in the final quarter. This brings the total for new investment in 2020 to £36.1m. During the final quarter the largest individual new investment was £0.8m called by Finnish fund Vaaka III for AINS Group, one of the largest construction and engineering consultants in Finland. UK growth equity specialist FPE called £0.7m for two new investments; MaxContact (call centre software) and Togetherall (online mental health services). Lower mid-market fund Apiary called £0.5m for additional investment in two of its holdings which have faced challenges. Roar B2B organises trade exhibitions and TAG (The Appointments Group) organises travel for the global live music and entertainment touring industry. Bencis V called £0.4m, the majority of which was for Pe-Pe Parts (scooter and moped parts in the Netherlands). Life sciences specialist Archimed called a combined £0.6m for Zytomax (cancer diagnostics) and Polyplus (transfective reagents for

the gene therapy). Inflexion Buyout Fund V invested £0.5m in Aspen (pumps for air conditioning) and Orcorian (trust administration). Inflexion Partnership Capital II called £0.3m of additional capital for Marston (judicial services). August Equity IV called £0.6m for follow-ons for Fosters (funeral directors), CODE (compliance software for dentists), Esland (high acuity residential care) and Amtivo (ISO compliance services). August Equity V invested £0.3m in Air IT (cloud-based IT managed services for UK SMEs). MVM V invested £0.3m in Paragon 28 (products for foot and ankle surgery).

The final quarter saw an uptick in realisations, with distributions and associated income coming in at £16.8m. The total of realisations for the year was £37.6m. In the final quarter the largest individual realisation of £5.8m was of our co-investment in Schaetti (Swiss based specialist chemicals company) where Zurmont Madison are the deal leader. The exit to strategic buyer Arkema achieved 3.7x and an IRR of 20%. Procuritas VI, the Nordic fund, exited Temporary Space Nordics (provides temporary accommodation for schools, offices and health centres) in a sale to Algeco Scotsman, distributing £1.7m which represented 2.3x cost and an IRR of 73%. Finnish fund Vaaka II distributed £1.5m following the sale of Kokitaku (provider of facilities maintenance services for residential housing

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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 date¹: **2001**

Total assets: **£435 million**

Share price: **307.50p**

NAV – per IFRS: **486.17p**

Discount/Premium(-/+): **-36.75%²**

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

Net dividend yield[†]: **5.2%**

Net gearing/Net cash*: **14.9%**

Management fee rate** : **0.9%**

Ongoing charges*** : **1.3%**

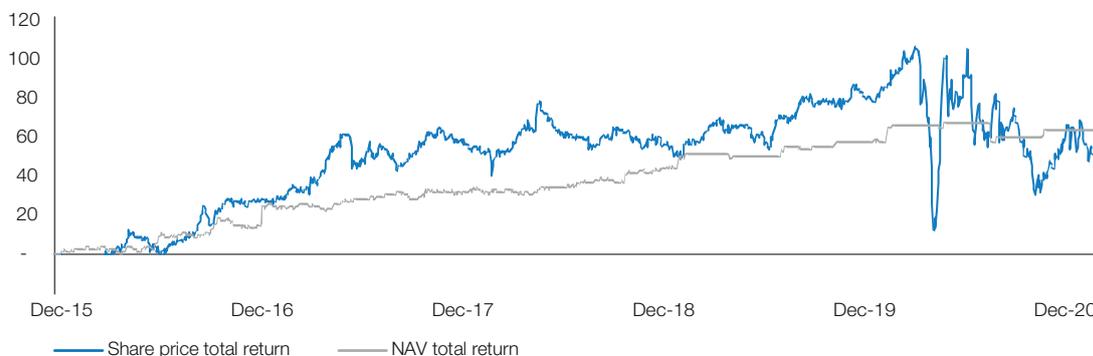
Year end: **31 December**

Sector: **Private Equity**

Currency: **Sterling**

Website: **bmoprivateequitytrust.com**

5 year Fund performance



Cumulative performance (%) as at 31.12.20

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	N/A	22.7	22.7	52.6	98.2
Share price	2.5	-14.2	-14.2	3.3	57.4

Standardised annual performance (%) Year to 31 December

	2020	2019	2018	2017	2016
NAV	22.7	10.6	12.4	5.6	23.0
Share price	-14.2	23.6	-2.6	19.2	27.8

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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companies) to PHM Group, who are backed by Nordic private equity house Norvestor, achieving 7.3x cost and an IRR of 46%. Agilitas 2015 Fund distributed £1.1m from the sale of Exemplar Healthcare (provider of acute care for patients with complex physical and mental health needs within private nursing homes in the UK). In France, Astorg VI exited Surfaces Group (manufacturer of abrasive tools), through a sale to US PE house TA Associates, returning £0.8m (2.7x cost and an IRR of 40%). Horizon Capital 2013 Fund sold field services software company Totalmobile to Bowmark returning £0.7m, 4.6x cost, and an IRR of 38%. Argan Capital made a distribution of £0.7m following the sale of the last of its shares in listed healthcare company Humana AB. In the US Bluepoint III sold AWP Group (largest traffic control service provider in the US), returning £0.6m, 2.7x cost and an IRR of 20%.

There were many uplifts during the quarter which were offset only partially by a handful of downgrades. The largest individual uplift was for our holding in the SEP led software company Dotmatics which is up by £28.2m, reflecting the agreed sale price. This company which provides software to the scientific research and pharmaceutical sector has come through the pandemic successfully and it is involved in a sector where there is strong investor appetite. Accordingly, the lead manager SEP initiated a sales process towards the end of 2020 and this resulted in an agreed sale to US company Insightful Science. The exit, which is expected to complete within the next few weeks, will achieve a money multiple of 8.7x cost and an IRR of 83%.

Casual clothing company Weird Fish is up by £5.6m reflecting a revaluation to just above cost, following re-

orientating its business very substantially towards its e-commerce offering. Aberdeen based energy services company Coretrax has been uplifted by £4.6m due to an increase in multiple and a positive run rate and outlook. Aliante III is up by £3.5m reflecting the performance of its holdings which are consumer staple oriented. Inflexion Strategic Partners is up by £3.4m reflecting good progress since our investment at the end of 2019. Agilitas 2015 is up by £2.1m due to robust trading of its portfolio companies. Italian funeral homes company San Siro is up by £1.9m as a result of strong trading and successful accretive acquisitions. South Eastern Europe large format pet retailer Pet Network is up by £1.7m having traded well throughout the pandemic. Silverfleet led STAXS (Belgium based cleanroom consumables company) is up by £1.6m reflecting exceptional trading during the pandemic when its cleaning and PPE products have been in high demand.

There have been a smaller number of downgrades. The largest downgrade was £1.3m for drilling waste management solutions company TWMA which has seen a dip in profitability as a result of the timing of major contracts being delayed. Print managed services company DMC Canotec is down by £0.7m having experienced a difficult period with most offices being empty for much of the year. Ambio (active pharmaceutical ingredient company) is down by £0.6m with the valuation at the latest funding round. Vaaka III is down by £0.5m largely due to Framery (office pods company) facing huge challenges. DBAG VII is down by £0.4m due to pressure on its holdings.

The Company is well placed financially and has operated comfortably within its banking facilities throughout the

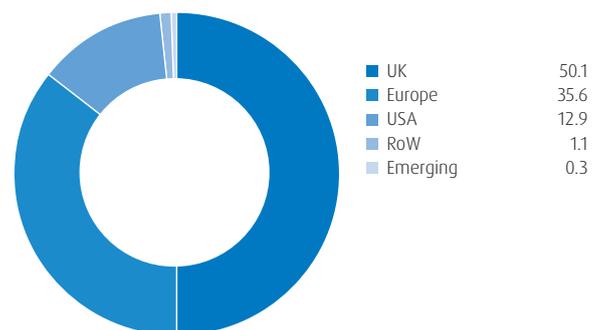
year. However, to ensure that the Company retains a strong capacity for new investment, the Company has worked with its principal lender to increase the size of its revolving credit facility by £20m to £95m.

The Company has entered 2021 with a portfolio that has proved highly resilient during the pandemic even though nearly all of its companies have been challenged acutely. There remains a high level of investor appetite for private equity although the preferences for individual sectors has rotated considerably. The advantages derived from alignment of interest and the ability for investors to intervene constructively have been clearly demonstrated and this underpins support for the asset class. Our investment partners cover a wide range of companies and this ensures a naturally diverse portfolio. This unique period has illustrated the benefits of diversification and this combined with the calibre of our investment partners should sustain the growth of shareholder value into the future.

Trust codes	
Stock Exchange Code	Sedol
BPET	3073827

Top 10 holdings (%) [∞]	
Dotmatics Co-investment	9.6
Sigma	3.7
Inflexion Strategic Partners	3.7
Coretrax	3.2
Ashtead	2.8
Aliante Equity 3	2.7
Ambio	2.7
August Equity Partners IV	2.6
STAXS Co-investment	2.5
Pet Network	2.4
	36.0

Geographical breakdown (%) as at 31.12.20



All data as at 31.12.20 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 31 December 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 2020. Please refer to the latest Annual Report as to how the figure is calculated. ∞ As a percentage of net assets at the period ended 31 December 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. (04/21)