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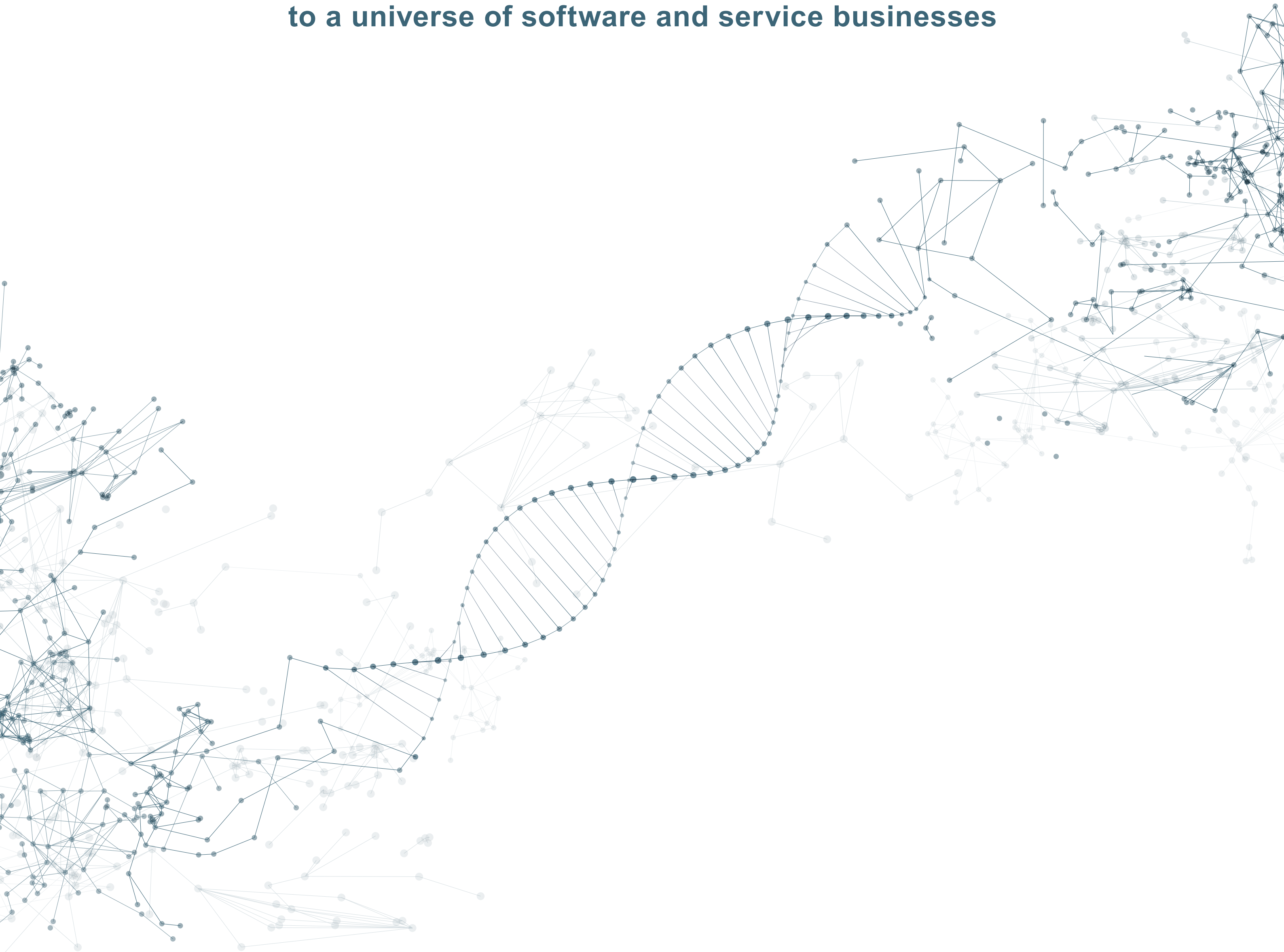


HgCapital Trust plc

Interim report and accounts

30 June 2020

The objective of HgCapital Trust ('HGT') is to provide shareholders with consistent long-term returns in excess of the FTSE All-Share Index by investing predominantly in unquoted companies where value can be created through strategic and operational change.

HGT provides investors with exposure to a fast-growing network of unquoted investments, primarily in software and business services across Europe.

References in this interim report and accounts to HgCapital Trust plc have been abbreviated to 'HgCapital Trust' or 'HGT'. Hg refers to the trading name of Hg Pooled Management Limited and HgCapital LLP. Hg Pooled Management Limited is the 'Manager'.

References in this interim report and accounts to 'total return' refer to a return where it is assumed that an investor has re-invested all historic dividends at the time when they were paid.

References in this interim report and accounts to pounds sterling have been abbreviated to 'sterling'.

Contents

About HgCapital Trust

Hg's review

Financial statements

Further information

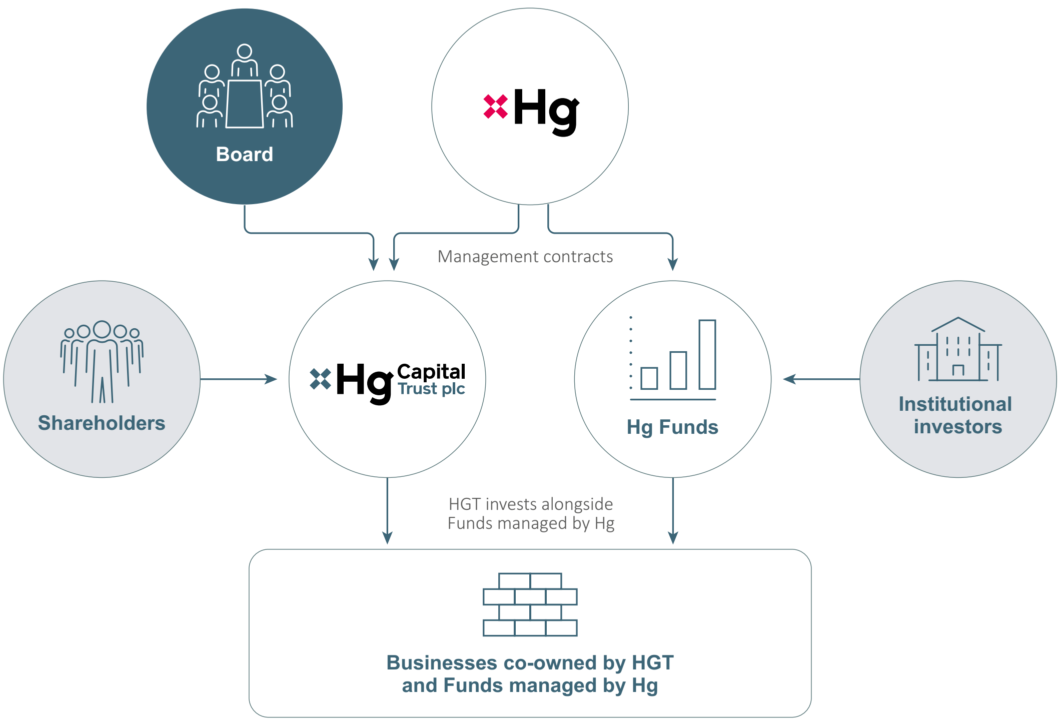
The investment opportunity

HGT provides investors with the **opportunity** to share in the growth in value of a portfolio of more than 30 investments brought together by Hg. Value is created by an investment strategy focused on software and business services companies with highly recurring revenues and from leveraging the network and expertise of Hg to support management teams to deliver the full potential of their respective businesses.

By applying this philosophy to software and business services, Hg has delivered consistently strong growth in sales and EBITDA, with high levels of conversion of profits into cash. The **top 20** businesses, representing **88%** by value of HGT's investments, reported aggregate **sales of £4.5 billion** and EBITDA of £1.4 billion over the last 12 months, with **EBITDA margins of 32%**.

Hg brings to HGT an experienced team of more than **200 employees**, including **120 investment and portfolio management professionals**, supported by a **network of portfolio partners**, all of them seasoned senior managers from across industry, who work with the management teams of the companies in which we are invested to create value for shareholders. At the centre of this network, Hg builds and shares knowledge and expertise by facilitating the active collaboration of management teams across clusters and geographies.

HGT's funds are invested pro rata alongside those of Hg's large institutional clients. This enables shareholders to invest, on similar terms, with some of the world's most sophisticated institutions in businesses which would otherwise be inaccessible. This allows HGT to achieve diversification across markets and geographies and gain exposure to businesses at different stages of their development and size – from an enterprise value of **£75 million** to over **£5 billion**.



Financial highlights

Annualised share price total return over the last 10 and 20 years: **+14%**

Six-month performance:

NAV per share

at 30 June 2020 was 268.5p
a total return for the period of:

+6.6%

(30 June 2019: +13.9%)
Please refer to note 11(b) on page 77 for further detail on the calculation of NAV per share

Market capitalisation

The market capitalisation of HGT at 30 June 2020 was:

£0.96bn

(31 December 2019: £1.05bn)

Share price

at 30 June 2020 was 235.5p
a total return for the period of:

-7.3%

(30 June 2019: +22.5%)

Net assets

The total NAV of HGT at 30 June 2020 was:

£1.10bn

(31 December 2019: £1.04bn)

Interim dividend

2.0p

(30 June 2019: 1.8p)

Total annualised ongoing charges

1.8%

for the period to 30 June 2020:
(31 December 2019: 1.6%)
Please refer to page 80 for further detail on the calculation of ongoing charges.

Top 20 investments as at 30 June 2020:

LTM sales growth

+23%

(31 December 2019: +24%)

LTM EBITDA growth

+27%

(31 December 2019: +35%)

EV to EBITDA multiple

20.6x

(31 December 2019: 19.8x)

Net debt to EBITDA ratio

6.1x

(31 December 2019: 6.2x)

These figures are calculated on a value-weighted basis. For further information on the top 20 portfolio trading performance and valuation and net debt analysis, please refer to Hg's review on pages 40–41.

Balance sheet analysis as at 30 June 2020:

Liquid resources (12% of NAV)

£131m

(31 December 2019: £189 million)

HGT has a fully drawn bank facility of £80 million.

Outstanding commitments (85% of NAV)

£935m

(31 December 2019: £336 million)

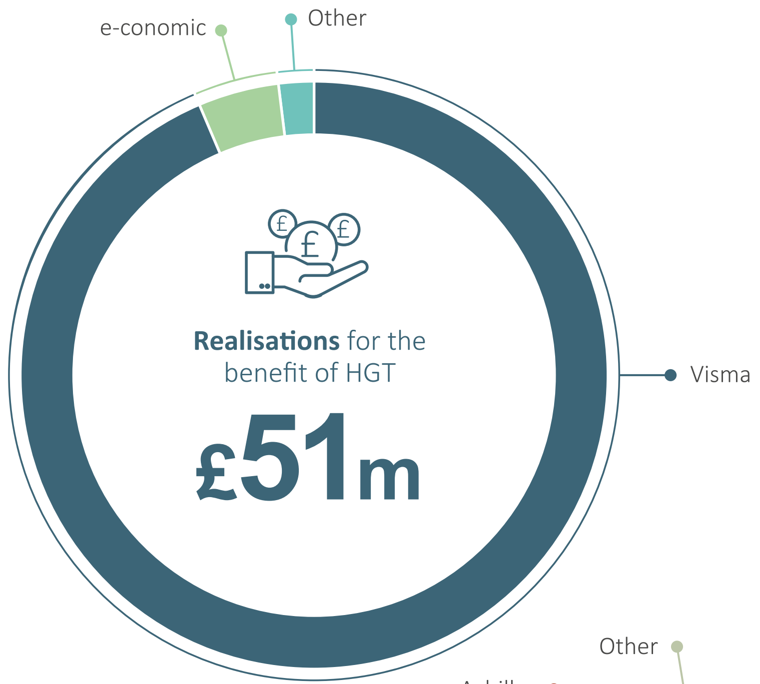
These commitments will be drawn down over the next four to five years (2020–2025) and are likely to be financed partly by cash from future realisations.

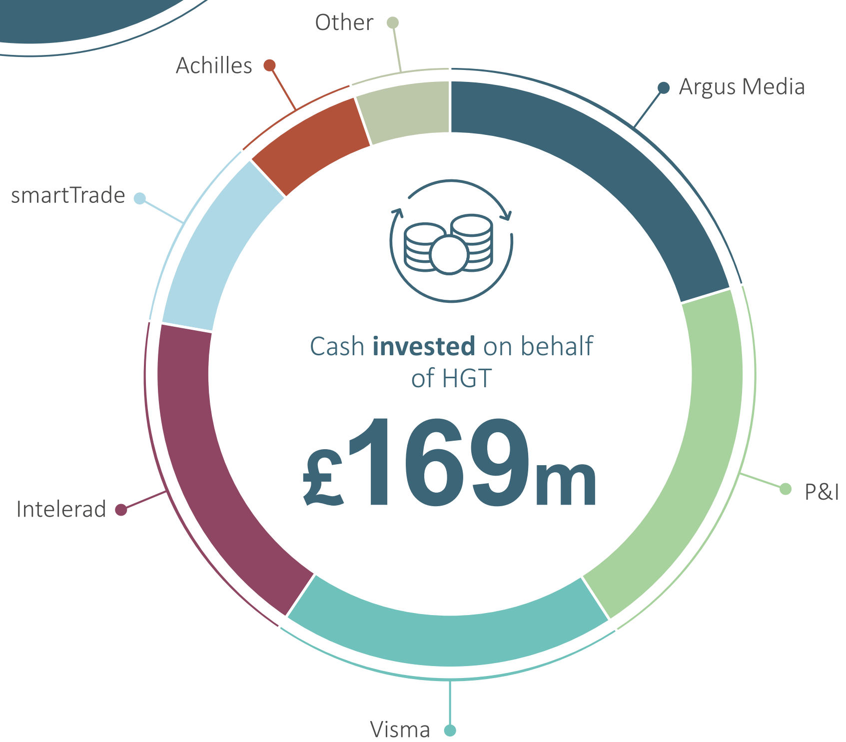
HGT can opt out of a new investment without penalty, should it not have the cash available to invest.

Based on the 30 June 2020 NAV (including all transactions announced since 30 June 2020), HGT's liquid resources available for future deployment are estimated to be £314 million and HGT's outstanding commitments to invest in Hg transactions are reduced to approximately £814 million.

An active pipeline of investment opportunities led to new and follow-on investments, while returning cash to HGT through both realisations and refinancing.

Investment and realisation activity over the period:





HGT has seen significant portfolio activity post 30 June 2020, further information on all investments and realisations are provided on pages 44–47.

7
About HgCapital Trust
Hg's review
Financial statements
Further information

Historical total return performance

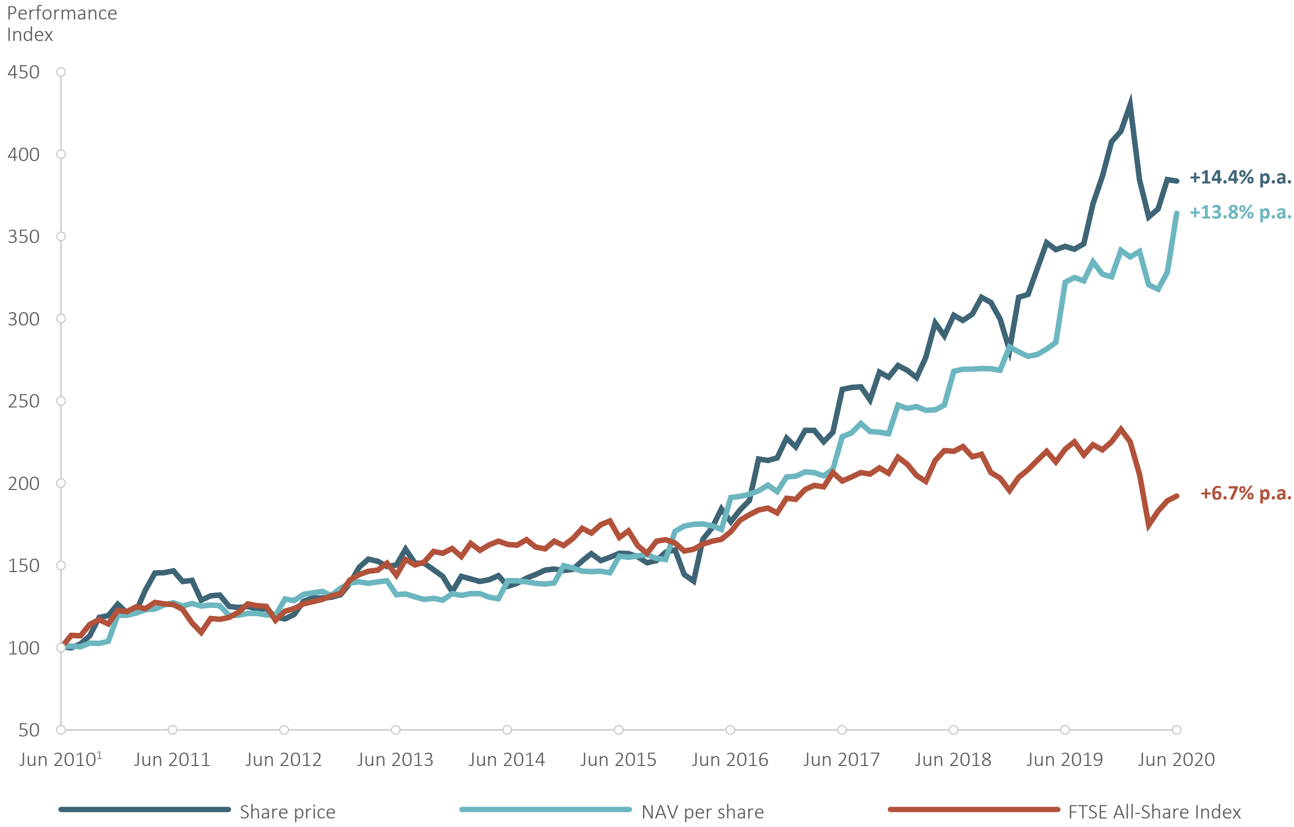
Both HGT's share price and net asset value per share have continued to outperform the FTSE All-Share Index.

	Six months to June 2020 %	One year %	Three years % p.a.	Five years % p.a.	10 years % p.a.	20 years % p.a.
NAV per share*	6.6	13.1	16.9	18.6	13.8	12.5
Share price	(7.3)	11.6	14.3	19.6	14.4	13.8
FTSE All-Share Index	(17.5)	(13.0)	(1.6)	2.9	6.7	4.1
NAV per share performance relative to the FTSE All-Share Index	24.1	26.1	18.5	15.7	7.1	8.4
Share price performance relative to the FTSE All-Share Index	10.2	24.6	15.9	16.7	7.7	9.7

*Please refer to note 11(b) on page 77 for further detail on the calculation of NAV per share.

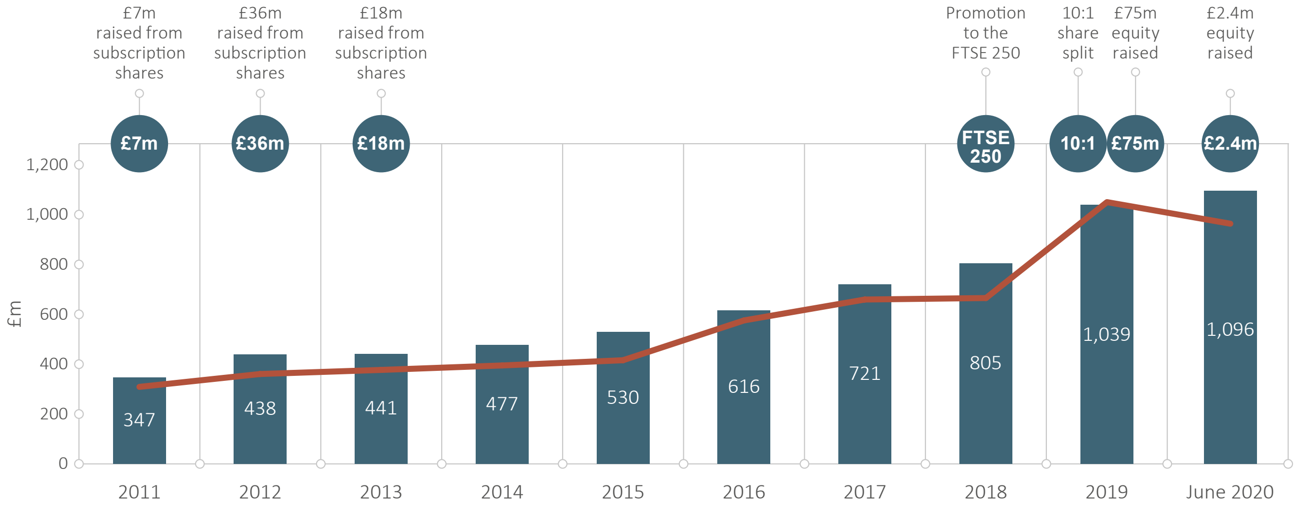
Based on HGT's share price at 30 June 2020 and allowing for all historic dividends being reinvested, **an investment of £1,000 made 20 years ago would now be worth £13,262, a total return of 1,226%**. An equivalent investment in the FTSE All-Share Index would be worth £2,242.

Long-term performance – 10-year share price total return: +14.4% p.a.



[1]Performance record rebased to 100 at 30 June 2010. Source: Factset, Hg

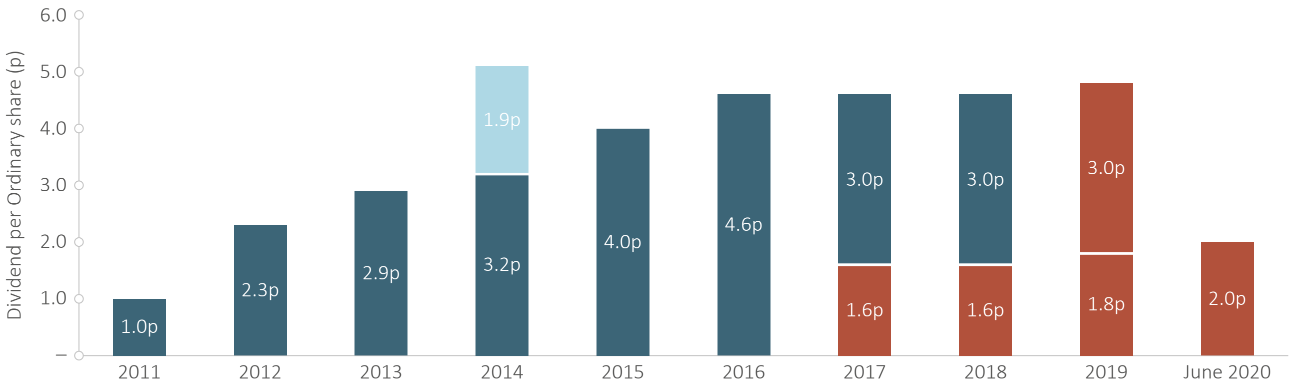
Long term performance record



Source: Hg, Factset

Net assets | Market capitalisation

Ten year dividend record

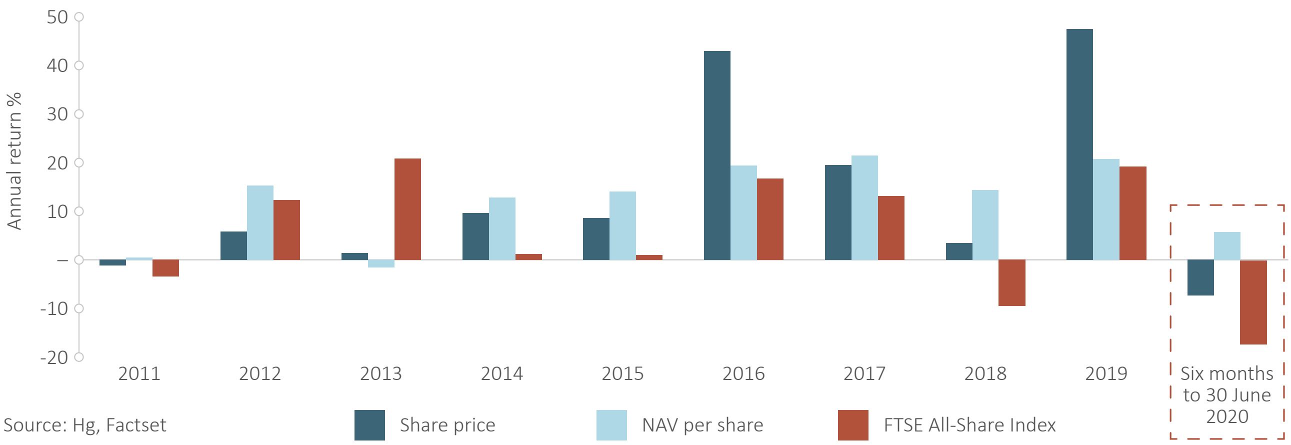


Source: Hg

Final dividend | Special dividend | Interim dividend

Historic dividends restated for the 10:1 share-split completed in May 2019
In 2020, the Board redesignated the 2019 final dividend of 3.0 pence per share as a second interim dividend; this was to ensure that our shareholders received this dividend and that it was paid according to the timetable that we had announced in March.

Discrete annual total return performance against the FTSE All-Share Index



Source: Hg, Factset

Share price | NAV per share | FTSE All-Share Index

> **HGT has delivered a strong performance in the first half of the financial year, despite a very challenging environment. The nature of the businesses in which HGT invests and the operating model of the Manager, Hg, have served HGT well. While the COVID-19 crisis will have a material impact on the economies where our companies trade, the longer-term prospects for HGT remain very sound.**

Jim Strang, *Chairman, HgCapital Trust plc*

I write to you as Chairman for the first time amid the COVID-19 pandemic and while HGT is operating through the most uncertain period in its 31-year history. All of those involved with HGT are acutely aware of the challenges and tragedy which these times have brought, and the Board of HGT's thoughts go out to all shareholders in these very difficult times.

The first six months of 2020 have seen HGT operate through a very volatile and uncertain period, notably in the second quarter of the year. Nevertheless, despite the obvious challenges which COVID-19 has presented, HGT and its underlying investments have proven very resilient, with much positive news to report.

The top 20 companies in the portfolio, representing 88% of NAV as at 30 June 2020, continued to grow through the first six months of the year, reporting sales growth of 17% and EBITDA growth of 27%, versus the previous six-month comparable period in 2019. These trading figures are a testament to the relative strength of these companies and the resilience of their business models. By way of comparison, over the past 12 months to 30 June 2020, the top 20 companies reported sales and EBITDA growth of 23% and 27%, respectively, showing the resilience of trading during the early stages of the pandemic.

Shareholders will undoubtedly be interested to understand the performance of portfolio companies in the second quarter of the financial year, from April through to June, as this reflects the period when many economies entered lockdown. Unsurprisingly, there was a slowdown in M&A activity across the platform investments in the portfolio; however, in aggregate, the portfolio traded very well through this period and in line with its business plans, with only a modest reduction in organic growth.

The strength of HGT has also been reflected in considerable portfolio activity, both within the period under review and, notably, after the reporting date. Hg has been able to deliver several successful exits at a premium to previous valuations, not only delivering strong returns to HGT, but also generating significant cash. Furthermore, as Hg has chosen to reinvest in several of these successful businesses alongside their new investors, HGT will benefit from 'running its winners' for longer.

I am also happy to report that HGT completed its programme of commitments to the latest generation of vehicles raised by Hg in the period, setting the course of investment activity for the next four- to five-year cycle. HGT is also taking significant steps to complete the necessary capital markets work to ensure that the balance sheet is appropriately structured to deliver strong returns to shareholders.

HGT's performance in the first half

In the first half of 2020, HGT delivered a total return in net asset value per share of 6.6%, with the net asset value per share reaching a new all-time high of 269p (allowing for the share-split in 2019 and after the payment of a final dividend of 3.0p).

The FTSE All-Share index recorded a fall of 17.5% over the same period, consequently HGT's NAV per share outperformed the FTSE All-Share by 24% in the period under review.

The share price of HGT also reached a new high in the period under review (adjusting for the share-split) reaching a level of 272p per share in February.

The total net assets of HGT at 30 June reached £1.1 billion, an increase of £60 million over the previously reported figures as at the end of the last financial year on 31 December 2019.

These figures also reflect the dividend payment of £12.3 million in May and proceeds from the tap issuance of shares over the first six months of 2020 of £2.4 million.

Over the period, HGT has seen share price performance (on a total return basis) of -7.3%, outperforming the FTSE All-Share Index by more than 10%.

Portfolio performance

Hg targets investments into several 'clusters' across two specific industry verticals, namely software and business services for which technology is a fundamental enabler of the business model. Over 95% of investments held by HGT now reflect this sector-based approach. The investment model favoured by Hg allows each portfolio company to benefit from being part of a similar network of investments. Furthermore, as Hg increases its knowledge and experience of these verticals, the investment performance improves.

The appreciation in value achieved in the first half of 2020 reflected further strong growth in sales and earnings across the businesses in which HGT is invested. Over the 12 months to 30 June 2020, the top 20 companies, making up 88% of the portfolio by value, reported sales growth of 23% and EBITDA growth of 27%. £110 million of the uplift in the value of the unrealised portfolio (12% in total or 26.9p per share) in the first half of the year has come from this growth in profits.

Gains over carrying value on the realisation of investments contributed £0.2 million (0.4p per share) to growth in NAV and contributed to total proceeds over the period of £51 million for reinvestment. The analysis of NAV movements and attribution analysis (on pages 38–39 of this report) set out a breakdown of movements in the NAV and the underlying investment portfolio.

Investments

Over the first six months of the year, HGT put to work £169 million across new investments, including Argus Media, P&I, Intelerad and smartTrade, as well as follow-on investments. In July and August, several new and further investments have been made, deploying £90 million into companies well known to the Manager. These include Sovos, Visma, Evaluate and F24. For further information about investments, please see pages 44–45.

These recent investments are all squarely in Hg's focus 'clusters', solving workflow problems and serving the needs of similar business customer sets in comparable end markets. Hg targets market-leading businesses within these clusters, and while such assets often command a healthy price on acquisition, the experience and capability which Hg brings help to drive these companies to their full potential. Furthermore, as the end markets these businesses serve are usually highly fragmented, Hg can build further scale through M&A. Such M&A is usually completed at a materially lower price than that paid for the original platform, providing an additional source of value creation.

It is also worth noting that HGT currently holds around 11% of NAV in co-investments; these are free from any fees or carried interest payable to the Manager. HGT will continue to take up co-investment opportunities as they arise and will look to maintain 10–15% of NAV in this strategy across different fund deployment cycles.

Realisations

In the first half of the year, Hg returned £51 million to HGT, primarily through the opportunistic sale of a portion of its co-investment in Visma. This sale enabled a reduction of the concentration level of Visma within the portfolio and provided additional liquidity to HGT.

Post the reporting period, there have been several very significant realisations announced, including further realisations at Visma and a realisation of Sovos, the two largest investments held by HGT. In aggregate, these realisations were completed at material uplifts to the June valuations of the assets and returned over £310 million of gross proceeds to HGT. Specifically, realisations were achieved via the partial exit of Visma in addition to the full exits of Sovos, Citation and Evaluate. We are pleased to note that HGT is reinvesting £82 million in Sovos, Visma and Evaluate.

Given the significant size of these realisations, HGT will be publishing a pro-forma NAV per share in our August fact sheet of 282.2p, an uplift of 5.0% to that published here in these interim accounts. For further information about realisations, please see pages 46–47.

Impact and social responsibility

While shareholders can be reassured by strong returns and by the health of HGT and its underlying investments, there are clearly many others in the wider society for whom current times have proven harrowing and, in some cases, tragic.

In July 2020, our Manager, Hg, launched The Hg Foundation – a new charitable initiative to provide funding and operational support to schemes across the UK, US and Europe – whose goal is to have an impact on the development of those skills most required for employment within the technology industry, focusing on individuals who may otherwise experience barriers to access this education. This foundation is funded by the Hg management company and its team members. For further information about this and the responsible investment focus at Hg, please see pages 32–35 in the Manager's review.

New commitments

In the period since the last report to shareholders, HGT successfully concluded its programme of commitments to the various investment vehicles (limited partnerships) raised by the Manager. Shareholders will be aware of the $400 million commitment which HGT had already made to Hg Saturn 2, the upper-mid-market buyout strategy, reported in March. Additionally, as reported in May, HGT has now committed a further €360 million to Hg Genesis 9 and €115 million to Hg Mercury 3, the mid-market and lower-mid-market strategies.

As a result, as at 30 June 2020, HGT now has total commitments of £935 million to Hg's fund strategies, representing 85% of the NAV. Consequently, HGT remains the single-largest investor in the Hg fund family, representing more than 8% of the c.£9 billion of funds raised by Hg over the first half of the year. This represents a significant increase in commitments when compared with the last commitment cycle.

In keeping with the previous commitments made by HGT to funds managed by Hg, these latest investments benefit from the unique opt-out clause which allows HGT to be excused from any specific investment without penalty, in the unlikely event that there is insufficient liquidity within HGT with which to complete it.

Dividend

The extremely uncertain times in which HGT is currently operating present obvious challenges to investment companies, regarding forming a dividend policy.

As a result of the COVID-19 crisis and the challenges which this has posed for all public companies, HGT chose to declare a second interim dividend of 3.0p at the time of the annual results announcement in May of this year. This gave a full-year total dividend for 2019 of 4.8p (4.6p in 2018). The fact that HGT was able to increase its level of dividend from the previous year further demonstrates the resilience of the underlying portfolio.

As noted in the past, HGT aims to achieve growth in the net asset value per share and in the share price, rather than to achieve a specific level of dividend. Furthermore, the ability of HGT to pay dividends is very much influenced by the capital structures of the transactions entered into by the Manager and on income received on any liquid resources being held subject to investment.

Nevertheless, HGT will continue to provide guidance as to the broad objectives of the dividend policy, despite the challenging circumstances. Subject to no material changes in the operating assumptions which HGT is currently using, the Board expects to be able to deliver modest dividend progression.

As regards the current financial year, assuming no further fundamental shift in the operating environment, HGT plans to be able to deliver a total dividend of 5.0p per share. The Board keeps the dividend policy of HGT under frequent review and will communicate, to shareholders, further guidance on dividend policy when it is practicable to do so.

Capital structure

Shareholders will be aware that, in 2019, HGT refreshed its banking agreement with Lloyds Banking Group. Currently HGT has access to up to £80 million of capital, with a further £80 million ‘accordion’ facility also available, subject to the bank’s discretion. This initial £80 million facility is currently fully drawn, in part to provide some currency hedging for USD-based investments. With the new commitment programme now established, the Board has re-engaged with banks to structure a new enlarged banking agreement of £200 million which is in keeping with the level of these commitments, and with optimising the balance sheet management of HGT. Discussions on these updated banking agreements are at an advanced stage and the reaction of the banking markets to HGT has been very encouraging. We therefore anticipate that new agreements will be completed in the near future.

Governance

This report marks the first in which I write to you having taken over the chair, at the conclusion of the last AGM, from Roger Mountford. On behalf of the Board, I would like to thank Roger for his 16 years’ service to HGT and for the exemplary standards which he brought to all matters concerning HGT’s business and the workings of the Board.

In addition, I am delighted that HGT has been able to recruit Mrs Pilar Junco to join the Board of Directors, which she duly did in July of this year. Pilar brings a wealth of relevant skills and knowledge to HGT from her career at Altamar Capital Partners, where she currently serves as Managing Partner, Chief Strategy and Chief Client Officer, Blackstone, the Boston Consulting Group and JP Morgan. Pilar’s skills are highly complementary to those of the rest of the Board and we look forward to working together for the benefit of HGT.

Prospects

Events over the last six months have been the most disruptive which any of us have seen in generations. The effect on business, and more so on people’s lives and livelihoods, has been without precedent in living memory and this pattern of disruption and uncertainty, sadly, appears set to remain with us for some time to come.

Despite this very challenging backdrop, it is extremely heartening to be able to report such strong performance by HGT and its constituent investments over the period under review.

As my predecessor noted often in his communications with you, the assets which HGT owns are, by their very nature, extremely resilient to external shocks, such as those posed by the current crisis. The kind of mission-critical software supplied by the likes of Visma, Sovos and IRIS not only improves the commercial effectiveness of those businesses which choose to install their products, but, in so doing, the product becomes entwined with their customers’ core operating model.

Implementing the solutions provided by these companies improves the ways in which ‘businesses do business’, something which current times make even more of an imperative than before. Thus, while the current crisis will undoubtedly affect the short-term growth of these businesses, their fundamental long-term prospects remain very robust.

The assets Hg targets for investment have several attractive qualities which, as we have seen, makes them much sought after at the time of exit. This also means that acquiring new businesses which meet the same exacting criteria is a challenging job. Thankfully, through its sector-based model, Hg is organised to be able to identify and acquire attractive assets, despite the challenges which current times bring – and, thus, the pace of new investment is expected to continue.

In closing, HGT has performed well over the first half of 2020. Significant progress has been made, setting the course for the next investment cycle alongside Hg. However, there still remains significant uncertainty in investment markets and in the broader economy as a result of the ongoing COVID-19 pandemic and an elevated level of risk.

The Board is acutely focused on maintaining HGT’s record of delivering attractive returns to investors, despite the prevailing challenges, and on doing so with an even keener focus on the many risks which may impinge on achieving that goal.

Jim Strang
Chairman
11 September 2020

Investment objective and investment policy

The objective of HGT is to provide shareholders with consistent long-term returns in excess of the FTSE All-Share Index by investing predominantly in unquoted companies where value can be created through strategic and operational change.

Investment policy

The policy of HGT is to invest, directly or indirectly, in a portfolio of unlisted companies where Hg believes it can add value through increasing organic growth, generating operational improvements, driving margin expansion, reorganisation or by acquisition to achieve scale. HGT seeks to maximise its opportunities and reduce investment risk by holding a spread of businesses diversified by end-market and geography.

Risk management

HGT has adopted formal policies to control risk arising through excessive leverage or concentration. HGT's maximum exposure to unlisted investments is 100% of the gross assets of HGT from time to time. On investment, no investment in a single business will exceed a maximum of 20% of gross assets. HGT may invest in other listed closed-ended investment funds up to a maximum at the time of investment of 15% of gross assets.

Sectors and markets

As HGT's policy is to invest in businesses in which Hg can play an active role in supporting management, Hg primarily invests in companies whose operations are headquartered or substantially based in Europe. These companies operate in a range of countries, but there is no policy of making allocations to specific countries or markets. Investments are made across a range of sectors where Hg believes that its skills can add value, but there is no policy of making allocations to sectors.

HGT may, from time to time, invest directly in private equity funds managed by Hg where it is more economical and practical so to do.

Leverage

Each underlying investment is usually leveraged but no more than its own cash flow can support, in order to enhance value creation; it is impractical to set a maximum for such gearing across the portfolio as a whole. HGT commits to invest in new opportunities in order to maintain the proportion of gross assets that are invested at any time, but monitors such commitments carefully against projected cash flows.

HGT has the power to borrow and to charge its assets as security. The Articles restrict HGT's ability (without shareholder approval) to borrow, to no more than twice HGT's share capital and reserves, allowing for the deduction of debit balances on any reserves.

Hedging

Part of HGT's portfolio is located outside the UK, predominantly in Northern Europe, and a further part in businesses that operate in US dollars. HGT may therefore hold investments valued in currencies other than sterling. From time to time, HGT may put in place hedging arrangements with the objective of protecting the sterling translation of a valuation in another currency. Derivatives are also used to protect the sterling value of the cost of investment made or proceeds from realising investments in other currencies, between the exchange of contracts and the completion of a transaction.

Commitment Strategy

HGT employs a commitment strategy to ensure that HGT's balance sheet is managed efficiently. The level of commitment is regularly reviewed by the Board and Hg.

Liquid funds

HGT maintains a level of liquidity to ensure, so far as can be forecast, that it can participate in all investments made by Hg throughout the investment-realisation cycle.

At certain points in that cycle, HGT may hold substantial cash awaiting investment. HGT may invest its liquid funds in government or corporate debt securities, or in bank deposits, in each case with an investment grade rating, or in managed liquidity funds that hold investments of a similar quality.

If there is surplus capital and conditions for new investment appear to be unfavourable, the Board will consider returning capital to shareholders, probably through the market purchase of shares.

Any material change to HGT's investment objective and policy will be made only with the approval of shareholders in a general meeting.

Rationale and business model

The Board has a clear view of the rationale for investing in unquoted businesses where there is the potential for accelerating the growth in value through a private equity approach. This informs its decisions on the operation of HGT and the evolution of HGT's Business Model.

Rationale

The Board believes that there is a convincing rationale for directly investing in well-researched private businesses where there is potential for substantial growth in value, especially where there is the ability to work with management to implement strategic or operational improvements.

By taking on the burdens of administration, monitoring and accounting that such investments require, HGT offers a simple and liquid means by which shareholders can achieve an investment in unquoted growth companies, monitored by a Board of independent Directors.

Business model

To achieve HGT's Investment Objective and within the limits set by the Investment Policy, HGT is an investor in unquoted businesses managed, and in most cases controlled, by the Manager. From time to time, HGT may hold listed securities in pursuit of its Investment Policy.

HGT is currently invested in more than 30 companies (as set out on page 50 of this Report), ranging in size, sector and geography, providing diversification.

The Board has delegated the management of HGT's investments to Hg Pooled Management Limited (the 'Manager' or 'Hg'). Further details of the terms of the management agreement are set out on page 80 of this report. The Manager invests predominantly in unquoted software and business service companies in expanding sectors and provides portfolio management support. Hg's review on pages 19–65 of this Report outlines how HGT's investments are managed on behalf of HGT.

Most of HGT's investments are held through special-purpose partnerships, of which it is the sole limited partner.

Periodically, HGT enters into a formal commitment to invest in businesses identified by the Manager, alongside institutional investors who invest in an Hg Limited Partnership Fund. Such commitments are normally drawn down over three to four years. The institutional investors and HGT invest on substantially identical terms.

HGT is usually the largest investor in each business. The Board has a further objective of keeping HGT as fully invested as is practical, while ensuring that it will have the necessary cash available when a new investment arises.

The Board, on the advice of the Manager, makes assumptions about the rate of deployment of funds into new investments and the timing and value of realisations. However, to mitigate the risk of being unable to fund any draw-down under its commitments to invest, the Board has negotiated a right to opt out, without penalty, of its obligation to fund such draw-downs where certain conditions exist.

HGT may also take up a co-investment in some businesses (in addition to the investment it has committed to make).

HGT has no liability to pay fees on such co-investment and no carried interest incentive is payable to the Manager on realisation (currently 11% of HGT's NAV is in co-investments). HGT may also offer to acquire a limited partnership interest in any of Hg's funds, in the event that an institutional investor wishes to realise its partnership interest.

The Board regularly monitors progress in all the businesses in which it is invested, and their valuation; the development of the Manager's investment strategy; the resources and sustainability of the business model.

Investment trust status

As HGT is constituted as an investment trust and its shares are listed on the London Stock Exchange, it can take advantage of tax benefits available to investment trusts. This allows HGT to realise businesses from its portfolio without liability to corporation tax. The Board intends to retain this status so long as it is in shareholders' interest to do so. This will require the Board to declare dividends so that not more than 15% of taxable income is retained each year.

Performance targets

HGT's aim is to achieve returns in excess of the FTSE All-Share Index over the long-term. To this end, the Board monitors the Key Performance Indicators, as set out on pages 5–6 of these Accounts. In the year to 30 June 2020, HGT's NAV per share increased by 6.6% on a total return basis. The FTSE All-Share Index decreased by 17.5% on a total return basis over the period. The year to date total return of HGT's share price was (7.3)%. NAV per share has grown by 13.8% p.a. compound over the last ten years and 12.5% p.a. compound over the last twenty years. The share price has seen broadly similar performance growing by 14.4% p.a. compound over the last ten years and 13.8% p.a. compound over the last twenty years.

All of the above returns assume the reinvestment of all historical dividends. The Board and the Manager aim to continue to achieve consistent, long-term returns in this range.

HGT is not managed so as to reflect short-term movements in any Index. The Board also regularly compares HGT's NAV and share price performance against a basket of broadly comparable companies with similar characteristics, listed on the London Stock Exchange.

Dividends

In 2019, the Board announced that it anticipated that future dividends would be no less than 4.8p per share and that these would be split between an interim distribution made in or around October, and a final distribution made in or around May.

Where possible, the Trust has elected to 'stream' its income from interest-bearing investments as dividends for tax efficiency purposes. More details can be found on page 82.

Going concern

HGT's business activities, together with the factors likely to affect its future development, performance and financial position are described in the Board's Strategic Report and Hg's Review. The financial position of HGT, its cash flows, liquidity and borrowing facilities are described in the Strategic Report.

The Directors have considered the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and believe that HGT is well placed to manage its business risks successfully. The Directors review cash flow projections regularly, including important assumptions as to future realisations and the rate at which funds will be deployed into new investments. The Directors have a reasonable expectation that HGT will have adequate resources to continue in operational existence for at least the next twelve-month period from the date of approval of this Report and be able to meet its outstanding commitments. Accordingly, they continue to adopt the going concern basis in preparing these results.

Principal and emerging risks and uncertainties

During 2019 the Audit and Valuation Committee ('AVC') supported the Board in the creation of a strengthened Risk Management Framework, undertaking a robust assessment of the principal and emerging risks facing HGT.

Managing risk is fundamental to the delivery of HGT's strategy, and this framework provides the rigour to assess and manage these risks, the controls in place to mitigate them, including those that would threaten its business model, future performance, solvency, valuation, liquidity or reputation.

The Board has defined risk appetite statements for each of the risks faced during the course of business. By assessing the impact and likelihood of each risk against HGT's appetite, we ensure that focus is maintained on the risks that require most attention, and that mitigating actions are progressed.

This process involves the maintenance of a risk register, which identifies the risks facing HGT and assesses each risk and classifies the likelihood of the risk and the potential impact of each risk on HGT. The Board has established controls to mitigate against risk faced by HGT. The AVC regularly reviews the policies for managing each risk, as summarised below.

HGT considers its principal risks (as well as underlying risks) in four main categories:

Investment – the risk to HGT of an inappropriate investment strategy or Manager decisions leading to poor performance.

Financial – a range of risks that include valuation risk and liquidity risk ensuring the availability of sufficient liquid resources for HGT to meet its commitments.

Operational – the monitoring of regulation, Hg's internal controls systems and those of HGT's other service providers.

External – macro-economic conditions, foreign currency, availability of credit.

Trend: Increasing ↑ Neutral → Reducing ↓

Potential risk	Potential impact	Mitigation	Trend
Investment			
Performance: The underlying portfolio companies underperform due to poor Manager investment decisions.	• Reduction in NAV • Reputation loss • Shareholders sell shares • Equity reduced	• Deployment of capital is a rigorous process determined by the Hg Investment Committee operated by experienced investment professionals. • The HGT AVC values the portfolio quarterly.	→
Performance: The underlying companies underperform due to weak operational support from the Manager.	• Reduction in NAV • Reputation loss • Shareholders sell shares • Equity reduced	• Portfolio performance is reviewed regularly by Hg's Realisation Committee comprised of experienced investment professionals. • The Board monitors the performance of Hg's portfolio through regular reporting (including trading, compliance and finance). • An operational performance group interacts across the portfolio to drive performance.	↓
Financial			
Valuations: In valuing its investments and publishing its NAV, HGT relies to a significant extent on the accuracy of financial and other information provided by the Manager. Wrong valuations would lead to a misleading NAV.	• Create a false market in HGT shares • Reputation loss • Reduced shareholder loyalty • Impact on liquidity and ability to raise equity	• All valuations are prepared in accordance with IPEV guidelines, unless these differ from UK GAAP or company law when the accounting standards apply. • The Manager's Valuation Committee, independently chaired, reviews and approves valuations on a quarterly basis. • The auditors of both Hg and HGT review the valuation and methodology as part of their audit procedures which are reviewed in detail by the HGT AVC and put to the Board of HGT for approval. • Hg's finance team conducts detailed reviews of all reporting materials published to ensure their accuracy.	→
The Balance Sheet: The inability of HGT to make investments due to insufficient liquid resources available.	• Reputation • Risk to future performance	• Forward cash flows are closely monitored by the Board and Hg. • Borrowing structures and cash flow forecasts are considered at each HGT Board meeting. • Current £80 million bank facility as a short-term bridge if required, and currently fully drawn. We are in advanced negotiations for a significantly enhanced facility. • There is the opt-out facility available across all investing funds. • See page 6 for a summary balance sheet analysis.	→
The Balance Sheet: Borrowing facilities are not available to potentially underwrite future commitments made by the board of HGT.	• Insufficient borrowing to meet commitments • Potential for rising interest rates • Increased cost	• A bank facility is in place to facilitate orderly management of the balance sheet. • There is the opt-out facility across all investing funds.	→

Rationale and business model continued

Potential risk	Potential impact	Mitigation	Trend
Operational			
Regulation: It is in shareholders' interests to retain the tax advantages that flow from meeting the requirements for an investment trust under the Corporation Tax Act 2010.	• Increased corporation tax leading to higher fees and potential impact on valuation and performance of HGT	• The Manager monitors investment movements, the level and type of forecast income and expenditure, and the amount of retained income (if any) to ensure that the provisions of Sections 1158 and 1159 of the CTA are not breached. HGT's compliance with the conditions for retaining investment trust status is certified by the Manager at each meeting of the Board.	→
Regulation: General changes in legislation, regulation or government policy could influence the decisions of investors. Lack of adherence to changing regulations.	• Misunderstood or misreported regulation leading to reduced demand for shares • Lack of adherence to regulation leading to Reputational risk	• Strong shareholder engagement from: - Dedicated investor relations team - Corporate Broker - Company Secretary. • All these are regularly reviewed by the Board.	→
Manager Internal Controls and Processes: The risk that the Manager's processes are not adequate leading to poor performance, weak service or non-compliance to regulation.	• Reputational risk • Shareholders sell shares • Equity reduced	• The Manager is regulated by the FCA, whose rules and regulations impose exacting behavioural standards on Hg. • The Manager has controls in place including those related to investment decisions; portfolio reviews; recruitment, training & promotions; financial performance and payments; protection of client assets; compliance; and regulation. • The Board of HGT regularly reviews these processes and controls.	→
Cyber security: Cyber security risk at Hg and portfolio level given increasing sophistication of threats in this area and the types of companies in which HGT invests.	• Loss of or lack of control over data due to cyber attacks • Reputational risk • Regulatory risk	• A cyber-security team is in place at the Manager to monitor and recommend improvements in cyber security across Hg and the portfolio companies. • Most recently, the GDPR committee has successfully implemented mandatory training for all staff.	↑
External			
Political and macro-economic uncertainty: Impacts from the UK leaving the EU affecting HGT and the portfolio companies in which it is invested.	• Reduction in demand for shares based on lack of confidence in listed markets	• Hg's portfolio is well protected given focus on mission critical products with a fragmented customer base. • The Manager remains focused on the various issues that may need to be addressed, including: - Reduced availability of credit to fund future investments - Regulation, marketing, trade and foreign exchange movements These are regularly monitored by the Board of HGT.	→
Foreign exchange: Hg has continued to expand its geographic diversity, accordingly, some investments are denominated in other currencies as well as sterling.	• Valuations lowered by negative currency movements • Valuations increased by positive currency movements	• The Board of HGT regularly monitors currency fluctuations. • All transactions are hedged between signing and exit.	→
Global pandemic:	• Operations disrupted by reduced resources • Revenues decrease due to reduced sales effectiveness • Multiples of listed companies applied to valuations might be adversely affected • The projected reduction in GDP creates continuing disruption to the customer base	• The majority of revenues are derived from subscription based, recurring revenues for non-discretionary technology platforms. • The Manager is focusing on the mid to longer term effects of the global pandemic.	↑

Interim management report and responsibility statement

Interim management report

The important events which have occurred during the period under review are described in the chairman's statement and in the Manager's review – these also include the key factors influencing the financial statements.

Performance risk

An inappropriate investment strategy may lead to poor performance. The Board is responsible for deciding on the investment strategy to fulfil HGT's objectives and for monitoring the performance of the Manager.

Financial risks

HGT's investment activities expose it to a variety of financial risks which include valuation risk, liquidity risk, market price risk, credit risk, foreign exchange risk and interest-rate risk.

Liquidity risks

HGT, by the very nature of its investment objective, invests predominantly in companies whose shares are not traded on a market. The Manager has the benefit of control over most of the companies, but, to realise its investment, would require negotiation of a sale to a purchaser or a flotation on the stock market, which might not be achievable at the Directors' published valuation.

Borrowing risk

The Board and the Manager agree that prudent use of borrowing to fund acquisitions can increase rates of return to shareholders. Businesses held in the underlying portfolio usually utilise bank borrowing – and this is raised at levels which can be serviced from the cash flows generated within that business.

Regulatory risk

HGT operates as an investment trust in accordance with sections 1158 and 1159 of the Corporation Tax Act 2010 ('CTA 2010'). As such, HGT is exempt from corporation tax on capital gains realised from the sale of its investments, so the impact of losing investment company status would be significant to HGT.

Operational risk

In common with most other investment trust companies, HGT has no employees. HGT relies, therefore, on the services provided by third parties and is dependent on the internal control systems of the Manager and HGT's other service providers.

Responsibility statement

The Directors confirm that, to the best of their knowledge:

- the condensed set of interim financial statements has been prepared in accordance with the statement on half-yearly financial reports issued by the UK Accounting Standards Board and gives a true and fair view of the assets, liabilities, financial position and return of HGT.
- the interim management report (incorporating the chairman's statement and the Manager's review) includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events which have occurred during the first six months of the financial year and their impact on the condensed set of financial statements – and a description of the principal risks and uncertainties for the remaining six months of the year – and
  - (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related-party transactions which have taken place in the first six months of the current financial year and which have materially affected the financial position or performance of HGT during that period – and any changes in the related-party transactions described in the 2019 annual report which could have a material effect on the financial position or performance of HGT in the first six months of the current financial year.

We consider the interim report & accounts, taken as a whole, to be fair, balanced and understandable and to provide the information necessary for shareholders to assess HGT's position and performance, business model and strategy.

This interim financial report was approved by the Board of Directors on 11 September 2020.

Jim Strang
Chairman
11 September 2020

Building businesses which change how we all do business

Hg is a specialist private equity investor focused on software and business service companies. Our business model combines deep sector specialisation with dedicated operational support. Hg invests in growth companies in expanding sectors, primarily via leveraged buyouts in businesses with operations in or across Europe.

Hg's vision is to be the most sought-after private equity investor within our sector focus, being a partner of choice for management teams, to provide consistent, superior returns for HGT and our other clients, while providing a rewarding environment for Hg colleagues.

References in this interim report and accounts to the 'portfolio', 'investments', 'companies' or 'businesses' refer to a number of investments, held as:

- indirect investments by HGT through its direct investments in fund-limited partnerships (HGT LP, HGT 6 LP, HGT 7 LP, HGT 8 LP, HgCapital Mercury D LP ('Hg Mercury'), HGT Mercury 2 LP, HGT Saturn LP, HGT Saturn 2 LP and HGT Transition Capital LP) of which HGT is the sole limited partner.
- a secondary purchase of a direct interest in Hg's Genesis 6 fund through HgCapital 6E LP ('Hg6E'), in which HGT is a limited partner.
- direct investments in renewable energy fund limited partnerships (Asper Renewable Power Partners LP ('Asper RPP I LP'), of which HGT is a limited partner.

Hg Pooled Management Limited was authorised as an alternative investment fund manager with effect from 22 July 2014. For further details, refer to pages 130–132 of the 2019 annual report.

About Hg

Europe’s largest software and services investor with a transatlantic network

>25 years of investing

>200 employees across London, Munich and New York

>150 highly regarded institutional investors

>$30bn funds under management

Overview

Hg began life as Mercury Private Equity, the private equity arm of Mercury Asset Management plc. Mercury Asset Management was acquired by Merrill Lynch in 1997. In December 2000, the executives of Mercury Private Equity negotiated independence from Merrill Lynch, and Hg was established as a fully independent partnership, owned entirely by its partners and employees.

We have three investment offices, which are in London, Munich and New York, with funds under management of around $30 billion and serving more than 150 highly regarded institutional investors, including private and public pension funds, insurance companies, endowments and foundations. Since then, Hg has worked hard to develop a unique culture and approach – setting us apart from other investors. We are committed to building businesses which change the way we all do business, through deep sector specialisation and dedicated, strategic and operational support. Today, Hg has more than 200 employees representing the largest technology investment team in Europe.

Hg is, itself, an entrepreneurially led, fast-growing business, 100% owned and managed by its partners.

HGT is the largest client of Hg, which has been contracted to manage HGT’s assets since 1994 and offers investors a liquid investment vehicle, through which they can obtain exposure to Hg’s diversified network of unquoted investments with minimal administrative burdens, no long-term lock up or minimum size of investment – and with the benefit of a Board of independent Directors and corporate governance. HGT’s strategy is to invest in parallel with all of Hg’s current funds.

Investment strategy

Hg’s investments are focused primarily on defensive growth buyouts in software and business service companies operating in specific end-market ‘clusters’ with enterprise values (‘EVs’) of £75 million to over £5 billion, growing faster than the broader economy. We predominantly seek controlling buyout investments in Northern European-headquartered businesses, though such companies will often have a global footprint and customer base.

Hg’s objective is to pursue investment theses supporting long-term growth, leveraging its expertise working in these sectors to implement initiatives designed to maximise organic expansion, as well as through rolling up fragmented sectors, over typical hold periods of approximately five years.

Hg has led over 100 investments in the software and service sector during the last 25 years. This focus means that we have developed an institutional expertise and a deep understanding of the markets and businesses in which we invest.

Hg applies a rigorous approach when evaluating all investment opportunities. Our objective is to invest in the most attractive businesses, rather than be constrained by a top-down asset allocation.

This flexible approach to investment means that, at any given time, the Hg portfolio is likely to comprise over 30 software and business service companies with similar characteristics, but of different sizes, end-market focus and maturity profiles.

Hg’s office in New York enhances the ability to crystallise and develop transatlantic investment opportunities, manage existing investments and make bolt-on acquisitions, as well as continue to engage with – and ultimately sell – portfolio companies to North American trade buyers. As the US has the largest technology sector, this also helps to consolidate Hg’s position as Europe’s leading software investor.

Hg Mercury
Lower mid-market
EVs: £75m–£450m

Hg Genesis
Mid-market
EVs: £450m–£1.3bn

Hg Saturn
Large-cap
EVs focus: >£1.3bn

One strategy over three funds across the size range in software and business service companies

HGT has made commitments to invest on the same financial terms as all institutional investors in Hg funds, with investments made into businesses with enterprise values ranging from £75 million to over £5 billion.

The power of the portfolio

Hg has a unique approach and strategy, with a focus on achieving scale in tightly defined clusters of expertise.

As a result, we have assembled a large portfolio of companies and business models, sharing similar characteristics, yet differing in size and maturity. This creates a natural environment for knowledge-sharing, creating a network effect to drive best practices and value-creation initiatives. This is why we believe in collaboration and the 'power of the portfolio'.

This scale and focus enable our businesses to benefit from being part of one larger organisation, while retaining their own identity with each management team, incentivised by their own success.

The Hg portfolio is not only the fastest-growing but also the third-largest software business in Europe.

The 'Hg sweet-spot' business model

Hg has a clear and robust business model, focused on long-term, consistent and defensive growth, predominantly through investment in buyouts with a Northern European angle. We seek companies which share similar characteristics, often providing a platform for merger and acquisition ('M&A') opportunities.

We believe that such companies have the potential for significant performance improvement.

We invest primarily in two main market sectors:

Software

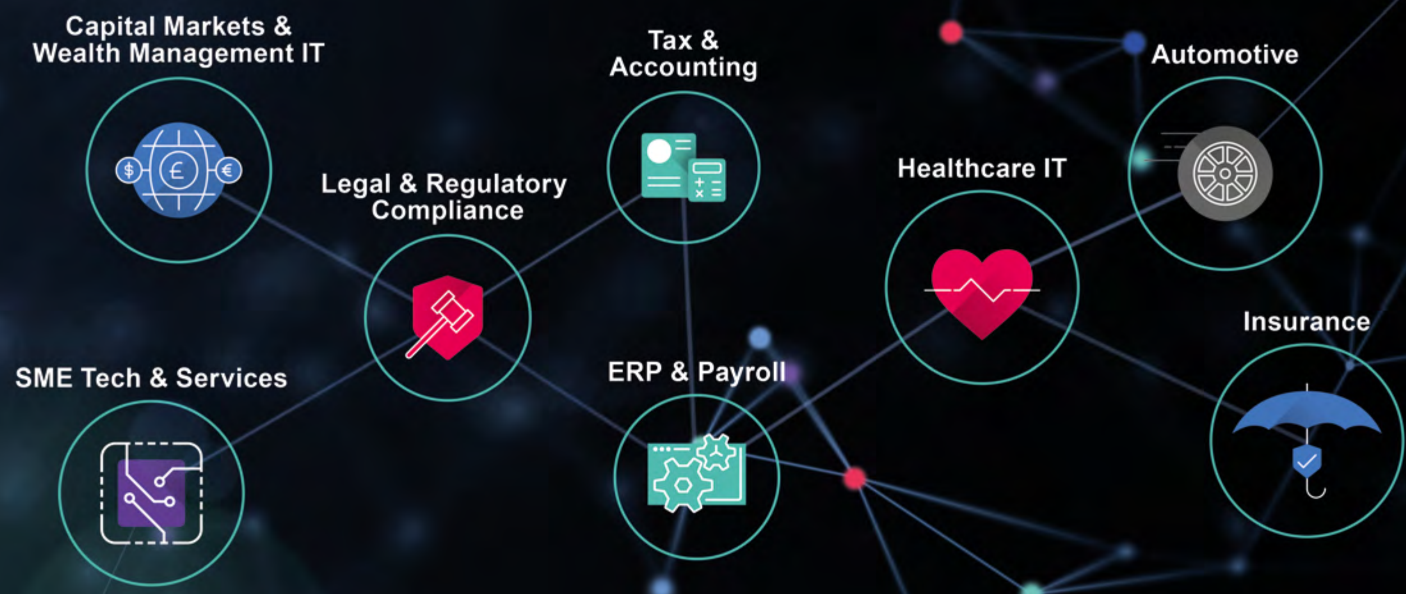
Software is our largest sector of investment. We focus on businesses providing B2B vertical market application software and data, regulatory software and fintech and internet infrastructure.

We have invested in high-quality industry champions which have strong sector reputations and diverse customer bases and which feature subscription-based business models generating predictable revenues and cash flows. With more than 25 software investments in our portfolio, we bring a unique set of networks and insights to help to support value creation in our businesses.

Services

Our business services investments focus on companies with high levels of intellectual property, large fragmented customer bases and long-term and stable customer relationships – and businesses which provide business-critical services, preferably on a repeat or recurrent basis.

We target businesses with strong reputations within a niche and aim to grow and scale these businesses, either organically within existing markets or through acquisitions.



Deep knowledge and networks within our end-market clusters

Hg has a unique approach and strategy, with a focus on achieving scale in tightly defined clusters of expertise. This specialisation helps us to build deep know-how.

Cluster	Portfolio
Tax & Accounting 16 years	TeamSystem, VISMA, IRIS, SOVOS, AZETS, silverfin
ERP & Payroll 16 years	TeamSystem, VISMA, IRIS, access, TRANSPOREON, P&I PURE HR
Legal & Regulatory Compliance 13 years	Achilles, TRACEONE, STP, The Citation Group, MITRATECH, LITERA
Automotive 12 years	EUCON, MOBILITY HOLDING
SME Tech & Services 10 years	Commify, ITRelation, teamblue, ( ) REGISTER
Capital Markets & Wealth Management IT 7 years	FE fundinfo, argus, smartTrade
Insurance 6 years	APG A-PLAN GROUP, EUCON
Healthcare IT 5 years	Evaluate, ALLOCATE, MEDIFOX, LYNIATE, Intelerad

Note: Number of years refers to the number of years for which Hg has invested in each cluster

Working together

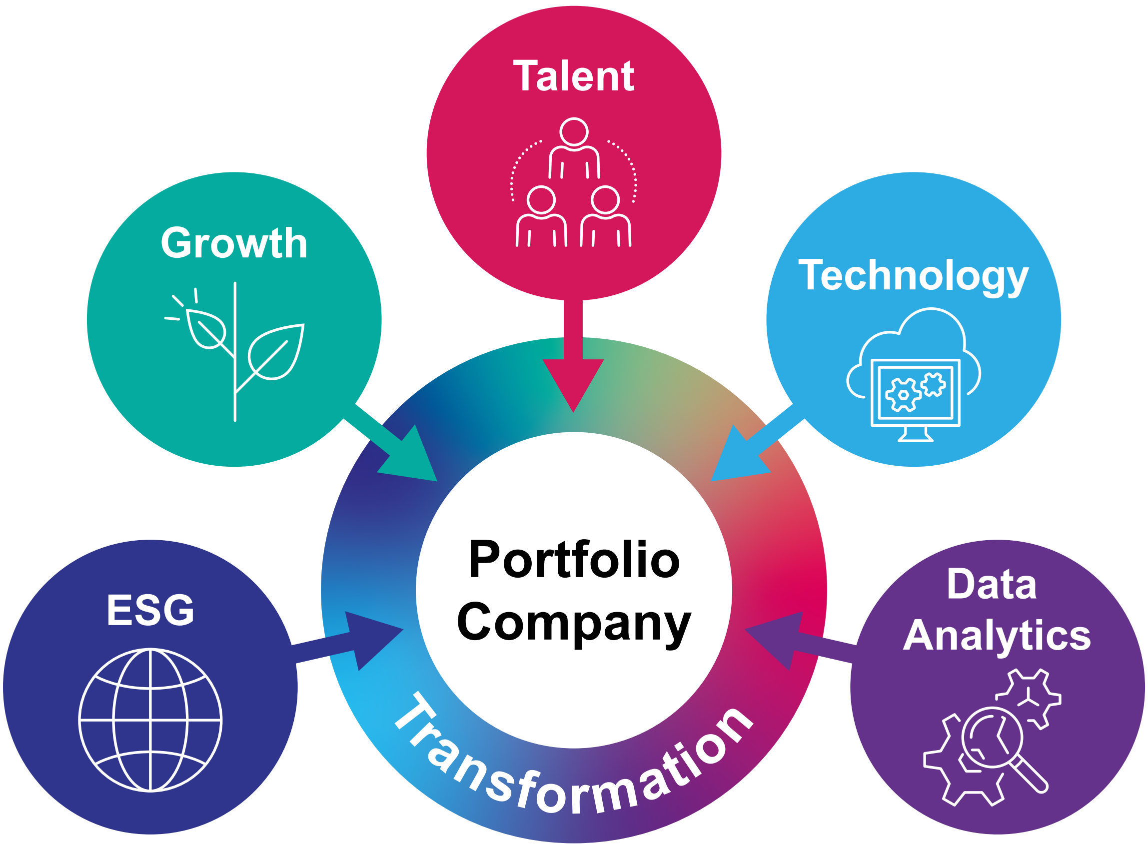
Sharing Hg know-how and experience

By virtue of the fact that Hg repeatedly invests in specific business models, our dedicated portfolio team has been able to tailor a differentiated approach to driving value creation during our ownership. Following each investment, our portfolio team works with the management of our investee companies to focus on a set of operational levers which is key to performance in an 'Hg sweet-spot' business model: growth, digital marketing, value creation, customer success, technology, cyber security, product data analytics and talent. For each of these levers, the portfolio team has codified the Hg experience and best practices into set 'plays' which are deployed in collaboration with management.

Every company can access the team, yet the nature of support can take a variety of forms. Often, members of our portfolio team provide direct support, taking on roles to help the business to pursue growth more quickly. Another option is for our experienced industry experts to mentor senior executives, helping them to build more scalable functions. In other instances, the support comes through introducing management teams to their counterparts in other companies in which Hg is invested, specifically those who have faced comparable challenges.

Our focus areas

From sharing best practice and resources through to tailored teams of technical experts, we work closely with the companies in which we invest to ensure that they gain the tools and guidance required for business success.



For further information, please visit **hgcapital.com/working-together/**

Working together

We view all of our business management teams as a part of the Hg portfolio community – and that means promoting a culture of working together to share ideas, experiences, advice and best practice.

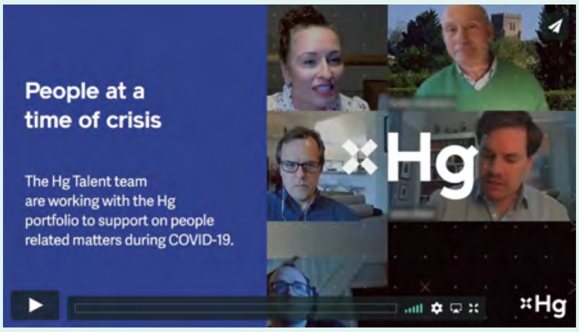
One of the most powerful ways in which the portfolio team motivates change is through peer-to-peer collaboration. This gives the management teams of our portfolio companies the ability to exchange ideas and insights and to share best practice and learnings with others in the Hg portfolio and our external network of experts.

In 2019, over 700 portfolio company executives attended 50 forums hosted by Hg, covering topics such as employee engagement, neurodiversity, finance function excellence, product strategy, women in leadership, sales and marketing and data analytics – to name a few.

We had over 60 such engagements planned for 2020. However, in response to the COVID pandemic, we rapidly innovated our approach: instead, we have offered portfolio companies a full end-to-end digital engagement experience, hosting virtual events and facilitating an increase in activity on the Hg online collaboration platform – Hive.

During the COVID-19 lockdown, Hg's talent team, alongside the rest of the portfolio team, has been hosting webinars for the portfolio to discuss, advise and present on how to optimise people in business during these unusual times.

Twelve sessions have been hosted by the portfolio team over the last eight weeks and attended by over 450 participants, across subjects such as people, sales excellence, crisis management, tech leadership and cybersecurity, with many more planned over the coming weeks.



YTD: 45 Portfolio Team led events with many more in the diary **1,000+** total attendees

"What's been positively remarkable is how the connectivity has increased across the Hg family of companies. Everyone's in it together and there has been a notable ability to innovate and react quickly to this new and uncertain environment."

Elizabeth Wallace, *Head of Portfolio Talent*

Hive Hg

Hg's online community for everyday collaboration

Hg launched Hive – its online trusted environment – in 2018, to encourage and facilitate collaboration across our portfolio of global companies.

Hive connects thousands of senior executives across the Hg portfolio through multiple communities to discuss best practice across those disciplines important to the success of their business. Individuals are able to post questions, start discussions, share and collaborate on content and gain access to best-practice methodologies from world-class experts.

During the COVID pandemic, we launched communities dedicated to supporting our businesses specifically on aspects relating to, but not limited to, business continuity- and scenario-planning, employee engagement, working from home, crisis management, cash flow and legal advice and, most recently, 'returning to work' – in addition to opportunities to innovate and thrive as we move out of the downturn.

>90% members are from our portfolio companies

23 live communities

>1,800 active members and growing!

For further information, please visit **hive.hgcapital.com**

Insight:

Hiring Mx Right

What sales leaders should look for in their next hire

COVID-19 has brought a unique challenge to many businesses over the last few months and those focusing on revenue growth and customer retention are certainly no exception.

By definition, the mission of these functions is to attract and persuade prospective and existing customers to invest in their company's products and services. Not an easy task against the uncertainty the next few years may bring.

Here at Hg, we have a Growth Team covering the often disparate and disconnected practices of Strategy, Attracting & Retaining Customers, and Delivering Value.

We use the combination of this expertise to support our portfolio companies in their growth aims as we believe that aligning these areas is the key to growth success.

Now, more than ever, we urge you to avoid allowing these different departments to tackle their problems separately. With resources and budgets under pressure for buyers and sellers alike, the time for mismatched objectives, inconsistent messaging, an unplanned customer journey and departments butting heads is over.

In the first of a series of Growth Insights, Luca Smuraglia, our resident expert in Sales, looks at the usual mistakes made when hiring your next Sales Superstar and how to get it right this time.

Mark Fulford,
Head of Hg's Portfolio Growth Team

> **Ensuring the right talent in your salesforce can make or break your revenue stream. COVID-19 and its consequences have provided new challenges to getting this right.**

Luca Smuraglia, *Sales Specialist in Hg's Portfolio Growth Team*

If you have a sales vacancy to fill and you're fretting about it, it's because hiring the right person for you, your team, and your business is critical and extremely challenging to get right.

No doubt your aim is to hire someone who:

- will be able to achieve their target, consistently, sooner rather than later;
- is easy to work with, and who can help you raise the bar and foster a high-performance culture in your team;
- has the will and skill to cope with the inefficiencies, constraints and weaknesses of your organisation.

So, what should your strategy be to minimise the risk of making a bad hire?

Who should you be looking for? Candidates with a demonstrable, relevant track record, subject matter expertise, and a rolodex of prospective clients ready to buy?

Despite what recruitment agencies want you to believe, those candidates are either too hard or expensive to attract, not available when needed, or simply do not exist. And if they did, it is not guaranteed that they could replicate their past and current success in your organisation anyway.

In fact, a better hypothesis is that every candidate is flawed, someone else's bad hire, and therefore the right hiring strategy is to search for and assess candidates using a broader set of personal characteristics that are better predictors of future success, and to select those whose identified flaws you have the time, will and skill to work with and fix, and for which your team and your organisation can provide the right support and environment to nurture.

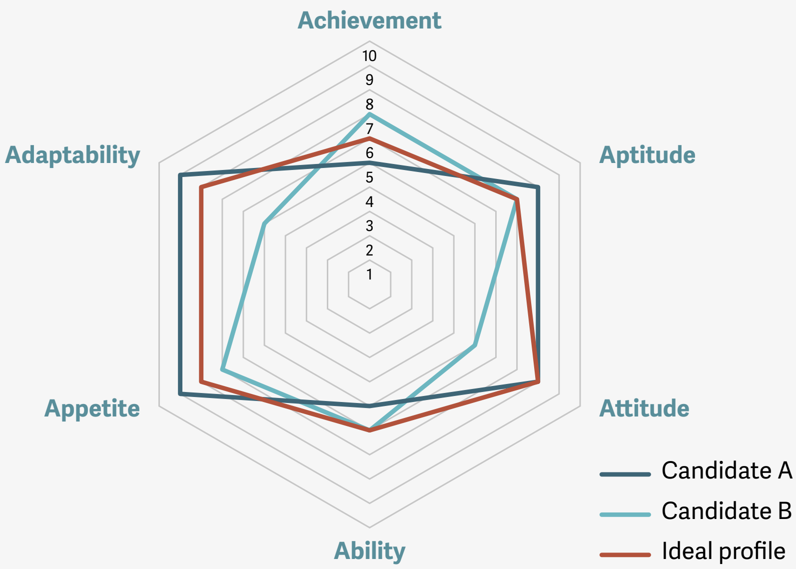
So, which personal characteristics are more reliable predictors of how a candidate is likely to perform in their new role, considering your expectations, management and leadership competencies and style, your team culture, and your organisation's weaknesses, inefficiencies and constraints?

What should you look for to avoid making a bad hiring decision?

Our research into the science of performance, behavioural, sport and positive psychology, and experience as managers, leaders, and performance coaches tell us that the set of personal characteristics that better predict an individual's performance and development potential are:

Aptitude / Attitude / Ability / Appetite / Adaptability / Achievement

Below is a high-level explanation of each, and why they matter.



Please visit **hgcapital.com/insight/hiring-mx-right-what-sales-leaders-should-look-for-in-their-next-hire/**

Aptitude

Aptitude is by far the most dangerous blind spot for hiring managers.

It is an individual's natural disposition towards performing a task, which for a salesperson is primarily down to cognitive skills and personality traits, both of which are generally set by adulthood and cannot be changed.

A salesperson's job is complex. Good cognitive skills are therefore a critical requirement for anyone in a sales role. Cognitive skills can be assessed by measuring IQ, fluid intelligence and crystallised intelligence, mental agility, working memory, numeracy and literacy, all which, according to research, may be the best predictor of job performance.

On the other hand, personality traits manifest as the characteristic patterns of thinking, feeling and behaving that an individual tends to adopt in given situations, and which depend on their level of openness, conscientiousness, extraversion, agreeableness and neuroticism.

A salesperson requires a healthy level of extraversion and agreeableness to build rapport with customers; openness to adapt to new situations; conscientiousness to do the right things right, no matter what; and a low level of neuroticism to cope with the stress typical of the sales profession.

In a nutshell, a salesperson's aptitude will either facilitate or constrain their ability to sell. That's why it's critical to assess it.

Also, cognitive skills and personality traits determine a candidate's developmental potential, and therefore set the upper limit of performance and results an individual can achieve in their role.

Attitude

Another typical blind spot for hiring managers is a candidate's attitude.

US billionaire businessman Herb Kelleher's mantra was: "Hire for attitude, train for skill". It's good advice. In his book Hiring for attitude, Mark Murphy tracked 20,000 new hires. A staggering 46% of them failed within 18 months. But even more surprising was that 89% of the time they failed for attitudinal reasons and only 11% for a lack of skill.

Attitude is our mental disposition, our typical way of thinking or feeling towards people, situations, the things we do and the context in which we do them. As such, attitude can be a reliable predictor of the behaviours an individual is likely to display in performing a job in a certain organisational environment.

In particular, it is important to assess a salesperson's attitude towards the purpose of their role, their role as a team member, their target, their accountabilities and responsibilities, towards success and failure, personal development, towards compliance with processes, methodologies, and policies, towards the organisation's strengths and weaknesses, and market opportunities and threats.

Unlike aptitude, attitude is malleable, either through coaching or external conditioning. For example, a new hire's attitude can be moulded by a team's strong and well-rooted culture, as long as the individual is adaptable, i.e. open and willing to change.

Ability

Usually the main focus of hiring managers, and the easiest to assess, ability is a candidate's level of proficiency in performing a job. In other words, the extent to which an individual will be able to do the right things right in their role.

A candidate's ability determines whether they will be able to hit the ground running, and it depends on their foundational knowledge, specialist knowledge and expertise.

Foundational knowledge consists of awareness of the right things to do and how to do them. In essence, it's the mental model of performance that we try and apply in practice. Poor foundational knowledge, for example of listening, questioning, objections handling, and value selling best practices, results in poor execution and results.

Specialist knowledge is understanding of and familiarity with the subject matter specific to one's role. In the case of a sales professional, specialist knowledge would include knowledge of products, services, solutions, value proposition, etc., as well as market knowledge.

Expertise is a factor of quantity (measured in length of time and continuity in performing a role) and quality (relevance and complexity) of performance.

Appetite

Appetite is the willingness to apply and sustain the effort required to achieve goals and meet expectations, no matter what.

The personal characteristics that more than anything determine an individual's "appetite" are motivation, drive, conscientiousness, confidence, resilience. and self-management.

They are all linked. For example, increased motivation is likely to result in a stronger drive, which in turn will improve conscientiousness, boost confidence and encourage us to develop our competencies, resulting in greater resilience.

Adaptability

Adaptability is the extent to which a candidate is willing and able to develop their attitude, ability and appetite to the level required by the role.

It manifests in a commitment to personal growth, the ability to handle constructive criticism, and openness in regard to exploring alternative ideas.

Adaptability requires self-awareness and self-management, a willingness to be taught and to handle mistakes while being motivated to do better.

Appetite and adaptability are pretty important personal characteristics to assess in a candidate, right? Especially in a "new normal" hiring scenario where any recent blemishes to a candidate's track record and tenure could too easily be blamed on COVID-19.

Achievement

Finally, whilst past performance is no guarantee for future results, there is some truth in the say "Success breeds success". Indeed, the more success an individual has experienced in their personal or professional life the more likely they are to be able to visualise future success, to be confident in their ability to achieve it, and to be resilient in the face of initial setbacks, either independently or through coaching.

Key takeaways

The risk and cost of making a bad hiring decision is very high, especially in the "new normal" hiring scenario where COVID-19 has provided candidates and recruitment agencies with a catch-all alibi for failure and inadequacy. To avoid it, your hiring strategy and capabilities (skills, process, methodologies and tools) must be adapted to better search for and assess personal characteristics that are more reliable predictors of how a candidate is likely to perform in their new role, considering your expectations, management and leadership competencies and style, your team culture, and your organisation's weaknesses, inefficiencies and constraints.

With the exception of aptitude and achievement, all other personal characteristics can be developed through tailored personal development interventions (training, coaching and mentoring) in the right organisational environment.

Your Mx Right is that candidate who meets your minimum requirements for aptitude and achievement, and whose identified strengths and weaknesses in terms of attitude, abilities, appetite and adaptability you have the time, will and skill to work with and fix, and for which your team and your organisation can provide the right support and environment to nurture.

Please visit **hgcapital.com/insight/hiring-mx-right-what-sales-leaders-should-look-for-in-their-next-hire/**

About Hg continued

>200 members of the team

3 investment offices in London, Munich and New York

Our team

Hg succeeds through the analysis and understanding of new and emerging dynamics in the clusters in which it invests. This requires profound knowledge of technology, markets and business practices. To this end, we employ diverse and exceptionally talented teams to identify and execute investment opportunities and accelerate value creation during our ownership.

This specialisation – in both investment selection and portfolio management – requires significant resources, and we have built a business employing more than 200 people, including nearly 120 investment and portfolio management executives and other professionals.

Our investment and portfolio management executives come from a range of backgrounds and experience, including private equity, consulting, investment banking, accounting and industry specialists. Our portfolio team comprises a mix of senior operators and functional specialists, typically with many years' experience in their respective specialist operational and strategic roles.

Investing primarily in European businesses, many of which have a global footprint, requires time and a deep understanding of local cultures. Accordingly, our people come from around the globe, including 16 European countries and the USA. On average, our partners have 15 years' experience in the management of private businesses.

For a description of Hg's key staff, please visit: **hgcapital.com/meet-us**

Positioning ourselves as a best-in-class recruiter

Hg's recruitment and selection processes are rigorous and agile. These, along with our strong brand, leadership, sector focus, fund performance and vibrant culture, allow us to attract and hire the best talent in our industry.

Improving our ability to identify talent

We have enhanced our talent processes so that we can identify and accelerate the development of our top performers and high-potential talent within the business. We believe this to be the basis of effective career- and succession-planning.

Employee engagement

Our people are highly motivated by, and committed to, delivering outstanding value to HGT, our other institutional clients and our portfolio company leadership teams. They are engaged by their work, our values and the opportunity to grow to their full potential within Hg.

Our values have evolved over many years and are embodied in our working culture; these are aligned with our performance and reward structures.

Hg works hard to ensure that our employees are engaged. We use independent external benchmarks to gauge levels of engagement and take appropriate actions to ensure the highest-possible levels of engagement.

We have a strong focus on career and personal development, providing a range of development opportunities to enable our talent to reach their full potential and perform at their best.

Developing future leaders

We are explicit about those behaviours which we wish to encourage at Hg and have aligned recruitment, training, coaching, performance and rewards to our values – for everybody across the organisation, including our leadership.

> **By continuing to invest in our people and our expertise, we are able to work with the best management teams in our target clusters and actively help them to build great businesses**

Steven Batchelor, *Chief Operating Officer, Hg*

Diversity and inclusion

Hg has introduced several new policies, over the past 12 months, as part of a wider initiative around diversity and inclusion.

In line with this wider initiative, Hg has formed its first-ever Diversity and Inclusion Steering Group, comprising representatives from across the firm. The steering group promotes a culture of inclusion which clearly values diversity in all of its forms, including several global initiatives around gender balance and flexible working, along with training and awareness events. This is also echoed and supported through our HR learning and development initiatives, including structured mentoring programmes, recruitment processes and training, embedding awareness of unconscious bias and inclusion.

Hg will maintain its commitment to industry-wide initiatives such as Level 20, a not-for-profit organisation aligned around a common vision to inspire more women to join the industry.

Hg Senior Partner Nic Humphries continues his role on the Level 20 Advisory Council.

> **At Hg, we aim to attract and maintain a team of the best-possible investment and operational talent. To do this, we need to ensure that we're building this team from the broadest range of potential employees.**
>
> **Having a clear strategy and committed team looking at diversity and inclusion, with full support from the firm's senior leadership team, is crucial.**

Martina Sanow, *Deputy Chief Operating Officer, Hg*

Removing barriers to education & skills in technology

The Hg Foundation

The Hg Foundation's goal is to make an impact on the development of skills most required for employment within the technology industry, focusing on individuals who may otherwise experience barriers to access this education.

The foundation aims to achieve this by providing funding and operational support to charitable schemes across the UK, US and Europe, where measurable, long-term and scalable impact can be demonstrated to make a difference to those who need it most.

The foundation has already formed its first two partnerships, representing an initial total commitment of £1 million to be delivered over the first two to three years: Imperial College London, a global top-10 university with a world-class reputation in science, engineering, business and medicine; The Tutor Trust, a founding contributor to the UK Government's National Tutoring Fund, including an additional donation to Impetus, a leading contributor to this initiative.

The foundation will be funded through a proportion of carried interest from current and future Hg funds, a proportion of Hg's annual profits and also through charitable activities carried out across the firm. The foundation's ambition is to reach an average of £3 million annual commitments over the first 10 years.

The Hg Foundation is a UK-registered charity, run by an independent Board of trustees: Tom Attwood (chair) and Sir Kevan Collins. Tom Attwood is the former chair of the Academy and Free School Board at the DfE. Sir Kevan Collins was the first chief executive of The Education Endowment Foundation during 2011–19 and is a visiting professor at the UCL Institute of Education (IOE).

Hg Foundation partners:

Imperial College London

Impetus

THE TUTOR TRUST

For more information, please visit the Hg Foundation website: **www.thehgfoundation.com**

Responsible investment

Growing sustainable businesses which are great employers, have a low environmental impact and are good corporate citizens

Why responsible investment is important to us

For Hg, responsible investment (‘RI’) means growing sustainable businesses which are great employers, have a low environmental impact and are good corporate citizens, while generating superior risk-adjusted returns for the millions of pensioners and savers globally whose funds are invested with Hg.

We want the businesses in which we invest to be genuinely focused on doing well for all stakeholders, including employees, customers, suppliers, shareholders and the wider society. We firmly believe that responsible business practices help to generate superior long-term performance.

Our responsible investment journey

We continue to demonstrate our commitment to RI publicly – through our relationship with the United Nations-supported principles for responsible investment (UNPRI). We have been signatories since 2012 and are proud to have retained the top score, AA++, for a second successive year, cementing our reputation as a leader in ESG initiatives and innovation.

Hg has joined the UK network of the Initiative Climat International (iCI), as a launch member. This global organisation has been created recognising that climate change will have adverse effects on the global economy, to join forces to contribute to the objective of the Paris Agreement and to engage actively with portfolio companies to reduce their greenhouse gas emissions, contributing to an overall improvement in sustainability performance. The iCI is officially endorsed by the principles for responsible investment (PRI).

Hg has undertaken a full climate change risk assessment across our portfolio, using our PwC-developed climate change risk tool. This concludes that none of Hg’s businesses faces high transition or physical risk relating to its operations. We take the risk of climate change very seriously and now, as a result of our comprehensive review, have practical opportunities to reduce risks and increase resilience, both within Hg and across the portfolio.

Hg has been recertified as carbon neutral – our FY 2019/20 carbon footprint report, see page 35, shows Hg’s value chain carbon footprint and what we have done to offset our emissions. Our planned carbon reduction strategy will set targets and identify opportunities to further reduce our carbon emissions, helping Hg to transform our environmental impact.

Since March 2020, the COVID-19 pandemic has presented challenges to both Hg and our portfolio – and we have been quick to act. Please see pages 36–37 for details on how Hg and our portfolio responded to the pandemic.

ESG in the deal process

ESG is embedded into the entire deal process, from screening to exit. As a first step, we are very clear on the types of business in which we do not invest – outlined in our exclusion list. During due diligence, we assess companies for compliance with relevant laws in relation to environmental, social, governance, health and safety, bribery and corruption issues.

We also consider the inherent ESG risk of the company and carry out an associated ESG review, detailing risks and opportunities in relation to our responsible business framework (see page 34).

We take an active approach to managing ESG during our ownership. This starts with a responsible business onboarding and maturity assessment, within the first months of acquisition, to identify areas for improvement where Hg can support the companies to realise their ambitions within and beyond our responsible business framework.

As part of our ongoing engagement on responsible business, each business is reassessed annually – and we follow up to ensure that appropriate actions are taken to improve, as required.

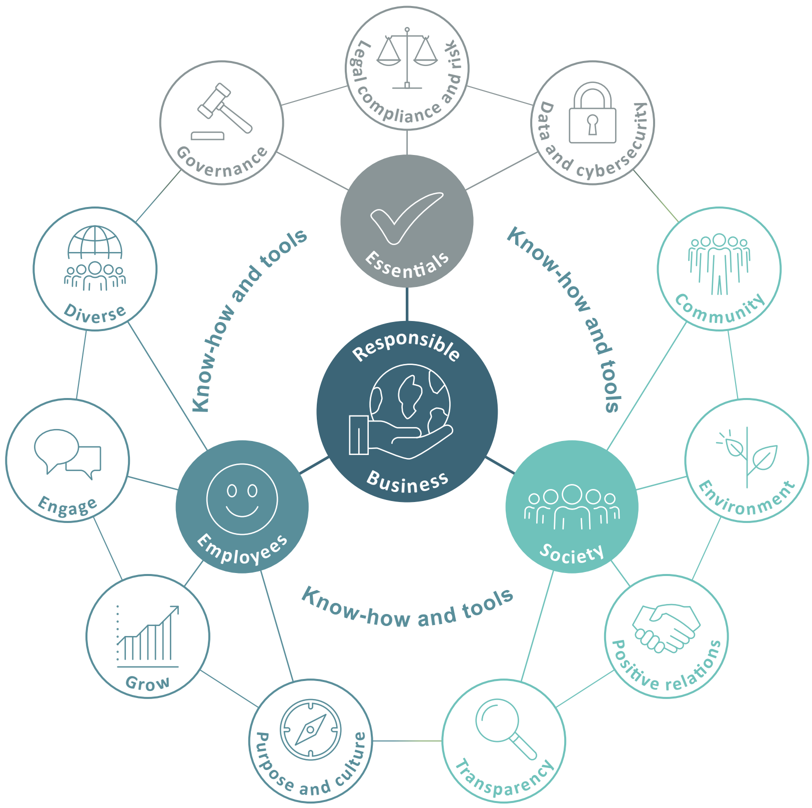
PRI Principles for Responsible Investment ✕ Hg

A signatory to the UNPRI since 2012.

AA++ 2020 PRI Assessment Score:
'A+' for Strategy & Governance, and
'A+' for Private Equity Ownership

initiative climat international
Private equity action on climate change

Hg has joined the UK network of the Initiative Climat International (iCI)



Our responsible business framework

Hg's responsible business framework outlines key ESG areas of focus for software and service companies.

The framework is based on extensive research and forms the foundation for the ESG assessments which we conduct of our businesses as part of onboarding – and annually thereafter.

Essentials

There are certain minimum ESG requirements which Hg expects from all of our businesses. These include:

- Governance and business integrity, such as a company code of conduct, appropriate controls, Board composition and appropriate health and safety and grievance procedures.
- Legal, compliance and risk, including compliance with all laws and regulations and active risk management, as well as standards and policies to combat bribery, corruption, money-laundering, anticompetitive behaviour and other malpractice.
- Data and cyber security, including Hg's minimum standards for cyber security, along with appropriate information protection practices and GDPR compliance.

Employees

One of the most important assets of our businesses is our employees. A diverse workplace with engaged and motivated staff is vital for growth and business success. We look at employees from four aspects:

- Purpose and culture, including company vision, mission and values.
- Grow businesses and talent, including job growth, healthy staff turnover, talent management and succession-planning.
- Engagement and motivation by promoting transparent communications, health and well-being, learning opportunities, recognition and good leadership.
- Diversity of talent and equal opportunities irrespective of ethnicity, gender, disability or background.

Society

We want all of our businesses to strive for positive external impact by acting transparently and contributing to society through their business practices, charitable and community support and external relations. Our businesses affect society in several ways:

- Community engagement, including apprenticeships, charitable giving and volunteering.
- Environmental impact, such as energy use, carbon footprint, data centre efficiency and waste management.
- Positive relationships with key external stakeholders, including customers and suppliers.
- Transparency of company commitments and progress, including external reporting and sustainability communications.

For more information, please go to **hgcapital.com/responsibility**

To watch our Responsible Investing video, please go to **hgcapital.com/responsibility**

CarbonNeutral.com

Hg has been recertified as a carbon-neutral company and continues to offset all carbon emissions.

With greater transparency, more accurate data and a new carbon reduction strategy for 2020/21, we are making environmental responsibility a crucial part of the way we do business.

In the past year, we have focused on reducing our emissions in our office utilities and are proud to report good progress. Our water emissions have dropped by two-thirds, while both our electricity and mains gas emissions have reduced significantly too.

However, our business has also grown. In 2019/20, Hg's headcount increased by around 25% and, in April 2019, we opened our New York office, both factors contributing to an increase in our office-related emissions, business travel, hotel stays and staff commuting.

With this in mind, we are creating a carbon reduction and management strategy for 2020/21, with the aim of reducing our footprint across all areas over the next 12 months. In particular, we are examining how we can learn lessons from the new working practices introduced during the COVID-19 pandemic, to translate them into long-term policies which will help to transform our environmental impact.

The issue

In 1994, the United Nations Framework Convention on Climate Change recognised that the climate system can be affected by greenhouse gas (GHG) emissions and ozone-depleting substances (ODS). The consumption of fossil fuels, other industrial activities and deforestation generate the majority of GHGs, such as carbon dioxide, nitrous oxide, methane, chlorofluorocarbon (CFC), hydrochlorofluorocarbon (HCFC) and hydrofluorocarbon (HFC). These gases are collectively known as greenhouse gases, since they do not interact with short-wave radiation from the sun; instead, they absorb the reflected long-wave radiation from the Earth's surface and reradiate this energy within the Earth's atmosphere as heat.

Unless we take radical action, our lives – including our resources, economies and businesses – are going to be profoundly affected. Hg is taking very seriously indeed our responsibility to be part of that action. By measuring and offsetting our carbon footprint, we aim to do our part in tackling the global climate emergency, while also supporting sustainable development in local communities. We strive to lead by example and are working actively with our portfolio companies to raise awareness and support urgent positive change.

Methodology

This report outlines Hg's carbon footprint for the financial year 2019/20. It has been prepared by external consultant Natural Capital Partners and includes our scope one, two and three emissions.

Premises:

These include mains gas and electricity consumption, transmission and distribution losses, water consumption and waste water leaving premises for treatment, as well as waste.

Business travel:

Air travel, including short- and long-haul flights. Rail, including domestic journeys and Eurostar. Other forms of travel include taxi, as well as hotel stays.

Other:

Staff commuting, including by car, rail, underground and taxi, as well as couriers' deliveries.

	GHG emissions (tCO_2e)		
Emissions source	**2018/2019**	**2019/2020**	**Y-o-Y change**
Refrigerant gas	0.0	1.9	+1.9
Mains gas	50.7	35.9	-14.8
Electricity Inc. T&D losses	210.7	128.0	-82.7
Water and wastewater	6.1	2.0	-4.1
Waste	0.7	1.6	+0.9
Business Travel	1,345.70	1,973.0	+627.3
Hotel stays	19.3	38.2	+18.9
Staff commuting	21.8	63.9	+42.1
Outbound courier deliveries	0.7	4.6	+3.9
Total	1,655.70	2,249.1	+593.4
Emissions metrics			
Emissions / FTE	10.28	11.42	+1.14
Emissions / m^2	0.60	0.68	+0.08

Offset and reduction

Hg continues to offset all carbon emissions by supporting the Acre Amazonian Rainforest project. This prevents deforestation and promotes sustainable economic livelihoods in the Brazilian Amazon[1].

With the funds of carbon finance, the project works with local communities to create models of economic development which avoid deforestation and protect the ecosystem. The project delivers four of the 17 sustainable development goals:

[1]https://www.naturalcapitalpartners.com/projects/project/acre-amazonian-rainforest-conservation

COVID-19 update:

Resources and information from across the Hg portfolio

With the COVID-19 pandemic affecting every aspect of business and society, Hg is pleased to see that the businesses which we back are providing the efficiency tools and expertise to help their customers to best navigate this unique crisis and, in some cases, actively helping our frontline carers to combat the impact of the virus.

There have been some impressive and often critical efforts all round – and we are proud to present a few of these.

ALLOCATE

www.allocatesoftware.co.uk/healthroster-optima-deployed-to-e-roster-staff-at-nhs-nightingale-hospital-london/

Allocate, a leading international provider of workforce- and resource-planning solutions, has been deployed to help to solve any staffing issues at several of the UK's dedicated COVID-19 field hospitals, with Allocate's HealthRoster Optima software being used to e-roster staff. The SaaS solution was deployed in just nine days at London Excel, as a starting point, and has been prepared to deliver rostering for up to 30,000 staff at the 4,000-bed field hospital.

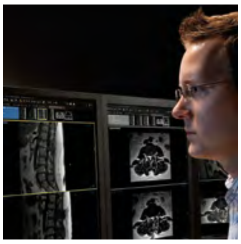
Allocate has also created a dedicated COVID-19 hub for customers on its website.

Evaluate

www.evaluate.com/covid-19-daily-update

Evaluate, a leading provider of commercial intelligence and predictive analytics to the pharmaceutical industry, co-hosted a virtual conference to bring together the life sciences industry to support the fight against COVID-19.

With physical conferences impossible, #PartneringAgainstCOVID19 was a unique virtual-only event, aimed at accelerating the industry's ability to find the right partner in developing diagnostics, drug treatments and, ultimately, a COVID-19 vaccine.



Intelerad
Making a difference in healthcare

www.intelerad.com/rally-against-covid19/#podcast

Intelerad, a leading global provider of medical imaging software and enterprise workflow solutions, has committed to provide the radiology community with technology which makes a difference and information which really matters to its sector during this time. The new podcast series, Rallying Against COVID-19, brings in experts and external guests to discuss hot topics, including remote readings tips, innovative solutions to the COVID-19 challenges and more.

The Citation Group

www.citation.co.uk/coronavirus-advice/

Citation Group provides tech-enabled compliance and quality-related subscription services to SMEs across the UK. During this crisis, Citation is helping over 40,000 SMEs in the UK to navigate the HR and H&S issues related to COVID-19. Citation's experts have also created an online hub and back-to-business toolkit for the next phase of lockdown. Both are updated with the latest government measures in the fight against the disease, including live Q&A sessions with experts.

TRANSPOREON

www.transporeon.com/en/expertise/corona-update/

Transporeon is a cloud-based logistics platform with strong network effects, connecting over 1,200 shippers and almost 100,000 carriers worldwide. Transporeon has developed an amazing online resource, including real-time cross-border traffic-tracking, to help to navigate the logistics industry during the COVID-19 pandemic. This includes several services which Transporeon has made freely available during this time, such as free access to regular webinars with its supply-chain experts, free access to the Transport Market Monitor (TMM) (enabling access to current market trends and developments), free access to Ticontract Spot Tendering (enabling quick access to freight capacity info) and free access to a new portal, Transporeon Insights, where the team curates relevant supply-chain content and data daily for supply-chain and logistics leaders.

Admincontrol (Visma) is offering its online portal products free, during this challenging time, to enable businesses to communicate through a secure and encrypted platform.

Medifox: The Medifox Connect product is free for six months, at a time when visiting family in nursing homes or with home care isn't easy. Using its family portal, relatives can easily exchange personal messages, pictures and videos with loved-ones.

Blick Rothenberg: (Azets) has created an up-to-date guidance hub, with advice on tax, contracts, government schemes and cash flow management, among many other topics.

Lyniate is participating in the US SANER project, an industry collaboration to revolutionise data-sharing and awareness of healthcare capacity, during the pandemic and beyond.

Sovos is offering free filing support for companies affected by COVID-19 and is tracking governments' tax responses to the crisis in real time.

Litera is offering Litera Transact free during the crisis, helping legal teams to carry out several processes online, allowing them to work, while reducing the need for, and risk of, physical contact.

IRIS has been updating its blog hub with practical advice on HR, compliance, payroll and accounting for businesses. It launched a free business-to-employee comms tool to help HR teams to engage simply and securely with staff during COVID-19 isolation.

team.blue helps over 2 million SMEs across Europe to create and maintain their digital presence. This has proven crucial in keeping businesses moving during the COVID-19 pandemic. The firm's Italian division, Register, has been particularly active – also donating actively to heavily affected Italian regions.

Commify has been offering free SMS messaging to healthcare providers to make emergency communications easier.

The speedy deployment of EidosMedia's mobile newsroom app has enabled news rooms to work remotely during the crisis. EidosMedia has also been fundraising in its Milan office, collecting and donating around €13,000 to CESVI for Bergamo's Hospital Giovanni XXIII.

Access Group has active information hubs for the sectors which it serves, including health and social care, hospitality and recruitment – with more to come. All give guidance on combating the spread of COVID-19 and how to meet staffing demands in a crisis.

Mitratech has been rolling out new workflows, free of charge, for TAP Workflow Automation clients, helping clients to manage the new world, including self-reporting COVID-19 cases, a remote-work tracker and travel approval requests.

Endsleigh will pay the excess for NHS staff during lockdown and they will pay no cancellation fees, should they choose to cancel.

IT Relation will allow customers to make hardware purchases now – and not pay until 2021.

Achilles has built an action plan for buyers needing better supply-chain visibility during the crisis and beyond. Achilles has also created a COVID-19 resource centre and partnered with leading law firm Schjødt – to offer customers free initial consultation on new legislation.

hgcapital.com/covid-19-update-resources-and-information-from-across-the-hg-portfolio/

Review of the period

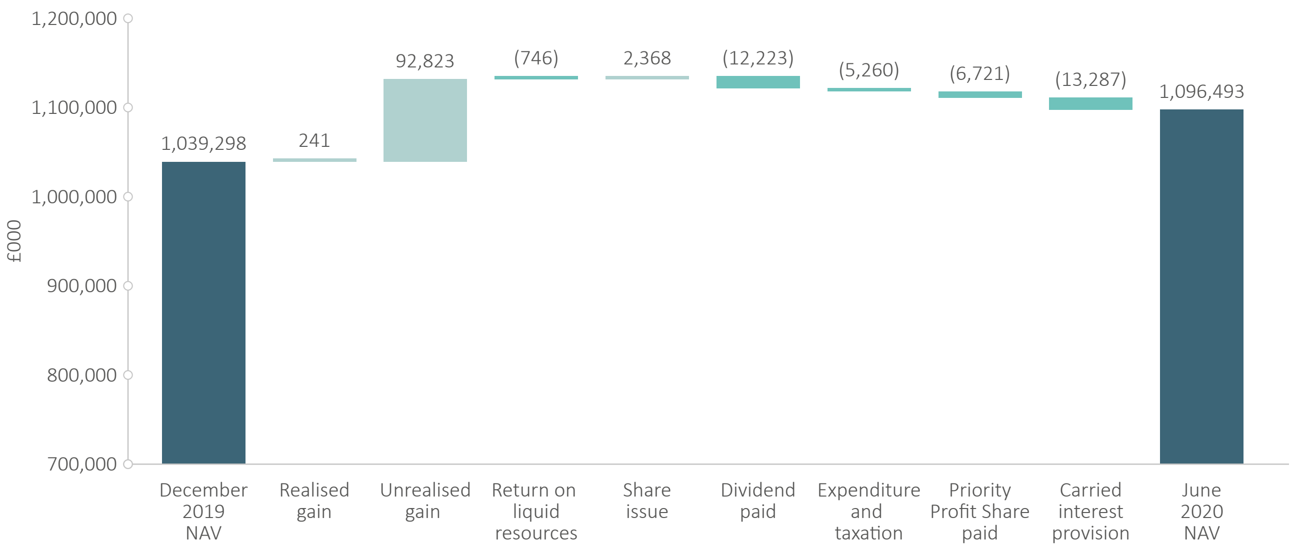
Net asset value (NAV)

During the period, the NAV of HGT increased by £57 million, from £1,039 million at 31 December 2019 to £1,096 million at 30 June 2020.

Attribution analysis of movements in NAV

	Revenue £000	Capital £000	Total £000
Opening NAV as at 1 January 2020	23,536	1,015,762	1,039,298
Realised capital and income proceeds from investment portfolio in excess of 31 December 2019 book value	–	241	241
Net unrealised capital and income appreciation of investment portfolio	21,105	71,718	92,823
Net realised and unrealised gains from liquid resources	916	(1,662)	(746)
Share issue	–	2,368	2,368
Dividend paid	(12,223)	–	(12,223)
Expenditure	(3,400)	(1,301)	(4,701)
Taxation	(559)	–	(559)
Investment management costs:			
Priority profit share – current year paid	(6,721)	–	(6,721)
Priority profit share – reallocation between capital and income	566	(566)	–
Carried interest – current period paid	–	–	–
Carried interest – current period provision	–	(13,287)	(13,287)
Closing NAV as at 30 June 2020	23,220	1,073,273	1,096,493

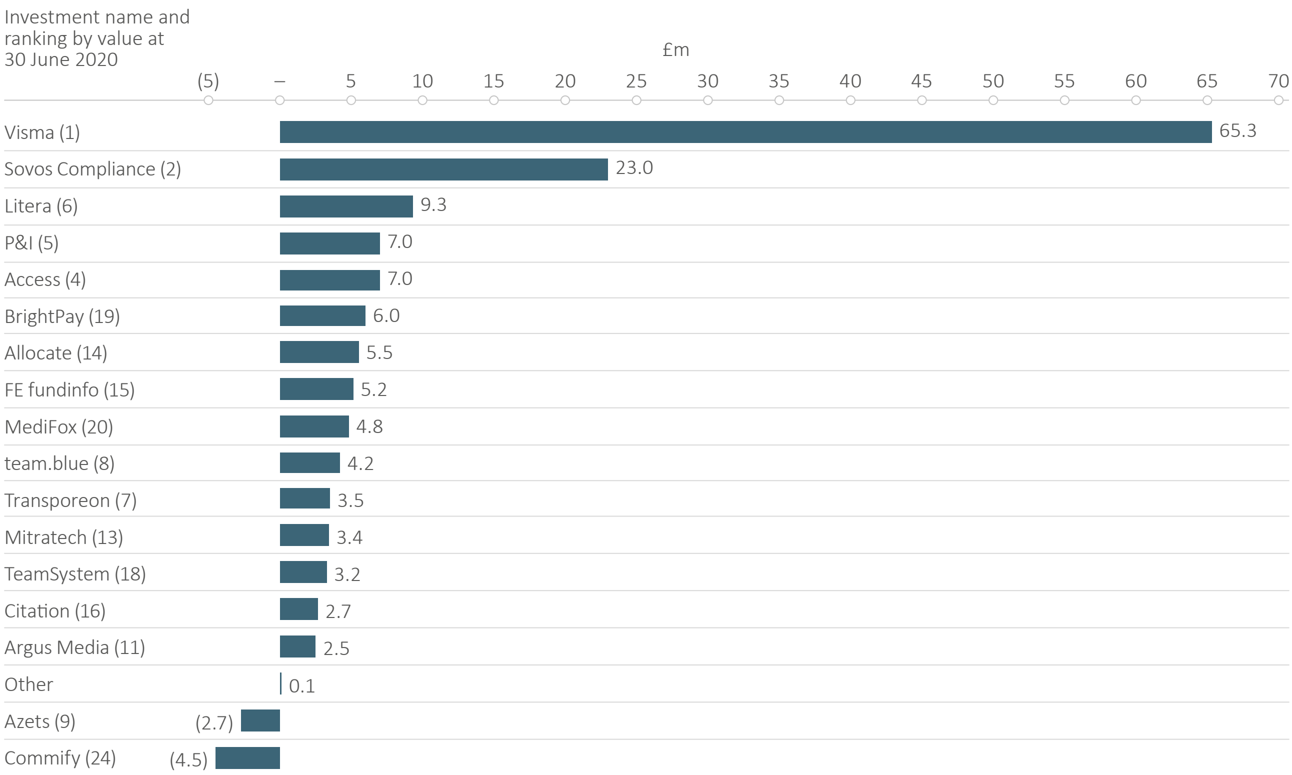
Analysis of NAV movements



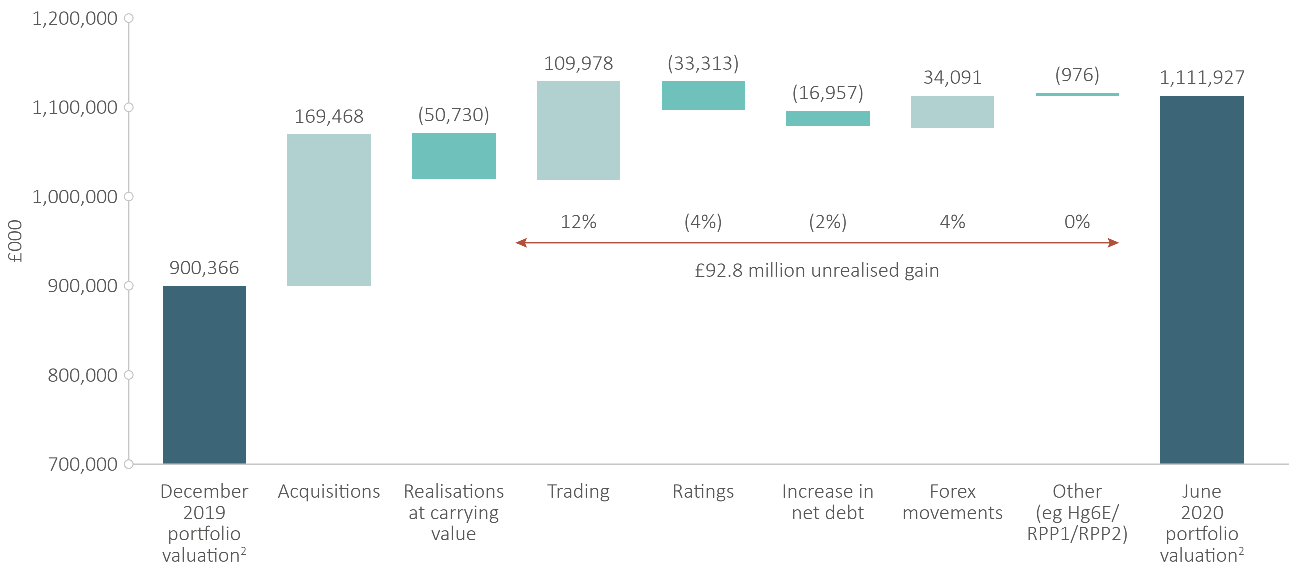
Several underlying factors contributed to the increase in NAV. Positive impacts were the £92.8 million revaluation of the unquoted portfolio and uplifts of £0.2 million on the realisation of investments, compared with their carrying value at the start of the period. Shares issued during the year contributed a further £2.4 million.

Reductions in NAV included: the payment of £12.2 million of dividends to shareholders and a £13.3 million increase in the provision for future carried interest.

Realised and unrealised movements in the value of investments



Attribution analysis of movements in the value of investments[1]



[1] Including accrued income and excluding carried interest provision. [2] Before the deduction of the carried interest provision.

During the period, the value of the unrealised investments increased by £92.8 million, before the provision for carried interest. The majority of the increase, £110.0 million, relates to increases from profit growth in the underlying investments. A decrease in valuation multiples reduced the value of investments by £33.3 million.

Acquisitions net of realisations at carrying value of £118.7 million and £34.1 million of favourable currency movements increased the value further. An increase in net debt of £17.0 million contributed negatively to the unrealised portfolio.

Top 20 portfolio trading performance as at 30 June 2020

The top 20 investments (representing 88% of total investments by value) have delivered strong sales growth of 23% and EBITDA growth of 27% over the last 12 months ('LTM').

The business model characteristics of the companies in which we are invested give us confidence that double-digit growth can be achieved consistently going forward.

More than 80% by value of the top 20 businesses within the portfolio are seeing double-digit revenue growth, and more than 90% have delivered double-digit EBITDA growth over the last 12 months.

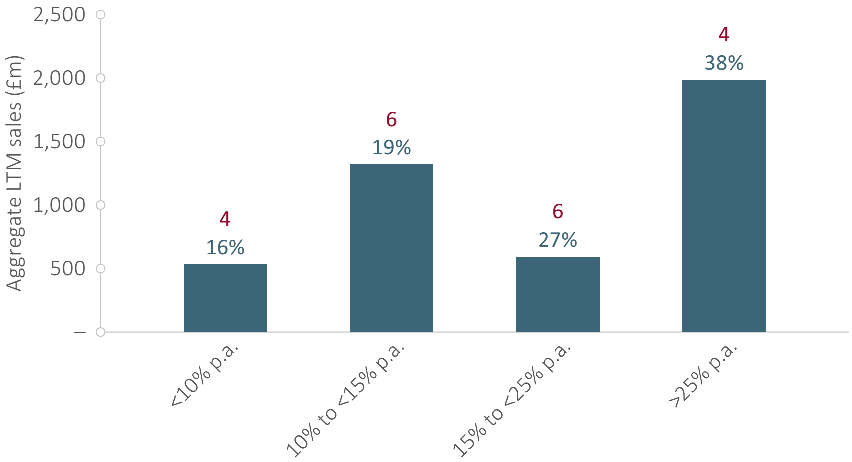
Profits have grown at a faster rate than revenues, with continued investment made into the cost base of several companies, for example, to finance increased sales and marketing capabilities and strengthen management and new product development, continuing to drive future performance.

We have seen very robust and consistent trading performance from the majority of the portfolio, with particularly strong growth from Litera, IT Relation, Mitratech, Citation, Access and Visma.

Where a company has not performed as well as we would like, we have reflected this in its valuation. During the first six months of 2020, we took the decision to write down Commify, Azets and Intelerad – we have a strong path to recovery, going forward, for all of these investments.

Overall, continued robust earnings growth and strong cash generation continue to drive equity value in our investments.

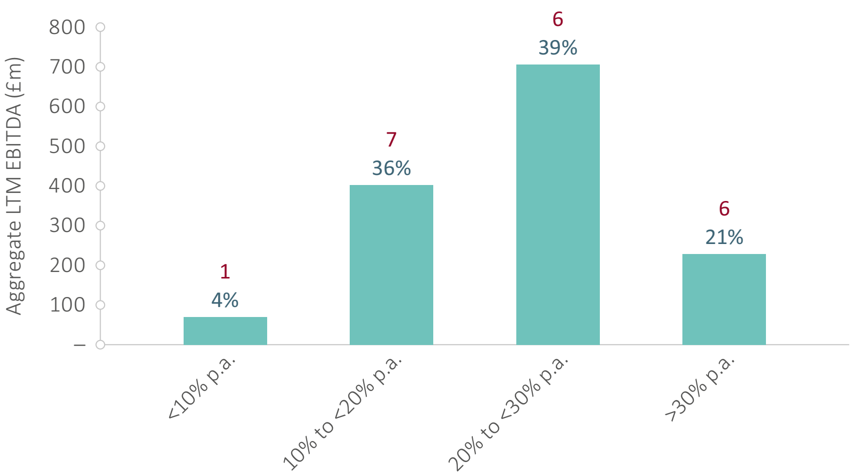
Distribution of top 20 LTM sales growth



+23%

top 20 LTM sales growth

Distribution of top 20 LTM EBITDA growth



+27%

top 20 LTM EBITDA growth

LTM Sales | LTM EBITDA | Number of investments within associated band | % of top 20 by value within associated band

Valuation and net debt analysis as at 30 June 2020

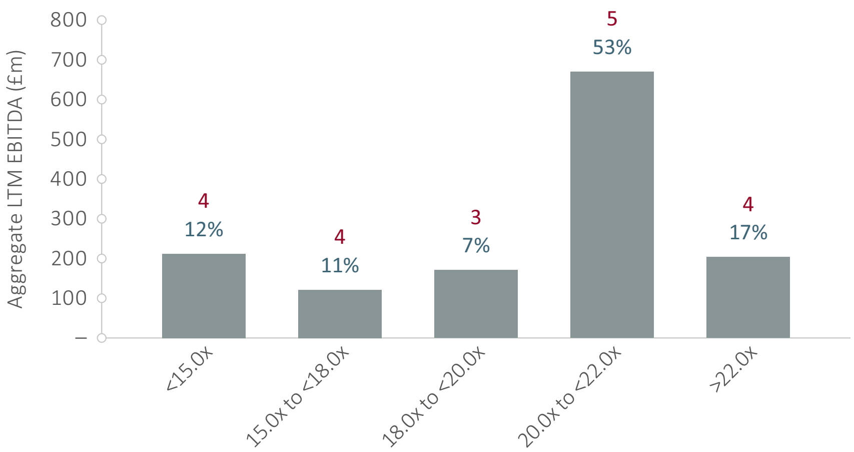
Our valuation policy is applied consistently, in accordance with the IPEV Valuation Guidelines. Each company has been valued individually, based on the trading multiples of comparable businesses and relevant and recent M&A activity; this resulted in an average EBITDA multiple for the top 20 investments of 20.6x (19.8x at 31 December 2019).

There remains a continued shift in the mix of the portfolio to higher growth businesses, in particular in the software sector, where we hold a number of companies with substantial opportunities to grow their Software as a Service ('SaaS') business.

We continue to take a considered approach in determining the level of maintainable earnings to use in each valuation, in line with the IPEV Valuation Guidelines. Most holdings have been valued using the LTM earnings to 31 May 2020, unless we have anticipated that the outlook for the full current financial year is likely to be lower, in which case we have used forecast earnings. The earnings figure used may be adjusted on a pro-forma basis reflecting any acquisitions, disposals or other adjustments to the extent a buyer would make such adjustments. In selecting an appropriate multiple to apply to a company's earnings, we look at a basket of comparable companies, primarily from the quoted sector, but also making use of M&A data. We also use back testing to understand substantive differences that legitimately occur between an exit price and the previous fair value assessment to inform our valuation policy.

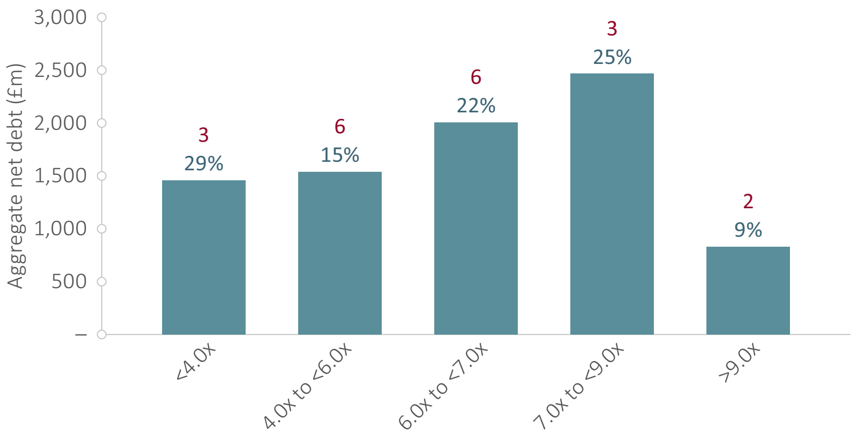
Our companies make appropriate use of gearing, with a weighted average net debt for the top 20 of 6.1x LTM EBITDA (6.2x at 31 December 2019). Many of our businesses have highly predictable, strong earnings growth and are very cash generative, enabling us to use debt to reduce their cost of capital and improve returns on the equity we hold.

Distribution of EV to EBITDA valuation multiples



20.6x
top 20 EV to EBITDA multiple

Distribution of net debt to EBITDA ratios



6.1x
top 20 debt to EBITDA ratio

LTM EBITDA | Debt | Number of investments within associated band | % of top 20 by value within associated band

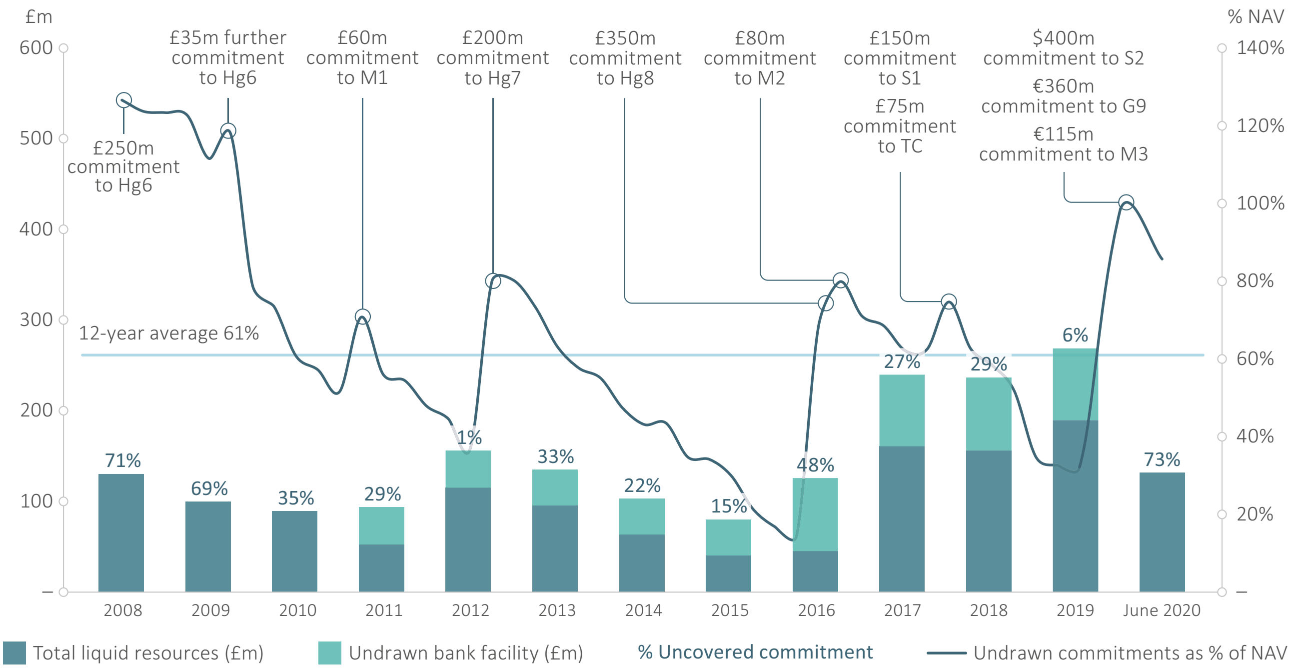
Outstanding commitments of HGT

At the end of 30 June 2020, HGT held liquid resources of £131 million and had outstanding commitments of £935 million, as listed below. We anticipate the majority of these outstanding commitments will be drawn down over the next four to five years (2020 - 2025) and are likely to be partly financed by cash flows from future realisations. Future commitments are likely to be drawn down over a period of four to five years (2021–26). Additionally, to mitigate the risk of being unable to fund any draw-down under its commitments to invest alongside Hg's funds, the Board has negotiated a right to opt out, without penalty, of HGT's obligation to fund such commitments, where it does not have the funds to do so or certain other conditions exist. HGT also has access to an £80 million bank facility which was fully drawn as at 30 June 2020.

Fund	Fund vintage	Original commitment	Outstanding commitments as at 30 June 2020		Outstanding commitments as at 31 December 2019	
		£ million	£ million	% of NAV	£ million	% of NAV
Hg Genesis 9	2020	327.2[1]	327.2	29.8	–	–
Hg Saturn 2	2020	323.7[2]	290.5	26.5	–	–
Hg Mercury 3	2020	104.5[3]	104.5	9.5	–	–
Hg Genesis 8	2018	350.0	105.5	9.6	143.5	13.8
Transition Capital	2018	75.0	49.4	4.5	59.1	5.7
Hg Mercury 2	2017	80.0	21.8	2.0	36.7	3.5
Hg Genesis 7	2013	200.0	18.2	1.7	20.0	1.9
Hg Saturn	2018	150.0	8.0	0.7	69.3	6.7
Hg Genesis 6	2009	285.0	4.0	0.4	2.4	0.3
Hg Mercury	2011	60.0	3.1	0.3	3.3	0.3
Pre-Hg Genesis 6 vintage	pre-2009	120.0[4]	1.3	0.1	1.3	0.1
Hg6E	2009	15.0[5]	1.0	0.1	0.1	–
Asper RPP I	2006	19.7[6]	0.6	0.1	0.6	0.1
Total			935.1	85.3	336.3	32.4
Liquid resources			130.5	11.9	189.3	18.2
Net outstanding commitments unfunded by liquid resources			804.6	73.4	147.0	14.2

[1]Sterling equivalent of €360 million.
[2]Sterling equivalent of $400 million.
[3]Sterling equivalent of €115 million.
[4]Excluding any co-investment participations made through HGT LP.
[5]Partnership interest acquired during 2011.
[6]Sterling equivalent of €21.6 million.

Outstanding commitments unfunded by available resources as % of NAV



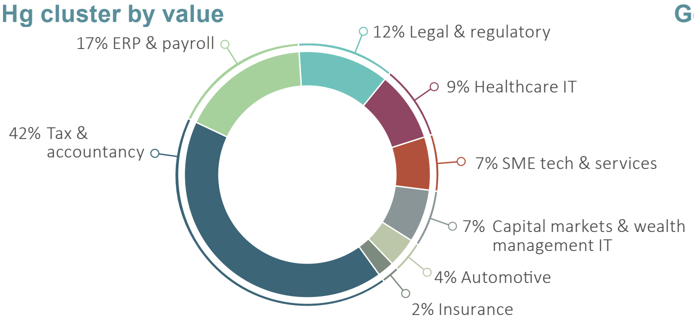
Investment portfolio of HGT

Fund limited partnerships	Residual cost £000	Total valuation[1] £000	Value %
Primary buyout funds:			
HGT 7 LP	99,322	291,219	28.0
HGT 7 LP – Provision for carried interest	–	(47,901)	(4.6)
HGT 8 LP	218,986	291,127	28.0
HGT Saturn LP	139,197	192,031	18.4
HGT Saturn LP – Provision for carried interest	–	(7,749)	(0.7)
HGT LP	83,854	126,319	12.1
HGT Mercury 2 LP	38,969	64,137	6.2
HgCapital Mercury D LP	17,335	51,856	5.0
HgCapital Mercury D LP – Provision for carried interest	–	(10,408)	(1.0)
HGT Saturn 2 LP	31,617	38,181	3.7
HGT 6 LP	14,861	24,438	2.3
HGT 6 LP - Provision for carried interest	–	(5,059)	(0.5)
Total primary buyout funds	644,141	1,008,191	96.9
Secondary buyout funds:			
HgCapital 6 E LP	5,039	816	0.1
HgCapital 6 E LP – Provision for carried interest	–	(257)	–
Total secondary buyout funds	5,039	559	0.1
Total buyout funds	**649,180**	**1,008,750**	**97.0**
Transition capital funds:			
HGT Transition Capital LP	24,462	30,517	2.9
Total transition capital funds	24,462	30,517	2.9
Renewable energy funds:			
Asper RPP I	5,039	816	0.1
Total investments net of carried interest provision	678,681	1,040,083	100.0

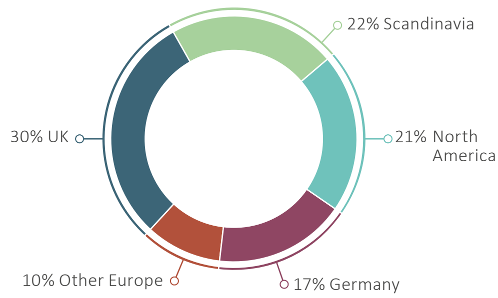
[1] Includes accrued income.

Portfolio diversification and performance

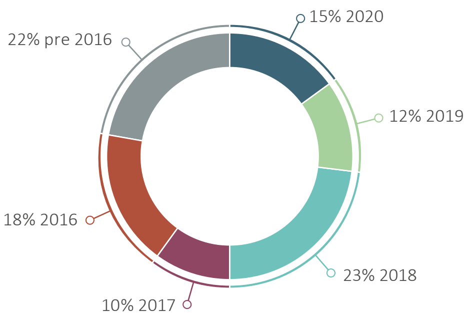
Hg cluster by value



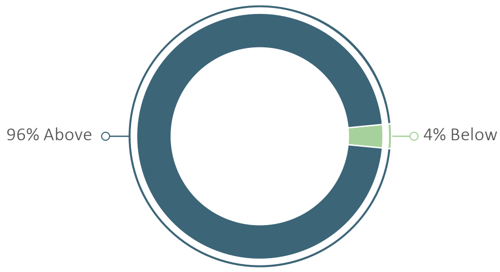
Geographic spread by value



Investment vintage by value



Analysis by value
of investment return relative to its original cost[2]



[2] Representing aggregate realised proceeds and unrealised valuations of an investment

Investments

Over the course of the period, Hg invested a total of £1.4 billion on behalf of its clients, with HGT's share being £169 million.

The vast majority of our investments are generated by establishing and developing relationships with companies over the longer term and typically pursuing opportunities where we have a strong relationship with a founder or management team. By doing this, we believe that we can invest in the very best businesses within our chosen clusters.

We continue to look for businesses which share similar underlying business model characteristics, such as: high levels of recurring revenues; a product or service which is business critical, but typically low spend; low customer concentration and low sensitivity to market cycles. This is a theme which runs through many of our new investments – and we believe that companies with these characteristics will remain in high demand across market cycles.

New investments in the six months to 30 June

argus

£34.8m invested on behalf of HGT, including £4m in co-investment

In January 2020, Hg completed an investment in Argus Media ('Argus'), a leading global provider of energy and commodity price reporting, via the Hg Saturn Fund. Founded in 1970, Argus is an independent media organisation headquartered in London. Companies in 140 countries around the world use Argus data to index physical trade and as benchmarks in financial derivative markets, as well as for analysis and planning purposes.

P&I

£34.6m invested on behalf of HGT, including £5m in co-investment

In March 2020, Hg completed an investment in Personal & Informatik AG ('P&I'), a leading provider of cloud-based HR software, headquartered in Germany. This acquisition, via the Hg Saturn Fund, valued the business at an enterprise value of €2 billion. The seller, Permira, will remain invested in P&I, with a substantial minority stake.

VISMA®

£31.6m invested on behalf of HGT

In June 2020, Hg completed a further investment in Visma, a leading provider of business-critical software to private and public enterprises in the Nordic, Benelux and Baltic regions, via the Hg Saturn 2 Fund.

Intelerad
Making a difference in healthcare

£31.2m invested on behalf of HGT

In February 2020, Hg completed an investment in Intelerad Medical Systems ('Intelerad'), a leading global provider of medical imaging software and enterprise workflow solutions, via the Hg Genesis 8 Fund. Founded in 1999, Intelerad specialises in diagnostic viewing, reporting and collaboration solutions for radiologists. Headquartered in Montreal, the business has over 400 employees located in offices in Canada, the US, the UK and Australia. The company serves over 300 healthcare organisations around the world, including radiology groups, imaging centres, clinics and reading groups, with a strong and growing presence in hospital imaging departments. Healthcare IT is a core sector for Hg, with an investment focus on healthcare operations, core systems, life sciences digitisation, interoperability and population health. Intelerad represents the fifth healthcare technology investment in Hg's current portfolio.

smartTrade

£17.5m invested on behalf of HGT, including £10m in co-investment

In February 2020, Hg announced an investment in smartTrade Technologies ('smartTrade'), a leader in multi-asset electronic trading solutions, via the Hg Mercury 2 Fund. The transaction completed in March 2020. Headquartered in France, smartTrade is a managed services and hosted software provider for trading desks, enabling its global client base of financial institutions to develop and run high-performance trading platforms throughout the world. Hg has been investing in capital markets & wealth and asset management technology for almost 20 years and has known the smartTrade team since 2015. During this time, Hg has recognised smartTrade as a truly innovative business with an exceptional leadership team, which has developed leading modular solutions used by sell-side and buy-side market participants. With continued potential for growth, smartTrade is a compelling fit with Hg's expertise and capabilities.

Further detail on investments as at 30 June 2020 can be found on pages 52–65.

To view our press releases, please visit **www.hgcapitaltrust.com/news-insights/press-releases/year/2020**

Further investments

Achilles

£11.0m invested on behalf of HGT

In January 2020, HGT made a further investment in Achilles, structured as a debt instrument via the Transition Capital Fund. This will be used to implement the roll-out of new technology which will complete the migration of the business onto a new platform called 'my.Achilles'.

New investments since the period end

SOVOS

Estimated £43.6m invested on behalf of HGT

In August 2020, Hg announced an investment in Sovos, a global tax software provider, via the Hg Saturn 2 Fund, alongside TA Associates.

F24

Estimated £10.5m invested on behalf of HGT, including £2.5m in co-investment

In July, Hg announced that it had entered into an agreement to invest in F24, a pan-European sector leader for emergency notification, crisis and incident management and critical communications, headquartered in Munich, Germany. Hg will invest in a stake currently owned by Armira and co-founder Ralf Meister, to become the majority shareholder in the business.

Evaluate

£11.5m invested on behalf of HGT, including £2.5m in co-investment

In August, Hg completed an investment in Evaluate Ltd, a leading provider of commercial intelligence and predictive analytics to the pharmaceutical industry. This investment is to continue to build out capabilities which support pharmaceutical portfolio optimisation and R&D productivity, accelerating investment in innovation and data science capabilities and enabling options for further expansion. Hg will now become the majority shareholder in Evaluate.

Further investments since the period end

VISMA®

Estimated £24.3m invested on behalf of HGT

In August 2020, Hg announced a further majority investment in Visma, a leading provider of business-critical software to private and public enterprises in the Nordic, Benelux and Baltic regions, valuing the company at US$12.2 billion, in the world's largest-ever software buyout. This investment was made alongside new investors, Warburg Pincus and TPG, as well as existing investor CPPIB.

Further detail on investments as at 30 June 2020 can be found on pages 52–65.

To view our press releases, please visit **www.hgcapitaltrust.com/news-insights/press-releases/year/2020**

About HgCapital Trust
Hg's review
Financial statements
Further information

Realisations

Over the course of the period, Hg has returned a total of £106 million to its clients, including £51 million to HGT.

While exits over the first 6 months of 2020 were slower in pace than over the very active last few years, we continue to look at opportunities to realise proceeds for our investors.

We have also taken advantage of buoyant debt markets during the period by refinancing investments where we have good visibility of their future earnings, returning cash proceeds to our clients, including HGT, and we will continue to assess further opportunities.

Full exits in the six months to 30 June 2020

e-conomic

£2.3m returned to HGT

In January 2020, Hg realised its residual holding in e-conomic, a leading European software as a service ('SaaS') accounting solutions provider to SMEs based in Denmark.

Partial exits in the six months to 30 June 2020

VISMA

£47.0m returned to HGT

In June, HGT completed the sale of a portion of its co-investment in Visma, a leading provider of business-critical software to private and public enterprises in the Nordic, Benelux and Baltic regions, in order to help to fund future investments and additionally to reduce concentration levels within the portfolio.

Full exits since the period end

SOVOS

Estimated £139.2m realised on behalf of HGT

In August, Hg announced the sale of Sovos, a global tax software provider, from the Hg Genesis 7 Fund, at an uplift of 55% to the 31 December 2019 book value. Hg will be re-investing in Sovos alongside TA Associates, via the Hg Saturn 2 Fund.

Press release: www.hgcapitaltrust.com/news-insights/press-releases/2020-08/sovos-gain-new-investment-hg-saturn-and-ta-associates

The Citation Group

Estimated £25.8m realised on behalf of HGT

In August, Hg announced the sale of Citation Group – a leading provider of subscription-based HR and employment law, health and safety and ISO services to SMEs – to KKR, a leading global investment firm. This realisation was at an uplift of 26% to the 31 December 2019 valuation.

Press release: www.hgcapitaltrust.com/news-insights/press-releases/2020-08/hg-announces-kkr-investment-citation

Evaluate

Estimated £10.8m realised on behalf of HGT

In August, Hg completed the sale of and investment in Evaluate Ltd, a leading provider of commercial intelligence and predictive analytics to the pharmaceutical industry. The sale of Evaluate represented an uplift of 40% to the 31 December 2019 valuation of HGT's stake.

Press release: www.hgcapitaltrust.com/news-insights/press-releases/2020-08/evaluate-ltd-secures-additional-investment-hg-drive-further

Partial exits since the period end

VISMA

Estimated £135.0m realised on behalf of HGT

In August, Hg announced the partial sale of Hg Genesis 7's investment in Visma, a leading provider of business-critical software to private and public enterprises in the Nordic, Benelux and Baltic regions. This will represent an uplift of 22% to the 31 December 2019 valuation of HGT's stake.

Press release: www.hgcapitaltrust.com/news-insights/press-releases/2020-08/hg-leads-further-majority-investment-visma-valued-us122

Further detail on investments as at 30 June 2020 can be found on pages 52–65.

To view our press releases, please visit **www.hgcapitaltrust.com/news-insights/press-releases/year/2020**

Summary of investment and realisation activity

Investments made during the period

Company	Cluster	Location	Cost £000
Argus Media	Capital Markets & Wealth Management IT	UK	34,807
P&I	ERP & Payroll	Germany	34,584
Visma	Tax & Accounting/ERP & Payroll	Scandinavia	31,617
Intelerad	Healthcare IT	North America	31,152
smartTrade	Capital Markets & Wealth Management IT	France	17,458
Other			4,273
New investments			153,891
Achilles	Legal & Regulatory Compliance	UK	11,031
Other			4,546
Further investments			15,577
Total investments on behalf of HGT			**169,468**

Realisations made during the period

Company	Cluster	Exit route	Proceeds[1] £000
e-conomic	Tax & Accounting	Deferred proceeds	2,319
Full realisations			2,319
Visma	Tax & Accounting/ERP & Payroll	Secondary sale	47,036
Other			1,615
Partial realisations			48,651
Total proceeds from realisations			**50,970**
Carried interest paid to the Manager			–
Total proceeds from realisations received by HGT			**50,970**

[1]Includes gross revenue received during the period ended 30 June 2020.

"All businesses have been affected by the global COVID-19 pandemic over the first half of 2020. However, we remain confident that, for shareholders with a long-term investment horizon, our distinctive style of private equity investing will continue to deliver outperformance for HGT's shareholders."

Luke Finch, *Partner and Head of Client Services, Hg*

Investments

Hg invests in companies across eight clearly identified 'clusters' which focus on managing business-critical activities for their end customers, such as delivering legal and health and safety advice to many thousands of businesses globally, helping companies to pay taxes and payroll, deliver healthcare services or manage supply chains. By their nature, these types of company and their business models are highly resilient and should prove themselves to be less disrupted by the macro-economic backdrop (pandemic induced or otherwise) than is the broader economy. So far, these businesses have, indeed, weathered the storm of COVID very well, yet, nonetheless, with a severe global recession now the backdrop for the rest of 2020 and beyond, it is important to note the potential challenges ahead.

Within the private equity markets as a whole, deal activity has, understandably, reduced. However, such activity has tended to focus on the types of business we own: those with clearly identified business drivers, the strongest of market positions and with attractive growth prospects to continue to trade – and we have benefited from this.

We expect this investment activity to continue as we seek to back the types of company described above – businesses which, in many cases, we have been tracking for several years. In 2020, we have already announced or closed investments in Argus Media, P&I, Visma, Intelerad and smartTrade – across the Saturn, Genesis and Mercury funds.

In all cases, we have leveraged our increasing knowledge and experience into our investment judgement and sought to complete only those deals with compelling return prospects and where we are cognisant of the risks involved.

As ever, bolt-ons and more strategic M&A within the portfolio remain a key focus for our deal teams. Across the current portfolio, we have multiple live M&A situations, while MediFox, Access, Visma, Mitratech, Sovos and IT Relation have already signed meaningful bolt-ons in 2020. M&A remains a highly effective tool for value creation in the fragmented markets in which our market-leading platforms tend to operate.

In addition to the investment activity outlined above during the first half of the year, we have announced new investments into Evaluate, Sovos and Visma, over the last few weeks. These three businesses are all companies in which Hg has previously been invested. We are confident, therefore, in the robustness of their business models and their future growth prospects in these uncertain times. We will continue to support companies we know well and have already backed for several years – providing fresh capital to buy out other shareholders or to fund M&A – which remains a major theme in our deployment for the next 12 months.

Realisations

Reporting to you in May 2020, we stated that we would continue to focus on opportunities to crystallise value across our portfolio and return money to our clients, including HGT. We have several exit and refinancing processes already announced, currently under way or specifically planned for the coming months.

A handful of these processes was planned for Q2 2020 and was then delayed by the rapid deterioration of the COVID-19 crisis. However, we are very pleased to see that buyers' appetite for the types of business in which Hg invests has quickly returned. Post 30 June, we have signed the exits of four portfolio companies. These exits will see £2.4 billion returned to clients of Hg, including over £250 million net of carried interest to HGT through the sales of Visma, Sovos, Citation and Evaluate – all at significant uplifts to their 30-June book value (an average of 34% across these four realisations).

Buyers of these businesses include some of the largest private equity investment firms in the world, such as KKR, Warburg Pincus, TPG and TA Associates, and some major institutional investors like GIC and Canada Pension Plan, reflecting the appetite which these large investment firms have to invest their capital into proven, resilient businesses which have demonstrated the ability to drive organic growth throughout the COVID-19 crisis so far, as have these four companies.

We anticipate further exits to a mix of trade and financial investors in the coming quarters.

Outlook

HGT published its annual report and accounts on 9 March as the COVID-19 situation was starting to escalate. As we highlighted at that time and iterated in our Q1 report, we expected the pandemic to have a limited direct impact on Hg's portfolio, given the defensive growth characteristics of the portfolio and our low exposure to the most immediately affected industries, such as travel and retail.

Our companies remain focused on selling business-critical and non-discretionary software and services to their underlying customers, typically with highly predictable business models and high levels of robust, recurring revenue. Nevertheless, we do expect to encounter the headwinds of lower global growth in 2020, with the latest (June) IMF forecast for 2020 showing an 8.0% GDP decline for advanced economies (mainly US, Europe and Japan). This is materially worse than the global financial crisis and also a significant worsening versus the April forecast of a 6.1% decline. While it is possible that some of our investments may deliver year-on-year declines in organic performance against this backdrop, we still expect that the portfolio will, in aggregate, continue to deliver growth over the medium and long term. Our companies typically benefit from compelling market positions in their respective verticals; so, we would expect any market weakness to allow our companies to not only take relative market share, but also benefit further from M&A opportunities which present themselves.

The public markets are demonstrating confidence in the growth prospects of listed businesses similar to ours. Although public market valuations were unusually volatile in the first half of the year, these have now recovered. By 30 June, the S&P500 Software and Services Index (which has historically correlated well with our portfolio) was above its December-2019 valuation on an LTM EV:EBITDA basis. EBITDA growth over the first half has driven index performance ahead of the valuation movement, and the overall index level at 30 June 2020 was at February-2020 pre-COVID-19 peak levels.

While COVID-19 has induced significant short-term volatility, we also see clear evidence that it is accelerating the structural trends which underpin Hg's long-term investment philosophy. Microsoft's CEO, Satya Nadella, in its April earnings call, stated: "We've seen two years' worth of digital transformation in two months."[1] This was backed up by data such as Microsoft Teams meetings usage increasing (measured by total minutes of meetings) by nearly 400% in under three weeks during the US's pre- to post-lockdown[2]. In its April quarter, Zoom took on approximately six years' worth of customers in just three months. Across the Hg portfolio, we have seen similar trends, with a rapid shift, for example, towards e-invoicing, as customers look to reduce physical contact levels.

The impact of cloud technologies is not only the improved financial and operational characteristics of delivering software to end customers, but also the ability to sell and implement customer solutions an order of magnitude faster than previously achievable. By way of a single example in our portfolio: alongside the immense achievement of constructing the NHS Nightingale Hospital, London, in under two weeks, came the need to deploy a software platform to roster up to 30,000 staff at the hospital – we are extremely proud that Hg portfolio company Allocate was able to implement its Healthroster Optima SaaS solution in just a few days, in time to have the hospital fully staffed for opening[3].

Summary

In summary, despite these uniquely challenging times, Hg believes that the combination of the long-term nature of private equity investment, the unique Hg investment model, the types of business in which Hg invests and the scale of the structural opportunities which these can deliver will continue to drive long-term growth for investors.

As we manage through this crisis, Hg will maintain a focus on the best course of action for society, not only for our investors, but also for all of the stakeholders towards which we, as a responsible investor, have a duty of care.

[1]https://www.microsoft.com/en-us/microsoft-365/blog/2020/04/30/2-years-digital-transformation-2-months/
[2]https://www.microsoft.com/en-us/microsoft-365/blog/2020/04/09/remote-work-trend-report-meetings/
[3]https://www.allocatesoftware.co.uk/healthroster-optima-deployed-to-e-roster-staff-at-nhs-nightingale-hospital-london/

Overview of the underlying investments

held through HGT's limited partnerships

Investments (in order of value)	Fund	Cluster	Location	Year of investment	Residual cost £000	Unrealised value[1] £000	Value %	Cum. value %
1 Visma	HGT 7/HGT/ HGT Saturn	Tax & Accounting/ERP & Payroll	Scandinavia	2014	107,849	224,602	20.2	20.2
2 Sovos Compliance	HGT 7/HGT	Tax & Accounting	N. America	2016	26,177	112,563	10.1	30.3
3 IRIS	HGT Saturn	Tax & Accounting/ERP & Payroll	UK	2018	36,380	64,921	5.8	36.1
4 Access	HGT 8	ERP & Payroll	UK	2018	30,491	63,955	5.8	41.9
5 P&I	HGT Saturn/HGT 7/HGT	ERP & Payroll	Germany	2020	36,380	61,526	5.5	47.4
6 Litera	HGT 8	Legal & Regulatory Compliance	N. America	2019	34,242	49,192	4.4	51.8
7 Transporeon	HGT 8/HGT	ERP & Payroll	Germany	2019	42,192	46,044	4.1	55.9
8 team.blue	HGT8/Mercury 2	SME Tech & Services	Benelux	2019	24,240	39,521	3.6	59.5
9 Azets[2]	HGT 7/HGT	Tax & Accounting	UK	2016	20,966	37,757	3.4	62.9
10 Mobility Holding	HGT 8	Automotive	Germany	2017	33,967	37,241	3.3	66.2
11 Argus Media	HGT Saturn/HGT	Capital Mrkts & Wealth Mgmt IT	UK	2020	34,807	36,961	3.3	69.5
12 Intelerad	HGT 8	Healthcare IT	N. America	2020	31,152	28,795	2.6	72.1
13 Mitratech	HGT 7/HGT	Legal & Regulatory Compliance	N. America	2017	22,258	27,076	2.4	74.5
14 Allocate	HGT 8	Healthcare IT	UK	2018	13,959	24,688	2.2	76.7
15 FE fundinfo	Mercury/Mercury 2	Capital Mrkts & Wealth Mgmt IT	UK	2017	6,687	23,223	2.1	78.8
16 Citation	HGT 7	Legal & Regulatory Compliance	UK	2016	7,904	23,103	2.1	80.9
17 IT Relation	HGT 8	SME Tech & Services	Scandinavia	2018	16,037	21,105	1.9	82.8
18 TeamSystem	HGT 6	Tax & Accounting/ERP & Payroll	Italy	2010	144	20,000	1.8	84.6
19 BrightPay	Transition Capital	ERP & Payroll	Ireland	2018	14,683	19,830	1.8	86.4
20 MediFox	Mercury 2/HGT	Healthcare IT	Germany	2018	11,776	19,027	1.7	88.1
21 APG	HGT 7	Insurance	UK	2015	1,697	18,252	1.6	89.7
22 smartTrade	Mercury 2/HGT	Capital Mrkts & Wealth Mgmt IT	France	2020	17,458	17,412	1.6	91.3
23 Achilles	HGT	Legal & Regulatory Compliance	UK	2008	28,328	16,500	1.5	92.8
24 Commify	Mercury/HGT	SME Tech & Services	UK	2017	4,080	13,467	1.2	94.0
25 Lyniate	Mercury 2	Healthcare IT	N. America	2018	10,528	12,014	1.1	95.1
26 Evaluate	Mercury	Healthcare IT	UK	2016	3,745	9,840	0.9	96.0
27 STP	Mercury	Legal & Regulatory Compliance	Germany	2016	4,260	9,631	0.9	96.9
28 Eucon	Mercury	Automotive/Insurance	Germany	2015	4,658	7,774	0.7	97.6
29 Trace One	Mercury	Legal & Regulatory Compliance	France	2016	493	5,371	0.5	98.1
30 Project Road	Mercury 2	Insurance	Germany	2020	4,274	4,709	0.4	98.5
31 Silverfin	Mercury 2	Tax & Accounting	Benelux	2019	3,214	3,608	0.3	98.8
32 EidosMedia	HGT 7	SME Tech & Services	Italy	2015	7,467	2,603	0.2	99.0
Non-active investments (5)					26,110	5,309	0.5	99.5
Total buyout investments (37)					668,603	1,107,620	99.5	99.5
Currency hedges	Various	Forward sale of US$ and €			–	2,205	0.2	99.7
Secondary fund interests	Hg 6E	Secondary fund interests			–	1,286	0.2	99.9
Renewable energy	Asper I	Renewable energy			5,039	816	0.1	100.0
Total all investments					673,642	1,111,927	100.0	

[1] Including accrued income but before the provision for carried interest of £71,374,000.
[2] Formerly CogitalGroup.

Top 10 investments

representing 66% of the value of HGT's investments

Investments are held through limited partnerships, of which HGT is the sole limited partner. HGT invests alongside other clients of Hg. Typically, HGT's holding forms part of a much larger majority interest held by Hg's clients in buyout investments in companies with an enterprise value ('EV') of between £75 million and over £5 billion.

Hg's review generally refers to each transaction in its entirety, apart from the tables detailing HGT's participation or where it specifically says otherwise.

VISMA

a leading provider of mission-critical business software to SMEs in Northern Europe

01	Investment date	Location	Cluster	Website
	August 2014	Scandinavia	Tax & Accounting/ERP & Payroll	visma.com

HGT's investment through HGT 7 LP, HGT Saturn LP, HGT Saturn 2 LP and co-investment through HGT LP	
Hg clients' total equity:	62.7%
Unrealised value (£000):	224,602
% of NAV:	20.5%

●●●○ Recurring revenue

●●●● Long-term growth

●●●● Thousands of customers

●●●● Platform for M&A

Visma produces detailed reporting on its website on a quarterly basis: https://www.visma.com/investors/financial-reports/

Visma case study: hgcapital.com/case-studies/visma-joining-the-fight-against-unconscious-discrimination-towards-women-in-business/

Business description

Visma provides business-critical software to SMEs and the public sector in the Nordic and Benelux regions. Headquartered in Oslo, with significant revenues in Scandinavia and the Netherlands, Visma provides the following services to its customer base of more than a million enterprise customers: accounting; resource-planning and payroll software; transaction-process-outsourcing, such as debt collection and procurement services. It is the largest European provider of SaaS to these sectors, with over €850 million in pure SaaS revenues.

Why we invested

Visma is an early example of Hg partnering with a business with recurring revenues, offering business-critical application software, supplying a fragmented customer base – a focus which forms some of our key 'sweet-spot' investment criteria today. At the time of our initial 2006 acquisition, we had identified opportunities for Visma to grow its existing segments and acquire new ones – and to further transition the business to a SaaS-focused model.

Value creation

Visma has consistently outperformed, generating a total return during 2006–14 of 5.2x original cost and a gross IRR of 33%. In 2014, Hg reinvested in the business for a 31% stake, via Hg Genesis 7 and co-investment, alongside KKR and Cinven, valuing the business at an EV of £2.1 billion. In 2017, Hg announced a further investment in Visma, valuing the business at an EV of £4.2 billion. In 2018, Hg made an additional investment in Visma via Hg Saturn. In 2019, Hg agreed to acquire the remaining Cinven stake, alongside the Canada Pension Plan Investment Board, at an implied EV of £5.5 billion. In 2020, Hg Saturn 2 Fund acquired around a further 8% of Visma at an EV of NOK 83 billion. Following the partial sale of HGT's co-investment in June, August 2020 saw Hg lead the partial sale and further majority investment in Visma, valuing the company at US$12.2 billion, in the world's largest-ever software buyout. This valued the company at 22% over its carrying value as at 31 December 2019.

Since 2006, Visma has acquired over 180 companies across the Nordic and Benelux regions. These transactions have strengthened organic growth from innovation in new products, as well as driving margin improvement through a reorganisation of Visma's internal processes. Visma is now positioned as one of the leading and largest SaaS companies in Europe.

Performance

Visma continues to see strong double-digit revenue and EBITDA growth year on year. This has led to HGT's valuation of its stake in Visma rising by £65 million over the first six months of 2020.

Exit

Given the attractive elements of Visma's business model, the management strength and upside potential from the SaaS transition, Hg would like to continue to support Visma's next stage of development. The scale and growth profile of Visma would make it an attractive candidate for an initial public offering ('IPO') or a large private IPO.

sovos

managing all aspects of the tax compliance process, from tax calculation to secure funds transfer

02	Investment date	Location	Cluster	Website
	March 2016	North America	Tax & Accounting	sovos.com

HGT's investment through HGT 7 LP and co-investment through HGT LP	
Hg clients' total equity:	91.7%
Unrealised value (£000):	112,563
% of NAV:	10.3%

●●●● Recurring revenue

●●●● Long-term growth

●●●○ Thousands of customers

●●●● Platform for M&A

Business description

Sovos is a global provider of compliance solutions, managing all aspects of the tax compliance process, from tax calculation, forms completion and ultra-high volume filing to secure funds transfer to state and local revenue departments. At the heart of the Sovos software suite is a powerful tax calculation engine which leverages the industry's most comprehensive repository of over 210 million tax rules, in more than 13,500 jurisdictions, across in excess of 200 countries. Sovos is headquartered in Boston, US, with a presence in Europe and Latin America, with most of the revenue generated from a US customer base of around 4,500 predominantly large enterprises.

Why we invested

Hg tracked Sovos for two years, as we identified the company as a scale specialist in tax compliance for enterprise customers. We also saw the potential to expand the company outside of the US market. Sovos sits right in the 'Hg sweet-spot', with a strong and predictable business model, including around 95% contractually recurring revenue; a fragmented, loyal customer base; high margins; robust cash conversion. Sovos's largest, core products have achieved close to double-digit organic revenue growth.

Value creation

In addition to continuing to grow revenues organically, Sovos has a strong track record of acquiring and successfully integrating tax compliance software companies. The market remains fragmented and hence we believe that there are many attractive opportunities for Sovos to grow by acquisition. There is additional potential through further margin improvement.

Sovos has completed several acquisitions since partnering with Hg in 2016, while Hg continues to support management in further M&A opportunities, as well as key pricing improvement initiatives and in operationalising the customer success team, leading to higher customer loyalty.

In August 2020, Hg announced the sale of Hg Genesis 7's investment and associated co-investment in Sovos and a further investment in the business, alongside TA Associates, at an uplift of 55% to its holding value as at 31 December 2019.

Performance

Sovos has seen rapid growth since our initial investment, driven by strong organic growth in its core products. We have also been successful in deploying material capital into M&A and see several additional opportunities ahead of us. HGT has benefited from an increase of £23.0 million in the valuation of its stake over the first half of 2020.

Exit

We believe that Sovos will be an attractive acquisition target for private equity buyers, given its high levels of organic revenue growth, EBITDA margins and market positioning; however, with strong cash generation, we also see an IPO as a potential route to exit. Lastly, there are several notable potential trade buyers.

IRIS

business-critical software & services to liberate the time, talent & energy of UK businesses

03	Investment date	Location	Cluster	Website
	September 2018	UK	Tax & Accounting/ERP & Payroll	iris.co.uk

HGT's investment through HGT Saturn LP	
Hg clients' total equity:	65.0%
Unrealised value (£000):	64,921
% of NAV:	5.9%

Recurring revenue

Long-term growth

Thousands of customers

Platform for M&A

For a full case study on IRIS, visit: www.hgcapitaltrust.com/investment-portfolio/case-studies/iris.aspx

Business description

IRIS is a UK-based software company, serving over 60,000 customers in the accountancy, human capital management, education and bookkeeping segments.

It is a leading provider of core application software to UK and US accountants and of payroll applications to UK SMEs, including general practitioners.

With a highly recurring business model, over 85% of IRIS's revenues are from software and managed service subscriptions, many based on annual renewals paid in advance.

Why we invested

IRIS is an early example of our focus on firms which provide business-critical daily-use software for professionals and SMEs in attractive, predictable end markets. The original investment decision was based on the potential for organic growth and acquisition-led consolidation opportunities.

Value creation

The long-standing partnership between Hg and IRIS started with the 2004 buyout (£102 million EV) led by Hg, followed by retaining a minority shareholding after the sale to Hellman & Friedman in 2007. In 2011, we again became the majority shareholder through the Hg Genesis 6 Fund. In May 2018, Hg Genesis 6 agreed on the sale of IRIS to Hg Saturn and ICG, in a joint-control deal which completed in September 2018, representing an EV of £1.3 billion.

IRIS has been successful in expanding its offering, both organically and by acquisition into segments such as payroll, HR and education software. It continues to deliver added value to its customers, through regular regulatory and feature updates, leading to high customer loyalty. The strong level of reinvestment into innovative product development and outstanding customer support has continued to fuel outperformance, compared with other providers. The UK accountancy and SME software markets remain fragmented, offering further M&A opportunities, and we believe there to be a substantial upside in developing or acquiring SaaS products to target adjacent sectors.

Performance

IRIS has been able to maintain strong levels of organic revenue and EBITDA growth across market cycles. For the past few years, revenues have seen double-digit growth rates year on year.

Exit

We believe that IRIS will be an attractive acquisition target for financial buyers, as it demonstrates high levels of organic revenue growth, strong net recurring revenue and high EBITDA margins, coupled with a leading sector position. We also see an IPO as a potential route to exit, given predictable growth and strong cash generation. Lastly, there are several potential strategic buyers.

access

a leading provider of fully-integrated business management software to UK mid-market organisations

04

Investment date	Location	Cluster	Website
June 2018	UK	ERP & Payroll	theaccessgroup.com

HGT's investment through HGT 8 LP	
Hg clients' total equity:	32.1%
Unrealised value (£000):	63,955
% of NAV:	5.8%

●●●○ Recurring revenue

●●●● Long-term growth

●●●● Thousands of customers

●●●● Platform for M&A

Business description
Founded in 1991, the Access Group ('Access') is a leading enterprise resource-planning ('ERP') business, providing a range of horizontal and industry-specific software solutions to SME, mid-market and enterprise customers in the UK, Ireland and Australia. Access's software helps over 35,000 businesses, public-sector and not-for-profit organisations to work efficiently, with expertise across numerous industries. When Hg invested in the business in June 2018, the previous owner of Access, TA Associates, elected to roll a material proportion of its existing investment alongside Hg, because of its ongoing belief in the business's potential. Hg is, therefore, a co-control shareholder in the company, alongside TA Associates.

Why we invested
The investment in Access builds on Hg's previous experience in the SME software, tax & accounting software and HR & payroll software spaces. Access demonstrates many of the characteristics which Hg seeks in an investment, including business-critical software and potential for M&A. Access benefits from a high-quality management team, led by a strong CEO and an impressive team of functional leaders.

Value creation
Following Hg's investment, we have been focused on several work streams with the business, including: M&A support; encouraging the transition to a fully SaaS and subscription sales model; continuing to improve customer success; developing a data-driven predictive model to support the company's cross-sell efforts.

Performance
Access has traded well since our investment, with bookings' momentum remaining strong through FY20, despite headwinds from COVID-19. Growth remains robust, with the business seeing double-digit organic recurring revenue growth in FY20. This has led to HGT's valuation of its stake in Access rising by £7.0 million for the year to date.

Exit
We believe that Access will be an attractive acquisition target for private equity buyers, as it demonstrates high levels of organic revenue growth, strong recurring revenue and robust EBITDA margins. We also see an IPO as a potential route to exit, given the business's growth profile and strong cash generation. Lastly, there are several notable potential trade buyers.

P&I
PURE HR

providing integrated software for human resources management to the German and European Mittelstand

05	Investment date	Location	Cluster	Website
	March 2020	Germany	ERP & Payroll	pi-ag.com

HGT's investment through HGT 7 LP, HGT Saturn LP and co-investment through HGT LP	
Hg clients' total equity:	64.4%
Unrealised value (£000):	61,526
% of NAV:	5.6%

●●●● Recurring revenue

●●●● Long-term growth

●●●● Thousands of customers

●●●○ Platform for M&A

For a full case study on P&I, visit: www.hgcapitaltrust.com/investment-portfolio/case-studies/p-and-i.aspx

Business description

Founded in 1968 and headquartered in Wiesbaden, Germany, Personal & Informatik AG ('P&I') provides integrated software solutions and services for human resources management. P&I offers a fully integrated SaaS-based HR suite, including payroll, core HR, human capital management and analytics, serving more than 15,000 customers, ranging from SMEs to large enterprises and public sector organisations of all sizes. While the customer base is primarily in Germany, Austria and Switzerland, P&I also serves customers, via its partners, across 13 countries in Europe.

Why we invested

Hg is a serial investor in the regulatory-driven software space and continues to see attractive, long-term growth for leading and innovative players in the sector. P&I's scalable subscription-based platform exhibited characteristics within Hg's core focus: a broad, diversified and loyal customer base; exceptional historical operating performance; over 10 years' consistent revenue and EBITDA growth.

P&I is highly rated among both its customers and the market for the quality of its products. The organisation (particularly the sales force) is very well managed and highly efficient.

Value creation

Hg initially took P&I private via a public takeover offer in 2013 and retained a residual investment in 2016, following its majority sale to funds advised by Permira – which delivered a 36% IRR and 2.3x original cost investment multiple.

P&I is a driver of innovation in HR technology and stands out in the German Mittelstand HR software space as the only provider of a fully integrated payroll and HCM SaaS suite for the mid market. Its advanced SaaS product set allows HR tasks to be managed in the most modern and efficient manner, delivering strong value to its customers and a truly differentiated experience to its users. In March 2020, Hg completed an investment via the Hg Saturn Fund to become the majority shareholder, which valued the company at an enterprise value of around €2 billion.

Performance

P&I continues to perform well and has seen strong growth over the last year. This performance and the transaction completed in March 2020 have led to an increase of £7.0 million in the valuation of HGT's stake since December 2019.

Exit

We believe that the combination of an increase in recurring revenues, high cash flow conversion and a strong product will be highly attractive at exit for both trade and financial buyers.

LITERA

changes the way organisations perfect their documents and manage transactions

06	Investment date	Location	Cluster	Website
	May 2019	North America	Legal & Regulatory Compliance	litera.com

HGT's investment through HGT 8 LP	
Hg clients' total equity:	87.0%
Unrealised value (£000):	49,192
% of NAV:	4.5%

●●●● Recurring revenue

●●●● Long-term growth

●●●○ Thousands of customers

●●●● Platform for M&A

Business description
Litera is a leading provider of software for law firms and document-intensive organisations across the globe, helping them to satisfy clients' demands. Its core products empower users to draft, proofread, compare, clean and distribute high-quality content, quickly and securely, from any device. Litera Transact converts the manual, tedious process of managing transactions by creating a secure, collaborative workspace and automating the entire signature process.

Why we invested
Litera exhibits several typical 'Hg sweet-spot' business model criteria: a leading provider of a differentiated set of products, with a clear ROI for lawyers and other customers; high customer loyalty; attractive and high-quality recurring revenue model; potential for M&A; a fragmented customer base; cross-sell opportunities into the established customer set, supplemented by potential new customers; high operating leverage which should provide margin upside as the business grows.

Value creation
In July 2019, Litera acquired Workshare, a UK provider of secure enterprise file-sharing and collaboration applications. The combination has created a leader in document productivity tools and transaction applications for law firms. Litera has since acquired Doxly (a legal transaction management platform based in Indianapolis), Best Authority (a legal drafting application for legal citation management) and BestPractix (an AI-powered contract-drafting application). Hg is focused on supporting the Board and management team in the successful operational integration of Workshare and Doxly, specific operational initiatives and continuing to drive further add-on acquisitions of complementary legal software vendors.

Performance
Litera has seen a strong start to its partnership with Hg with the four completed acquisitions. The business is seeing strong trading – and this has led to an increase of £9.3 million in HGT's valuation of its stake over the first half of 2020.

Exit
Given its attractive characteristics, we believe that Litera could be of interest to both strategic and financial buyers.

TRANSPOREON

a cloud logistics platform with strong network effects, connecting shippers & carriers world-wide

07

Investment date	Location	Cluster	Website
March 2019	Germany	ERP & Payroll	transporeon.com

HGT's investment through HGT 8 LP and co-investment through HGT LP	
Hg clients' total equity:	75.3%
Unrealised value (£000):	46,044
% of NAV:	4.2%

●●●● Recurring revenue

●●●● Long-term growth

●●●○ Thousands of customers

●●●○ Platform for M&A

Business description
Transporeon provides cloud-based logistics network and transport-management software for road freight in Europe. The platform enables hundreds of thousands of trucks to be booked and tracked as they haul freight in trailers across the Continent.

As a leader in the sector, the business benefits from strong network effects, connecting 100,000 users across over 90,000 carriers and more than 1,200 shippers, using a modern SaaS platform available in over 100 countries and 24 languages. Its software offers customers more efficient tendering, dispatching and scheduling, along with better communication between the shippers looking to move freight by road and the carriers providing the trucks.

Why we invested
Transporeon is a highly strategic asset, operating in an industry with material room for growth, through new and existing clients, in line with historical levels. The business has seen uninterrupted double-digit revenue CAGR for the past 15 years across all market cycles. Transporeon exhibits several 'Hg sweet-spot' business model criteria, including: high net revenue retention; high customer loyalty; a strong position in an expanding sector; considerable growth opportunities from new customers, as well as broader adoption by its current customer base through up- and cross-sell.

Value creation
Transporeon has undergone major management change under Hg's ownership (new CEO, CFO, CCO and CMO). With the new team in place, we now view the company as well placed to capitalise on opportunities for further operational efficiencies. Additionally, certain learnings from COVID-19 will be introduced permanently and should result in lower costs (eg remote implementations). Further to operational improvements, we identified M&A targets – this could drive value creation further.

Performance
Transporeon had a strong start to 2020; however, the second quarter was affected by COVID-19. Overall, the business performed very resiliently and continued to grow throughout the first half of 2020, albeit more slowly than had been anticipated. The business is now returning to the pre-COVID-19 growth trajectory. HGT has benefited from an increase of £3.5 million in the valuation of its stake over the period.

Exit
We believe that Transporeon will be a highly strategic asset to other software or service providers in the broader transportation management space and is also likely to continue to be a very attractive company for PE buyers on the back of high net revenue retention, strong cash conversion and a long-term organic growth story.

teamblue

a leading digital enabler for companies and entrepreneurs across Europe

08	Investment date	Location	Cluster	Website
	March 2019	Benelux	SME Tech & Services	team.blue

HGT's investment through HGT 8 LP and HGT Mercury 2 LP	
Hg clients' total equity:	30.0%
Unrealised value (£000):	39,521
% of NAV:	3.6%

Recurring revenue

Long-term growth

Thousands of customers

Platform for M&A

Interview with team.blue CEO: hgcapital.com/insight/holding-on-to-your-entrepreneurial-spirit-a-view-from-the-top-with-jonas-dhaenens/

team.blue case study: hgcapital.com/case-studies/team-blue-bringing-together-entrepreneurs-to-create-a-new-leader/

Business description

team.blue is a leading European provider of mass hosting services to SoHos (small offices/home offices) and SMEs active across Europe (the Netherlands, Belgium, Denmark, Ireland, the UK, Italy, Portugal, Turkey and Bulgaria), with a growing presence in Sweden, Switzerland and Spain. The business has more than 2 million customers and is a one-stop partner for web hosting, domains, e-commerce and application solutions.

Hg invested initially in Combell Group in March 2019 – focused mainly on the Belgian and Danish markets, with a smaller presence in the Netherlands, before supporting the transformational acquisition of TransIP Group in June 2019, also focused on the Netherlands. Finally, in September 2019, team.blue acquired Register Group (a Mercury 2 portfolio company) – focused on growth markets in Southern Europe, Italy and Spain, as well the UK and Ireland. Following these acquisitions, the combined group rebranded as team.blue.

Why we invested

This investment represents Hg's eighth investment in the SME tech services cluster, with other recent hosting investments including Zitcom (2015), DADA (2017) and IT Relation (2018). team.blue shows similar characteristics to these businesses, having consistently delivered strong organic revenue growth, best-in-class customer satisfaction metrics and an exceptional M&A track record. TransIP is a leading Dutch hosting and virtual private server ('VPS') provider which we had been tracking for several years, before our investment in Combell. It has highly attractive consolidation potential and similarly positive financial characteristics: high recurring revenues; robust underlying organic growth; strong EBITDA margins.

Value creation

Our future focus will be on accelerating organic growth in the core business, supported by commercial initiatives (eg packaging), while continuing roll-up M&A in the fragmented European hosting segment as it delivers on its differentiated strategy of being 'the champion of the smaller countries in Europe'.

Performance

team.blue is trading in line with expectations, with COVID-19 having not adversely affected the company. This positive performance has led to a £4.2 million uplift in the valuation of HGT's stake in the business over the first half of 2020.

Exit

We believe that team.blue will be an attractive acquisition target for financial buyers, as it has high levels of organic revenue growth, strong net revenue retention and high EBITDA margins. There are also several notable potential trade buyers – and IPO is an option, given size and growth profile.

AZETS

providing critical business support, BPO and advisory services internationally

09

Investment date	Location	Cluster	Website
October 2016	UK	Tax & Accounting	Azets.com

HGT's investment through HGT 7 LP and co investment through HGT LP	
Hg clients' total equity:	76.3%
Unrealised value (£000):	37,757
% of NAV:	3.4%

●●●○ Recurring revenue

●●●● Long-term growth

●●●● Thousands of customers

●●●● Platform for M&A

Business description

Following years of development, Azets (formerly CogitalGroup) was formally launched in 2017 through the acquisitions and merger of Nordic-based Azets and UK-based Baldwins and Blick Rothenberg – to form a platform providing various business services to SMEs in Northern Europe. The group's focus is the provision of critical business support, BPO and advisory services to the entrepreneurial and private company business segments, together with their owners and managers. Azets now has around 110,000 customers, with more than 6,500 employees operating from 184 offices in the UK and Scandinavia. The group also has 800 offshore employees based in Romania and Lithuania, as well as a significant technology team, focused on automation.

Why we invested

Azets continues Hg's focus of investing in regulatory-driven businesses with 'sweet-spot' business model characteristics including a diversified customer base, existing IP and recurring revenues. We have been tracking the SME accountancy and advisory services sector for many years, as it exhibits several attractive criteria. These include: a high share of repeatable revenue; high customer retention rates; a fragmented customer base and a fragmented competitive landscape of founder-led businesses, allowing for significant M&A opportunities. We believe there to be significant market opportunity, as payroll, accounts preparation, tax, audit, estate-planning and HR compliance services underpin thousands of small businesses in every European country. Based on our investments in other providers in the same sector, we see an opportunity to create a scaled European service provider which uses automation, technology, nearshoring and product scale to drive significant value. Having built the core of Azets via M&A, we are now building that champion via a business-transformation process led by the Hg portfolio team.

Value creation

We are focused principally on three value-creation levers: delivering long-term organic growth across the group; operational transformation across the UK and Nordics; pursuing the acquisition of high-quality accounting services businesses, as well as other adjacent service providers. Hg has supported these value-creation levers by adding experienced leadership and updated business strategy and corporate structure, along with improved business processes and management information.

Performance

Azets saw some underperformance in FY20 as a result of COVID-19, owing to various short-term impacts on customers, particularly in non-recurring revenue lines. However, the business still saw year-on-year growth as a result of organic growth in some regions and M&A.

Exit

We expect the business model characteristics of Azets to be appealing to a wide range of financial investors at exit. Azets is the scale platform to further consolidate this market across Europe. We also expect an IPO to represent an attractive exit opportunity.

MOBILITY HOLDING

a platform investment for B2B and B2C car leasing and online distribution

10	Investment date	Location	Cluster	Website
	May 2018	Germany	Automotive	mobilityholding.de

HGT's investment through HGT 8 LP	
Hg clients' total equity:	84.2%
Unrealised value (£000):	37,241
% of NAV:	3.4%

●●●●
Recurring revenue

●●●●
Long-term growth

●●●●
Thousands of customers

●●●○
Platform for M&A

Business description
Mobility Holding operates platforms for B2B and B2C car-leasing and online distribution. The company's products range from traditional mobility offerings, such as vehicle-purchasing and -leasing, to innovative flat-rate offers. Its operations are highly automated, including tailored online front ends, as well as digital back-end processes, allowing it to capture significant economies of scale. The unique selling point for the customer is a richness of choice (unique multibrand offer), ease of use (fast and hassle free) and attractive value (low, all-inclusive price). Mobility Holding was established following our investments in MeinAuto.de ('MA') and Athletic Sport Sponsoring ('ASS'), both leading B2C online platforms for car purchases or leasing, and Mobility Concept ('MC'), a leading B2B fleet-leasing company. All investments took place in 2018.

Why we invested
This investment continues Hg's strategy to develop technology-enabled service providers in the automotive financing and distribution space and is the result of considerable sector work undertaken in recent years, including previous investments in Zenith, Epyx, Eucon and Parts Alliance. Automotive distribution is in the process of a fundamental transformation, moving from a traditional, offline, dealership centric model to a multichannel, online-enabled structure. Mobility Holding actively addresses this transformation – and its product IP and customer access, combined with strong growth and profitability, make it an attractive investment. The business has a strong management team, with significant experience in the German automotive leasing and online distribution space and together, the group will benefit from strong synergies among the three initial investments.

Value creation
Mobility Holding continues to execute the investment plan formulated in 2018. Current key focus areas include optimisation of lead conversion and efficiency enhancements. These should result in several cost synergies being realised across the group. In addition, the new 'used-car-leasing product' will be driven further to create an additional remarketing channel for those cars which are returned. Hg is supporting the management of Mobility Holding in several specific operational areas, while also helping to realise several synergies across the group and additionally looking at further strategic M&A opportunities.

Performance
In light of the COVID-19-affected automotive end market, Mobility Holding displayed resilience and continued growth throughout the first half of 2020. Recent developments further point towards a fairly quick recovery, especially of the online leasing segment. The current valuation level didn't move materially throughout the reporting period.

Exit
We are evaluating various exit routes and are firmly convinced that a leading platform in online car distribution, specifically when combined with a direct leasing offering, is of high relevance to i) strategic buyers in the mobility ecosystem (eg large leasing companies and automotive OEMs with a limited distribution footprint in Germany) and also attractive to ii) financial sponsors.

Other investments

Many of our investments outside of the top 20 are also performing well. Some of these are from the Hg Mercury funds which invest in smaller software companies (£75 million to £450 million EVs) and are seeing strong double-digit growth in both revenues and profits across its portfolio.

11 argus

Cluster:	Capital Mkts & Wealth Mgmt IT
Web:	argusmedia.com
Date of investment:	January 2020
Unrealised value (£000):	36,961
% of NAV:	3.4%

In January 2020, Hg completed an investment in Argus Media, a leading global provider of energy and commodity price-reporting. Hg became a joint shareholder in Argus, alongside Adrian Binks, chief executive and chairman, General Atlantic (GA) and the management team. Argus is new to the Hg portfolio and is currently valued at £2.5 million above cost.

12 Intelerad

Cluster:	Healthcare IT
Web:	intelerad.com
Date of investment:	February 2020
Unrealised value (£000):	28,795
% of NAV:	2.6%

In February 2020, Hg completed an investment in Intelerad Medical Systems ('Intelerad'), a leading global provider of medical imaging software and enterprise workflow solutions, via the Hg Genesis 8 Fund. Founded in 1999, Intelerad specialises in diagnostic viewing, reporting and collaboration solutions for radiologists. The company serves over 300 healthcare organisations around the world, including radiology groups, imaging centres, clinics and reading groups, with a strong and growing presence in hospital imaging departments. Healthcare IT is a core sector for Hg, with an investment focus on healthcare operations, core systems, life sciences digitisation, interoperability and population health. Intelerad represents the fifth healthcare technology investment in Hg's current portfolio.

13 MITRATECH

Cluster:	Legal & Regulatory Compliance
Web:	mitratech.com
Date of investment:	April 2017
Unrealised value (£000):	27,076
% of NAV:	2.5%

Mitratech is a leading global provider of enterprise legal management ('ELM') software to corporate legal departments. The core products are matter-management software, which acts as the ERP software at the heart of in-house legal teams, and an e-billing solution, which provides e-invoicing capabilities between law departments and external counsel, with automatic invoice review. Mitratech serves a wide customer base of around 1,000 corporate customers across the world, including 40% of the Fortune 500. Over 650 law firms are using the e-billing platform to transmit invoices to clients. The company is headquartered in Texas, with further offices in the US, England, Wales and Australia, employing around 400.

Mitratech case study: hgcapital.com/case-studies/mitratech-building-a-global-technology-partner-for-the-legal-profession/

14 ALLOCATE

Cluster:	Healthcare IT
Web:	allocatesoftware.com
Date of investment:	August 2018
Unrealised value (£000):	24,688
% of NAV:	2.3%

Allocate Software ('Allocate') is a leading provider of workforce-management software to the healthcare sector and other complex regulated industries. The core product is used for workforce-rostering, time and attendance management and associated compliance workflows, such as monitoring and reporting on safe staffing levels. The product addresses a clear and increasingly pressing need for improved staff efficiency, regulatory compliance and safety in the healthcare sector and also results in more effective healthcare delivery. Allocate has seen an uplift in its valuation over the first half of 2020 of £5.5 million.

For a video on Allocate, please visit: hgcapital.com/case-studies/allocate-investing-in-rd-to-accelerate-organic-growth/

15 FE fundinfo

Cluster:	Capital Markets & Wealth Mgmt IT
Web:	fefundinfo.com
Date of investment:	November 2018
Unrealised value (£000):	23,223
% of NAV:	2.1%

Built from the merger of Financial Express, fundinfo and F2C, FE fundinfo facilitates more efficient investing across the globe by connecting fund managers and fund distributors, enabling them to share and act on trusted, insightful information. It brings together all of FE, fundinfo and F2C's many years of investment expertise, technology, software and services into a combined and holistic fund data and technology provider. With roots stretching back to 1996, FE fundinfo has offices in the UK, Switzerland, Luxembourg, India, Czech Republic, Singapore, Australia, Hong Kong, Germany, Spain, France and Italy. With more than 650 staff members across these offices, the organisation is truly global in its outlook and capability. Performance over the first six months of 2020 has led to an uplift in HGT's stake in FE fundinfo of £5.2 million.

16 The Citation Group

Cluster:	Legal & Regulatory Compliance
Web:	citation.co.uk
Date of investment:	March 2016
Unrealised value (£000):	23,103
% of NAV:	2.1%

The Citation Group ('Citation') provides tech-enabled compliance and quality-related subscription services to over 40,000 SMEs across the UK. Citation helps SMEs to comply with relevant regulations and to ensure that certain levels of quality and standards are met, in areas such as HR/employment law, health and safety, ISO and industry-specific rules and standards, by providing a combination of expert advice, software tools and audits/assessments, mostly on a long-term subscription basis. Citation has seen an increase in its valuation within the HGT portfolio of £2.7 million since the end of 2019. In August, Hg announced the sale of Citation to KKR at an uplift of 26% to its value at the end of December 2019.

17 ITRelation

Cluster:	SME Tech & Services
Web:	itrelation.dk
Date of investment:	August 2018
Unrealised value (£000):	21,105
% of NAV:	1.9%

Founded in 2003, IT Relation provides services which allow SMEs to move their IT infrastructure and operations into the cloud, as well as providing end-user support and consulting as part of a full-service IT offering. The company has more than 650 employees supporting thousands of customers and tens of thousands of users in Denmark and around the world.

18 TeamSystem

Cluster:	Tax & Accounting/ERP & Payroll
Web:	www.teamsystem.com
Date of investment:	September 2010
Unrealised value (£000):	20,000
% of NAV:	1.8%

Headquartered in Pesaro, Italy, TeamSystem is a leader in its core business of providing regulatory-driven software applications to accountants, labour professionals and SMEs. In recent years, it has built a cloud product portfolio with multiple products targeting the micro SME segment, as well as migrating existing on-premises customers. The company is well positioned to capture the large cloud opportunity in Italy – which is early in cloud adoption compared with other western economies. TeamSystem has a large and diversified customer base, with around 1.5 million customers served by a strong direct sales force and a distribution platform of over 350 software partners. TeamSystem continues to perform and has seen an uplift of £3.2 million in its valuation over the first half of 2020.

19 brightpay

Cluster:	ERP & Payroll
Web:	brightpay.ie
Date of investment:	August 2018
Unrealised value (£000):	19,830
% of NAV:	1.8%

Based outside Dublin, BrightPay provides payroll solutions to SMEs and payroll bureaus in the UK and Ireland. BrightPay's software is used by over 250,000 employers across the UK and Ireland – under two brands: BrightPay and Thesaurus Software. Strong performance to 30 June 2020 has led to an increase in HGT's valuation in BrightPay of £6.0 million.

20 MEDIFOX

Cluster:	Healthcare IT
Web:	medifox.de
Date of investment:	October 2018
Unrealised value (£000):	19,027
% of NAV:	1.7%

MediFox DAN Group ('MediFox') is the leading provider of software solutions to around 12,800 outpatient care services, elderly care homes and therapists in Germany. The business supports care providers with key challenges, including resource- and route-planning, care documentation, regulatory compliance and quality assurance of services provided, as well as invoicing, reimbursing and factoring. The company is headquartered in Hildesheim, Germany, employing around 470 people. Strong performance in the first six months of 2020 has led to an increase in HGT's stake of £4.8 million.

21 APG A-PLAN GROUP

Cluster:	Insurance
Web:	aplan.co.uk
Date of investment:	April 2015
Unrealised value (£000):	18,252
% of NAV:	1.7%

A-Plan Group ('APG') is one of the UK's largest specialist insurance distribution groups, providing commercial and personal-lines cover for those target segments which mainstream providers are typically unable to reach, such as high-net-worth individuals, students, micro-commercial owners and those needing to insure specialist vehicles and homes. APG has a long heritage of successfully taking care of its clients. This client-first approach has been bolstered by the new capabilities and additional customer segments which acquired businesses brought to the group. Recent years have seen high-acquisition activity enabling the group to achieve significant growth and build a position of strength and stability.

For a video on A-Plan Group, please visit: hgcapital.com/case-studies/a-plans-service-oriented-approach-to-insurance/

For a full case study on A-Plan Group, please visit: hgcapital.com/case-studies/#overlay/case/343

22 smartTrade

Cluster:	Capital Markets & Wealth Mgmt IT
Web:	smart-trade.net
Date of investment:	March 2020
Unrealised value (£000):	17,412
% of NAV:	1.6%

In February 2020, Hg completed an investment in smartTrade Technologies ('smartTrade'), a leader in multiasset class trading solutions, with a focus on FX, via the Hg Mercury 2 Fund. Headquartered in France, smartTrade is a managed services and hosted software provider for trading desks, enabling its global client base of financial institutions to develop and run high-performance trading platforms throughout the world. Hg has been investing in capital markets and wealth & asset management technology for almost 20 years and has known the smartTrade team since 2015. During this time, Hg has recognised smartTrade as a truly innovative business, with an exceptional leadership team, which has developed leading modular solutions, used by sell-side and buy-side market participants.

23 Achilles

Cluster:	Legal & Regulatory Compliance
Web:	www.achilles.com
Date of investment:	July 2008
Unrealised value (£000):	16,500
% of NAV:	1.5%

Achilles is a mission-critical provider of supply-chain assurance solutions, allowing global purchasing organisations, in industries with complex regulatory requirements, to drive operational excellence. It is a technology-enabled business model, whereby a network of buyers in a certain vertical industry (eg UK utility companies, Scandinavian natural resources etc) requires its key suppliers to qualify to a set of standardised information – which suppliers submit via the my.Achilles platform. Such data is critical to support risk-management processes around legislation, health and safety, financial quality and trade regulation, as well as ensuring diversification of the supply chain and so protecting buyers against the high cost of failure. Achilles currently operates more than 30 vertical market communities across five continents.

24 Commify

Cluster:	SME Tech & Services
Web:	commify.com
Date of investment:	January 2017
Unrealised value (£000):	13,467
% of NAV:	1.2%

Commify is a leading application-to-person ('A2P') messaging service in Western Europe. The group is a roll-up of four businesses: Mobyt (Q4 2016), SMS Envoi (Q2 2017), Esendex (Q2 2017) and SMS Publi (Q2 2017). The group has since made a further seven acquisitions across the UK, Spain and Germany. The customer base is mainly SMEs and some larger enterprises which use Commify's services to communicate with their end customers through messages, voice and other media. The purpose of the communications can be varied, but most messages are mission-critical, operational content, such as appointment reminders and delivery notifications. The business also supports marketing/promotional messages and coupons, as well as surveys. Commify has grown organically and through M&A over the past 10 years and now sends over 3 billion SMS messages across the UK, Italy, France, Germany, Spain and Australia.

25 LYNIATE

Cluster:	Healthcare IT
Web:	www.lyniate.com
Date of investment:	October 2018
Unrealised value (£000):	12,014
% of NAV:	1.1%

Lyniate (formerly Rhapsody) is a global leader in healthcare interoperability and data liquidity solutions, with over 1,000 customers in 36 countries. Its software solutions serve public and private hospitals, health systems, labs and clinics, health information exchanges, healthcare IT and equipment vendors, telemedicine vendors, public health departments and federal government organisations. Lyniate provides an integration platform which powers the complex and critical systems within healthcare, with high-volume data-acquisition and data-integration capabilities. The platform's comprehensive set of tools helps to simplify interoperability in complex healthcare environments, enabling seamless integration with electronic medical records. During the COVID-19 pandemic, Lyniate served as the keystone of pandemic reporting and agility, enabling the timely sharing of critical data.

26 Evaluate

Cluster:	Healthcare IT
Web:	www.evaluate.com
Date of investment:	November 2016
Unrealised value (£000):	9,840
% of NAV:	0.9%

Evaluate is a leading provider of commercial data to the life science industry, supplying critical information for complex commercial decisions to pharmaceutical companies and their advisers. The core data around which the business has been built is the supply of third-party research analyst consensus forecasting, down to a product, disease indication and geographic level – which is important for users in business development, licensing and corporate strategy. Data is collected from around 200 organisations (directly and indirectly), company reports and government data sources, then Evaluate creates value by normalising, structuring and updating this information continuously into a single, consistent dataset, delivered in an easy-to-consume format to key decision-makers. In August 2020, Hg completed the sale of Evaluate at an uplift of £3.1 million (40%) or 1.0p per share over the carrying value of £7.7 million in the NAV of HGT at 31 December 2019. Hg has taken the opportunity to make a further investment in the business, alongside other institutional clients of Hg, via the Hg Mercury 2 Fund.

Video on Evaluate: hgcapital.com/case-studies/evaluate-vision-harnessing-data-science-to-quantify-technical-and-regulatory-success/

For a full case study on Evaluate, please visit: hgcapital.com/case-studies/evaluate-accelerating-the-growth-of-a-best-in-class-product/

27 STP

Cluster:	Legal & Regulatory Compliance
Web:	www.stp-online.de
Date of investment:	June 2016
Unrealised value (£000):	9,631
% of NAV:	0.9%

STP is a leading provider of insolvency and law practice software in Germany and Switzerland. Founded in 1993 and headquartered in Karlsruhe, Germany, the business employs around 200 FTEs, serving over 1,200 legal customers with critical software. STP's core business, with its leading market position in the German market, is providing software solutions for insolvency law firms. In recent years, STP launched a legal practice-management software suite for larger law firms which is growing strongly. In addition, the company offers business information in the insolvency space and has a document-management software product which it sells into the insolvency market, as well as in combination with its practice-management software.

28 Eucon

Cluster:	Automotive/Insurance
Web:	www.eucon.com
Date of investment:	May 2015
Unrealised value (£000):	7,774
% of NAV:	0.7%

Eucon comprises two business units: automotive and digital services. The automotive division is a leading provider of automotive parts-pricing and reference data to vehicle and parts manufacturers globally. Eucon collects, processes and supplies crucial data to support its customers in managing their parts and aftermarket operations. The digital services division is a highly automated claims-management service to insurers in Germany, as well as providing data extraction tools for real-estate clients. In the insurance claims management business, Eucon assists insurers in achieving lasting reductions in claims expenditure through the sophisticated automation of claims processes and the application of structured data, for both car insurance and property insurance claims. In addition to this, the digital services division helps real-estate clients to automate data extraction, leveraging AI and machine-learning capabilities. Eucon has around 400 staff and is headquartered in Germany, with an additional office in the USA. The business serves nearly 250 clients, operating in 40 countries.

For a full case study on Eucon, please visit: hgcapital.com/case-studies/eucon-applying-ai-know-how-to-build-a-digital-leader/

Asper

Sector:	Renewable energy
Web:	www.asper-im.com
Unrealised value (£000):	1,286
% of NAV:	0.1%

HGT has a small investment in a renewable energy fund. This fund investment continues to be overseen by the Manager, but is managed by a specialised renewable energy team formerly at Hg (Asper).

Financial statements

Income statement

for the six months ended 30 June 2020

		Revenue return			Capital return			Total return		
	Notes	Six months ended 30.06.20 £000 (unaudited)	Six months ended 30.06.19 £000 (unaudited)	Year ended 31.12.19 £000 (audited)	Six months ended 30.06.20 £000 (unaudited)	Six months ended 30.06.19 £000 (unaudited)	Year ended 31.12.19 £000 (audited)	Six months ended 30.06.20 £000 (unaudited)	Six months ended 30.06.19 £000 (unaudited)	Year ended 31.12.19 £000 (audited)
Gains on investments and liquidity funds		–	–	–	55,563	109,133	161,389	55,563	109,133	161,389
(Losses)/gains on priority profit share loans advanced to general partners	7(b)	–	–	–	(566)	1,618	4,679	(566)	1,618	4,679
Net income	6	15,866	9,905	15,549	–	–	–	15,866	9,905	15,549
Other expenses	8(a)	(2,213)	(1,419)	(3,288)	–	–	–	(2,213)	(1,419)	(3,288)
Net return before finance costs and taxation		13,653	8,486	12,261	54,997	110,751	166,068	68,650	119,237	178,329
Finance costs	8(b)	(1,187)	(1,053)	(755)	–	–	–	(1,187)	(1,053)	(755)
Net return before taxation		12,466	7,433	11,506	54,997	110,751	166,068	67,463	118,184	177,574
Taxation	10	(559)	–	(80)	–	–	–	(559)	–	(80)
Net return after taxation attributable to reserves		11,907	7,433	11,426	54,997	110,751	166,068	66,904	118,184	177,494
Return per ordinary share*	11(a)	2.92p	1.98p	2.94p	13.49p	29.52p	42.77p	16.41p	31.50p	45.71p

All per share workings have been restated for the 10:1 share-split in May 2019.

The total return column of this statement represents HGT's income statement. The supplementary revenue and capital return columns are both prepared under guidance published by the Association of Investment Companies ('AIC'). All recognised gains and losses are disclosed in the revenue and capital columns of the income statement – and, as a consequence, no statement of comprehensive income has been presented.

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued during the period.

The following notes form part of these financial statements.

Balance sheet

as at 30 June 2020

	Notes	30.06.20 £000 (unaudited)	30.06.19 £000 (unaudited)	31.12.19 £000 (audited)
Fixed asset investments				
Investments at fair value through profit or loss:				
Unquoted investments		966,167	772,073	788,013
Total fixed asset investments		**966,167**	**772,073**	**788,013**
Current assets – amounts receivable after one year:				
Accrued income on fixed assets		74,386	45,464	54,266
Current assets – amounts receivable within one year:				
Debtors		7,716	154	8,961
Investments at fair value through profit or loss:				
Liquidity funds		76,227	153,537	184,505
Uninvested capital in limited partnerships		49,816	2,045	226
Cash at bank		4,503	3,209	4,558
Total current assets		**212,648**	**204,409**	**252,516**
Creditors – amounts falling due within one year		(2,026)	(1,351)	(1,231)
Net current assets		**210,622**	**203,058**	**251,285**
Creditors – amounts falling due after one year		(80,296)	–	–
Net assets		**1,096,493**	**975,131**	**1,039,298**
Capital and reserves:				
Called-up share capital		10,211	10,065	10,186
Share premium account		197,117	182,791	194,774
Capital redemption reserve		1,248	1,248	1,248
Capital reserve – unrealised		281,469	217,374	264,953
Capital reserve – realised		583,228	536,863	544,601
Revenue reserve		23,220	26,790	23,536
Total equity shareholders funds		**1,096,493**	**975,131**	**1,039,298**
Net asset value per ordinary share*	11(b)	**268.5p**	**242.2p**	**255.1p**
Ordinary shares in issue at 30 June/31 December		**408,424,808**	**402,599,808**	**407,424,808**

*All per share workings have been restated for the 10:1 share-split in May 2019.

The financial statements of HgCapital Trust plc (registered number 01525583) on pages 66–78 were approved and authorised for issue by the Board of Directors on 11 September 2020 and signed on its behalf by:

Jim Strang, *Chairman*
Richard Brooman, *Director*

The following notes form part of these financial statements.

Statement of cash flows

for the six months ended 30 June 2020

	Notes	Six months ended 30.06.20 £000 (unaudited)	Six months ended 30.06.19 £000 (unaudited)	Year ended 31.12.19 £000 (audited)
Net cash (outflow)/inflow from operating activities	9	**(57,167)**	**394**	**(4,657)**
Investing activities:				
Purchase of fixed asset investments		(169,468)	(107,265)	(117,284)
Proceeds from the sale of fixed asset investments		49,985	54,737	96,621
Purchase of liquidity funds		(46,500)	(59,100)	(90,000)
Redemption of liquidity funds		155,378	60,100	61,100
Net cash outflow from investing activities		**(10,605)**	**(51,528)**	**(49,563)**
Financing activities:				
Drawdown of loan facility		78,759	–	–
Servicing of finance		(1,187)	(1,053)	(1,475)
Equity dividends paid		(12,223)	(11,197)	(18,444)
Proceeds from issue of shares		2,368	63,157	75,261
Net cash inflow from financing activities		**67,717**	**50,907**	**55,342**
(Decrease)/increase in cash and cash equivalents in the period		**(55)**	**(227)**	**1,122**
Cash and cash equivalents at 1 January		4,558	3,436	3,436
Cash and cash equivalents at 30 June		**4,503**	**3,209**	**4,558**

The following notes form part of these financial statements.

Statement of changes in equity

for the six months ended 30 June 2020

		Non-distributable				Distributable		
	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Capital reserve – unrealised £000	Capital reserve – realised £000	Revenue reserve £000	Total £000
At 1 January 2020		10,186	194,774	1,248	264,953	544,601	23,536	1,039,298
Net return after taxation		–	–	–	16,516	38,626	11,907	67,050
Contributions of equity net of transaction costs		25	2,343	–	–	–	–	2,368
Equity dividends paid	4	–	–	–	–	–	(12,223)	(12,223)
At 30 June 2020		**10,211**	**197,117**	**1,248**	**281,469**	**583,227**	**23,220**	**1,096,493**
At 1 January 2019		9,331	120,368	1,248	119,958	523,528	30,554	804,987
Net return after taxation		–	–	–	144,995	21,073	11,426	177,494
Contributions of equity net of transaction costs		855	74,406	–	–	–	–	75,261
Equity dividends paid	4	–	–	–	–	–	(18,444)	(18,444)
At 31 December 2019		**10,186**	**194,774**	**1,248**	**264,953**	**544,601**	**23,536**	**1,039,298**

The following notes form part of these financial statements.

Notes to the financial statements

1. Principal activity

The principal activity of HGT is investment. HGT is an investment company as defined by section 833 of the Companies Act 2006 and an investment trust under sections 1158 and 1159 of the Corporation Tax Act 2010 (‘CTA 2010’) and is registered as a public company in England and Wales under number 01525583, with its registered office at 2 More London Riverside, London, SE1 2AP.

2. Basis of preparation

The financial statements have been prepared under the historical cost convention, except for the revaluation of financial instruments at fair value as permitted by the Companies Act 2006 and in accordance with applicable UK law and UK Accounting Standards (‘UK GAAP’), including Financial Reporting Standard 102 – ‘The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland’ (‘FRS 102’) and with the Statement of Recommended Practice ‘Financial Statements of Investment Trust Companies and Venture Capital Trusts’ (‘SORP’), issued in October 2019. All of HGT’s operations are of a continuing nature.

HGT has considerable financial resources and, as a consequence, the Directors believe that HGT is well placed to manage its business risks. After making enquiries, the Directors have a reasonable expectation that HGT will have adequate resources to continue in operational existence for the next 12-month period from the date of approval of this report.

Accordingly, they continue to adopt the going-concern basis in preparing these financial statements.

The same accounting policies, presentation and methods of computation are followed in these financial statements as were applied in HGT’s previous annual audited report and accounts.

3. Organisational structure and accounting policies

Partnerships where HGT is the sole limited partner

HGT entered into nine separate partnership agreements with general and founder partners in May 2003 (subsequently revised in January 2009), January 2009, July 2011, March 2013, December 2016, February 2017, January 2018, February 2018 and February 2020; at each point, an investment-holding limited partnership was established to carry on the business of an investor, with HGT being the sole limited partner in these entities.

The purpose of these partnerships, HGT LP, HGT 6 LP, HGT 7 LP, HGT 8 LP, HgCapital Mercury D LP, HGT Mercury 2 LP, HGT Saturn LP, HGT Transition Capital LP and HGT Saturn 2 LP (together the ‘primary buyout funds’), is to hold all of HGT’s investments in primary buyouts. Under the partnership agreements, HGT made capital commitments into the primary buyout funds, with the result that HGT now holds direct investments in the primary buyout funds and an indirect investment in the fixed-asset investments which are held by these funds, as it is the sole limited partner. These direct investments are included under fixed-asset investments on the balance sheet and in the table of investments on page 47. The underlying investments which are held indirectly are included in the overview of investments on page 50.

Consolidated financial statements have not been prepared because HGT does not have control over the operating or financial activities of the underlying investment-holding limited partnerships, as the general partners are responsible for the management of their activities.

Partnerships where HGT is a minority limited partner

In July 2011, HGT acquired a direct secondary investment in HgCapital 6 E LP (‘Hg 6E LP’), one of the partnerships which comprise the Hg 6 Fund, in which HGT is now a limited partner pari passu with other limited partners. This is a direct investment in the Hg 6E LP Fund, as shown on the balance sheet and in the table of investments on page 47.

HGT also entered into partnership agreements with other limited partners, with the purpose of investing in renewable energy projects, by making capital commitments in Asper Renewable Power Partners LP (‘Asper RPP I LP’). This is a direct investment in the renewable funds, as shown on the balance sheet and in the table of investments on page 50.

Priority profit share and other operating expenses, payable by partnerships in which HGT is a minority limited partner, are recognised as unrealised losses in the capital return section of the income statement and are not separately disclosed within other expenses.

3. Organisational structure and accounting policies continued

Priority profit share and carried interest under the primary buyout limited partnership agreements

Under the terms of the primary buyout fund limited partnership agreements ('LPAs'), each general partner (see note 7) is entitled to appropriate, as a first charge on the net income of the funds, an amount equivalent to its priority profit share ('PPS'). HGT is entitled to net income from the funds, after payment of the PPS.

In years in which these funds have not yet earned sufficient net income to satisfy the PPS, the entitlement is carried forward to the following years. The PPS is payable quarterly in advance, even if insufficient net income has been earned. Where the cash amount paid exceeds the net income, an interest-free loan is advanced to the general partner by these primary buyout funds, which is funded via a loan from HGT. Such loan is recoverable from the general partner only by an appropriation of net income; until net income is earned, no value is attributed to this loan (see note 7(b)).

Furthermore, under the primary buyout funds' LPAs, each founder partner (see note 7(c)) is entitled to a carried-interest distribution, once certain preferred returns are met. The LPAs stipulate that the primary buyout funds' capital gains or net income, after payment of the carried interest, are allocated to HGT, when the right to these returns is established.

Accordingly, HGT's entitlement to net income and net capital gains is shown in the appropriate lines of the income statement. Notes 6, 7 and 9 to the financial statements disclose the gross income and gross capital gains of the primary buyout funds and also reflect the proportion of net income and capital gains in the buyout funds which has been paid to the general partner as its PPS and to the founder partner as carried interest, where applicable.

The PPS paid from net income is charged to the revenue account in the income statement, whereas PPS paid as an interest-free loan, if any, is charged as an unrealised depreciation to the capital return on the income statement.

The carried-interest payments made from net income and capital gains are charged to the revenue and capital account respectively on the income statement.

4. Dividends

A final dividend of 3.0p per share was paid (as a second interim) on 12 May 2020 in respect of the year ended 31 December 2019 (2019: interim dividend in respect of the year ended 31 December 2019 of 16.0p per share and final dividend of 30.0p per share in respect of the year ended 31 December 2018).

Note: the above stated figures are prior to the 10:1 share-split in May 2019.

5. Issued share capital

While HGT no longer has an authorised share capital, the Directors will still be limited as to the number of shares they can allot at any time, as the Companies Act 2006 requires that Directors seek authority from shareholders for the allotment of new shares.

	Six months ended				Year ended	
	30.06.20 (unaudited)		30.06.19 (unaudited)		31.12.19 (audited)	
	No. 000	£000	No. 000	£000	No. 000	£000
Ordinary shares of 2.5p each: Allotted, called up and fully paid:						
At 1 January	407,425	10,186	37,325	9,331	37,325	9,331
Sub-division of ordinary shares	–	–	335,922	–	335,922	–
Issues of ordinary shares	1,000	25	29,353	734	34,178	734
At 30 June/31 December	**408,425**	**10,211**	**402,600**	**10,065**	**407,425**	**10,186**
Total called-up share capital	**408,425**	**10,211**	**402,600**	**10,065**	**407,425**	**10,186**

6. Income

	Revenue return		
	Six months ended		Year ended
	30.06.20 £000 (unaudited)	30.06.19 £000 (unaudited)	31.12.19 £000 (audited)
Total net income comprises:			
Interest	15,866	9,905	15,549
Total net income	**15,866**	**9,905**	**15,549**

All income that is recognised by the primary buyout funds, net of PPS, is allocated to HGT and recognised when the right to this income is established. This income and PPS is analysed further below.

	30.06.20 £000 (unaudited)	30.06.19 £000 (unaudited)	31.12.19 £000 (audited)
Income from investments held by the primary buyout funds:			
Unquoted investment income	21,105	15,995	27,847
Other investment income:			
Unquoted investment income	–	–	1,378
Liquidity funds income	870	914	1,788
Total investment income	21,975	16,909	31,013
Total other income	46	45	46
Total income	**22,021**	**16,954**	**31,059**
Priority profit share charge against income:			
Current period – HGT 8 LP	(3,020)	(4,672)	(10,463)
Current period – HGT Mercury 2 LP	(1,155)	(684)	(1,654)
Current period – HGT 7 LP	(1,063)	(1,135)	(2,148)
Current period – HGT Saturn LP	(590)	(253)	(665)
Current period – HgCapital Mercury D LP	(194)	(196)	(392)
Current period – HGT Transition Capital LP	(94)	(93)	(188)
Current period – HGT LP	(39)	(16)	–
Total priority profit share charge against income (note 7(a))	(6,155)	(7,049)	(15,510)
Total net income	**15,866**	**9,905**	**15,549**

7. Priority profit share and carried interest

	Revenue return		
(a) Priority profit share payable to general partners	Six months ended		Year ended
	30.06.20 £000 (unaudited)	30.06.19 £000 (unaudited)	31.12.19 £000 (audited)
Priority profit share payable:			
Current period amount	6,721	5,431	10,831
Less: Current period loans advanced to general partners (note 7(b))	(1,065)	(7)	(31)
Add: Prior period loans recovered from general partners (note 7(b))	499	1,625	4,710
Current period charge against income	6,155	7,049	15,510
Total priority profit share charge against income	**6,155**	**7,049**	15,510

7. Priority profit share and carried interest continued

The priority profit share payable on the primary buyout funds ranks as a first appropriation of net income from investments held in these partnerships respectively and is deducted before such income is attributed to HGT in its capacity as a limited partner. The net income of the primary buyout funds earned during the period, after the deduction of the priority profit share, is shown on the income statement.

The terms of the above priority profit share arrangements during 2020 were:

Primary buyout fund partnership	Priority profit share
HGT 8 LP	1.75% on the fund commitment during the investment period
HGT Mercury 2 LP	1.75% on the fund commitment during the investment period
HGT 7 LP	1.5% of original cost of investments in the fund less the original cost of investments which have been realised or written off
HgCapital Mercury D LP	1.5% of original cost of investments in the fund less the original cost of investments which have been realised or written off
HGT 6 LP	1.5% of original cost of investments in the fund less the original cost of investments which have been realised or written off
HGT Saturn 2 LP	1.0% on the fund commitment during the investment period
HGT Saturn LP	1.0% on invested capital
HGT Transition Capital LP	1.25% on invested capital
HGT LP	0.5% on the value of investments in fund, excluding co-investments

In addition, priority profit shares are payable on partnerships where HGT is a minority limited partner invested pari passu with other institutional investors. These amounts are initially and indirectly funded by HGT through the amounts invested in these partnerships, and these amounts are recognised as unrealised losses in the capital account in the income statement.

Fund partnership	Priority profit share
Hg 6 E LP	1.5% of original cost of investments in the fund, less the original cost of investments that have been realised or written off
Asper Renewable Power Partners LP	1.5% of original cost of investments in the fund, less the original cost of investments that have been realised or written off

(b) Priority profit share loans to general partners	Capital return Six months ended 30.06.20 £000 (unaudited)	Capital return Six months ended 30.06.19 £000 (unaudited)	Capital return Year ended 31.12.19 £000 (audited)
Movements on loans to general partners:			
Losses on current-period loans advanced to general partners	499	(7)	(31)
Gains on prior-period loans recovered from general partners	(1,065)	1,625	4,710
Total (losses)/gains on priority profit share loans (advanced to)/recovered from general partners	(566)	1,618	4,679

7. Priority profit share and carried interest continued

In years in which the funds have not yet earned sufficient net income to satisfy the priority profit share, the entitlement is carried forward to the following years. The priority profit share is payable quarterly in advance, even if insufficient net income has been earned. Where the cash amount paid exceeds the net income, an interest-free loan is advanced to the general partner by these primary buyout funds, which is funded via a loan from HGT. Such loan is recoverable from the general partner only by an appropriation of net income, until sufficient net income is earned. No value is attributed to this loan and hence an unrealised capital loss is recognised and reversed, if sufficient income is subsequently generated.

	Capital return		
(c) Carried interest to founder partners	Six months ended		Year ended
	30.06.20 £000 (unaudited)	30.06.19 £000 (unaudited)	31.12.19 £000 (audited)
Carried interest charge against capital gains:			
Current period charge against realised capital gains	–	–	1,511
Current period charge against unrealised capital gains	13,287	12,371	15,775
Total carried-interest charge against capital gains	13,287	12,371	17,286

The carried interest payable ranks as a first appropriation of capital gains, after preferred return, on the investments held in the primary buyout funds, limited partnerships established solely to hold HGT's investments, and is deducted before such gains are paid to HGT in its capacity as a limited partner. The net amount of capital gains of the primary buyout funds during the period, after the deduction of carried interest, is shown in the income statement.

The details of the carried-interest contracts, disclosed in the Directors' report on page 110 in the full 2019 annual report and accounts, state that carried interest is payable once a certain level of repayments has been made to HGT. Based on the repayments made during 2020, £nil (2019: £1,511,000) of carried interest was paid in respect of the current financial period. If the investments in HGT 6 LP, HGT 7 LP, HgCapital Mercury D LP, Hg 6 E LP and HGT Saturn LP are realised at the current fair value and then distributed to partners, an amount of £71,374,000 will be payable to the founder partner (2019: £58,087,000 payable to the founder partner); therefore, the Directors have made a provision for this amount. No provision is required in respect of HGT's investment in the other fund-limited partnerships, because they are still in their investment period.

8. Other expenses

	Revenue return		
(a) Operating expenses	Six months ended		Year ended
	30.06.20 £000 (unaudited)	30.06.19 £000 (unaudited)	31.12.19 £000 (audited)
Registrar, management and administration fees	539	436	975
Legal and other administration costs[1]	1,562	983	2,211
Total other expenses	2,101	1,419	3,186

[1]Includes employer's National Insurance contributions of £17,000 (2019: £32,000).

	Revenue return		
(b) Finance costs	Six months ended		Year ended
	30.06.20 £000 (unaudited)	30.06.19 £000 (unaudited)	31.12.19 £000 (audited)
Interest paid	864	–	–
Non-utilisation fees and other expenses	224	333	755
Arrangement fees	99	720	–
Total finance costs	1,187	1,053	755

9. Cash flow from operating activities

Reconciliation of net return before finance costs and taxation to net cash flow from operating activities	Six months ended 30.06.20 £000 (unaudited)	Six months ended 30.06.19 £000 (unaudited)	Year ended 31.12.19 £000 (audited)
Net return before finance costs and taxation	68,650	119,237	178,329
Gains on investments held at fair value and liquidity funds	(70,151)	(122,956)	(179,785)
Carried interest paid	–	–	(1,511)
Increase in carried-interest provision	13,287	12,371	15,775
Increase in accrued income from liquidity funds	(870)	(914)	(1,788)
Increase in prepayments, accrued income and other debtors	(18,729)	(5,933)	(15,989)
(Decrease)/Increase in creditors	(49,353)	(1,411)	288
Taxation (paid)/received	(1)	–	24
Net cash (outflow)/inflow from operating activities	(57,167)	394	(4,657)

10. Taxation

Taxation for the six-month period is charged at 19% (31 December 2019: 19%), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six-month period.

In the opinion of the Directors, HGT has complied with the requirements of Section 1158 and Section 1159 of the CTA 2010 and will therefore be exempt from corporation tax on any capital gains made in the period. Where possible, HGT aims to designate all of any dividends declared in respect of this financial year as interest distributions to its shareholders. These distributions are treated as a tax deduction against taxable income, resulting in no corporation tax being payable by HGT on any interest income designated as a dividend.

11. Return and net asset value per ordinary share

(a) Return per ordinary share	Revenue return			Capital return		
	Six months ended 30.06.20 (unaudited)	Six months ended 30.06.19 (unaudited)	Year ended 31.12.19 (audited)	Six months ended 30.06.20 (unaudited)	Six months ended 30.06.19 (unaudited)	Year ended 31.12.19 (audited)
Amount (£000):						
Net return after taxation	11,907	7,433	11,426	54,997	110,751	166,068
Weighted average no. ordinary shares (000):						
Weighted average no. ordinary shares in issue	407,538	375,204	388,267	407,538	375,204	388,267
Return per ordinary share (pence)*	2.92	1.98	2.94	13.49	29.52	42.77

*All per share workings have been restated for the 10:1 share-split in May 2019.

(b) Net asset value per ordinary share	Capital return Six months ended 30.06.20 (unaudited)	Capital return Six months ended 30.06.19 (unaudited)	Capital return Year ended 31.12.19 (audited)
Amount (£000):			
Net assets	1,096,493	975,131	1,039,298
Number of ordinary shares (000):			
Number of ordinary shares in issue	408,425	402,600	407,425
Net asset value per ordinary share (pence)*	268.5	242.2	255.1

*All per share workings have been restated for the ten for one share split in May 2019.

12. Commitment in fund partnerships and contingent liabilities

Fund	Original commitment[1] £000	Outstanding at 30.06.20 £000 (unaudited)	Outstanding at 30.06.19 £000 (unaudited)	Outstanding at 31.12.19 £000 (audited)
HGT 9 LP	327,243[2]	327,243	–	–
HGT Saturn 2 LP	323,729[3]	290,480	–	–
HGT 8 LP	350,000	105,492	146,878	143,542
HGT Mercury 3 LP	104,536[4]	104,536	–	–
HGT Transition Capital LP	75,000	49,431	59,228	59,122
HGT Mercury 2 LP	80,000	21,779	42,143	36,690
HGT 7 LP	200,000	18,250	5,321	19,979
HGT Saturn LP	150,000	7,935	71,693	69,276
HgCapital Mercury D LP[5]	60,000	3,117	3,008	3,277
HGT 6 LP[5]	285,029	4,035	3,750	2,380
HGT LP[5]	120,000	1,261	1,261	1,261
Hg 6 E LP	15,000	940	197	118
Asper RPP I LP	19,671[6]	629[7]	619	587
Total outstanding commitments		935,126	334,098	336,232

[1] HGT has the benefit of an opt-out provision in connection with its commitments to invest alongside Hg Mercury 2, Hg Saturn, Hg Saturn 2, Hg Genesis 9, Hg Mercury 3, Hg Genesis 8 and in Transition Capital, allowing it to opt out of its obligation to fund draw-downs under its commitments, without penalty, where certain conditions exist.

[2] Sterling equivalent of €360,000,000.

[3] Sterling equivalent of $400,000,000.

[4] Sterling equivalent of €115,000,000.

[5] 21.4% of the original £120 million commitment to the HgCapital 5 Fund, 5.5% of the original £300 million to the HgCapital 6 Fund and 7.6% of the £60 million to the Mercury 1 Fund have subsequently been cancelled, as the Manager deemed that it was unlikely to be required.

[6] Sterling equivalent of €21.6 million.

[7] Sterling equivalent of €692,000 (2019: €692,000).

13. Publication of non-statutory accounts

The financial information contained in this half-yearly financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the six months ended 30 June 2020 and 30 June 2019 has not been audited. The information for the year ended 31 December 2019 has been extracted from the latest published audited financial statements, which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under section 498 (2) or (3) of the Companies Act 2006.

14. Annual results

The Board expects to announce the results for the year ending 31 December 2020 in March 2021. The 2020 annual report should be available by the end of March 2021, with the annual general meeting being held in May 2021.

Further information

Investment management and ongoing charges

Over the first six months of 2020, HGT's assets were managed by Hg Pooled Management Limited ('Hg'). HGT pays a priority profit share in respect of either its commitments to or invested capital alongside Hg funds, on the same terms as those payable by all institutional investors in these funds as listed below:

Fund partnership	Priority profit share (% p.a.)
HGT 8 LP	1.75% on the fund commitment during the investment period
HGT Mercury 2 LP	1.75% on the fund commitment during the investment period
HGT 7 LP	1.5% of original cost of investments in the fund less the original cost of investments which have been realised or written off
HgCapital Mercury D LP	1.5% of original cost of investments in the fund less the original cost of investments which have been realised or written off
HGT 6 LP	1.5% of original cost of investments in the fund less the original cost of investments which have been realised or written off
HGT Saturn 2 LP	1.0% on the fund commitment during the investment period
HGT Saturn LP	1.0% on invested capital
HGT Transition Capital LP	1.25% on invested capital
HGT LP	0.5% on the value of investments in fund, excluding co-investments

For HGT's investment alongside the Hg Genesis 6, Hg Mercury, Hg Genesis 7, Hg Mercury 2, Hg Genesis 8 and Hg Saturn 2 funds, the carried interest arrangements are identical to that which applies to all limited partners in these funds. Under these arrangements, carried interest is payable based on 20% of the aggregate profits, but only after the repayment to HGT of its invested capital and a preferred return, based on 8% p.a., calculated daily, on the aggregate of its net cumulative cash flows in each fund and such preferred return amount which is capitalised annually. Carried interest in HGT Transition Capital will be calculated in the same way.

For HGT's investment alongside the Hg Saturn fund, the carried interest arrangement is also identical to that which applies to all limited partners in this fund. Under this arrangement, carried interest is payable based on 12% of the aggregate profits, payable after the repayment to HGT of its invested capital and a preferred return based on 8% p.a. or 20% of the aggregate profits, payable after the repayment to HGT of its invested capital and a preferred return of 12% p.a..

No priority profit share or carried interest will apply to any co-investment made alongside Hg Genesis 5, Hg Genesis 6, Hg Mercury, Hg Genesis 7, Hg Mercury 2 and Hg Genesis 8 in excess of HGT's pro-rata commitment. Therefore, the co-investments made by HGT in P&I, Visma, Achilles, Sovos, Azets (formerly CogitalGroup), Mitratech, Commify, MediFox, Argus Media, smartTrade and Transporeon do not entitle Hg to any priority profit share or carried interest.

No compensation would be due to Hg on termination of the agreement.

Hg has also been appointed as administrator of HGT for a fee equal to 0.1% p.a. of the NAV.

Link Company Matters Limited was appointed as company secretary on 13 May 2015.

Calculation of ongoing charges

For the period to 30 June 2020, the HGT's annualised ongoing charges were calculated as 1.8% (31 December 2019: 1.6%).

The calculation is based on the ongoing charges expressed as a percentage of the average published monthly NAV over the relevant year.

The ongoing charges, in accordance with guidelines issued by The Association of Investment Companies ('AIC'), are the annualised expenses which are operational and recurring by nature and specifically exclude, among others, the expenses and gains or losses relating to the acquisition or disposal of investments, performance-related fees (such as carried interest), taxation and financing charges.

HGT's ongoing charges comprise its operating expenses and current-year priority profit share payable, as described in notes 7 and 8 to the financial statements.

Shareholder information

Financial calendar

The announcement and publication of HGT's results may normally be expected in the months shown below:

March	• Final results for year announced • Annual report and accounts published
May	• Annual general meeting and payment of final dividend • Release of Manager's quarterly update with updated 31 March NAV
September	• Interim figures announced and interim report published
October	• Payment of interim dividend
November	• Release of Manager's quarterly update with updated 30 September NAV

Dividend

The interim dividend proposed in respect of the year ended 31 December 2020 is 2.0p per share.

Ex-dividend date (date from which shares are transferred without dividend)	24 September 2020
Record date (last date for registering transfers to receive the dividend)	25 September 2020
Last date for registering DRIP instructions (see below)	9 October 2020
Dividend payment date	30 October 2020

Payment of dividends

Cash dividends will be sent by cheque to the first-named shareholder at his/her registered address, together with a tax voucher, to arrive on the payment date. Alternatively, dividends may be paid direct into a shareholder's bank account. This may be arranged by contacting HGT's registrar, Computershare Investor Services PLC ('Computershare'), on 0370 707 1037.

Dividend re-investment plan ('DRIP')

Shareholders may request that their dividends be used to purchase further shares in HGT.

Dividend re-investment forms may be obtained from Computershare on 0370 707 1037 or may be downloaded from www.computershare.co.uk/DRIP. Shareholders who have already opted for dividend re-investment do not need to re-apply. The last date for registering for this service for the forthcoming dividend is 9 October 2020.

Share price

HGT's mid-market ordinary share price is published daily in The Times and The Daily Telegraph, under the section 'Investment Companies'. In the Financial Times, the ordinary share price is listed in the sub-section 'Conventional-Private Equity'. The share price is also available on our website, subject to a 15-minute delay: www.hgcapitaltrust.com

ISIN/SEDOL numbers

The ISIN/SEDOL numbers and mnemonic code for HGT's ordinary shares are:

ISIN	GB00BJ0LT190
SEDOL	BJ0LT19
Reuters code	HGT.L

Share dealing

Investors wishing to purchase or sell shares in HGT may do so through a stockbroker, financial adviser, bank or several share-dealing platforms. To purchase this investment, you must have read the key information document ('KID') before the trade can be executed. This, and other information, is available on HGT's website: www.hgcapitaltrust.com

If you are proposing to use Computershare Investor Services PLC to purchase shares, please contact it on +44 (0)370 703 0084 to provide you with the KID by either e-mail or post.

The following share-dealing services are available through our registrars, Computershare Investor Services PLC:

Internet share dealing

Please note that, at present, this service is available to shareholders in certain jurisdictions only, including the UK. Please refer to the website for an up-to-date list of these countries. This service provides shareholders with an easy way to buy or sell HGT's ordinary shares on the London Stock Exchange. The commission is 1.0%, subject to a minimum charge of £30. In addition, stamp duty, currently 0.5%, is payable on purchases. Before you trade, you will need to register for this service. Real-time dealing is available during market hours. In addition, there is a convenient facility to place your order outside of market hours. Up to 90-day limit orders are available for sales. Before you can trade, you will need to register for this service. To access the service, log on to www.computershare.trade. Shareholders should have their shareholder reference number ('SRN') available.
The SRN appears on share certificates, as it will be required as part of the registration process. A bank debit card will be required for purchases.

Telephone share dealing

Please note that this service is, at present, available to shareholders resident in certain jurisdictions only. The commission is 1.0%, plus a charge of £35. In addition, stamp duty, currently 0.5%, is payable on purchases. The service is available during 0800–1630, Monday–Friday, excluding bank holidays, on telephone number 0370 703 0084. Before you trade, you will need to register for this service. This can be done by going online at www.computershare.trade. Shareholders should have their SRN ready when making the call. The SRN appears on share certificates. A bank debit card will be required for purchases. Detailed terms and conditions are available on request by telephoning 0370 703 0084.

Please note that, owing to regulations in the UK, Computershare is required to check that you have read and accepted the terms and conditions before being able to trade, which could delay your first telephone trade. If you wish to trade quickly, we suggest visiting its website and registering online first.

These services are offered on an execution-only basis and subject to the applicable terms and conditions. This is not a recommendation to buy, sell or hold shares in HgCapital Trust plc. Those shareholders unsure of what action to take should obtain independent financial advice. Share values may go down, as well as up, which may result in a shareholder receiving less than he/she originally invested.

To the extent that this statement is a financial promotion for the share-dealing service provided by Computershare Investor Services PLC, it has been approved by Computershare Investor Services PLC for the purpose of section 21 (2) (b) of the Financial Services and Markets Act 2000 only. Computershare Investor Services PLC is authorised and regulated by the Financial Conduct Authority. Where this has been received in a country where the provision of such a service would be contrary to local laws or regulations, this should be treated as being for information only.

Uncertificated Securities Regulations 1995 – CREST

HGT's ordinary shares have joined CREST, an electronic system for uncertificated securities trading.

Private investors can continue to retain their share certificates and remain outside of the CREST system. Private investors are able to buy and sell their holdings in the same way as they did before the introduction of CREST, although there may be differences in dealing charges.

Income tax

Where possible, dividends can be designated as an interest distribution (interest-streaming) for tax purposes. The Finance Bill 2017 included provisions which removed the requirement to deduct income tax at source from dividends notionally designated as interest distributions by investment trust companies, when they are made on or after 6 April 2017.

This brought this type of income into line with the treatment of interest paid on bank and building society accounts, following the introduction of the personal savings allowance. The amount of your personal savings allowance depends on your adjusted net income. Where interest-streaming is not possible, there is an individual annual allowance of £2,000 across all dividend income, above which there is a tax liability. For further information, please visit the HMRC.gov.uk website. For queries about your own tax position, please speak to an independent tax adviser.

Capital gains tax ('CGT') for UK tax payers

Qualifying investment trusts currently pay no corporation tax on capital gains made within the portfolio. When investors sell all or part of their holdings, they may be liable to CGT. For the tax year 2020/2021, the first £12,300 per annum of such gains from all sources is exempt.

For more details, visit: www.gov.uk/capital-gains-tax

Investments held in ISAs continue to remain exempt from CGT.

Please remember that we are unable to offer individual investment or taxation advice. Those investors in any doubt about their liability for CGT should seek professional advice.

Risk factors

- Investments in predominantly unquoted companies, which form the majority of HGT's investments, may not be as readily realisable as investments in quoted companies.
- As Hg invests predominantly in Continental Europe and in companies which trade internationally, the value of HGT's shares may be affected by changes in rates of foreign exchange.
- Hg invests in a portfolio of small to mid-cap companies, with enterprise values of more than £30 million (at the time of acquisition), the performance of which can fluctuate.
- The price at which HGT's shares trade on the London Stock Exchange is not the same as their NAV (although they are related); therefore, you may realise returns which are lower or higher than NAV performance.
- Past performance is not necessarily a guide to future performance – and an investor may not get back the amount originally invested.
- The value of investments in HGT and the income from them can fluctuate, as the value of the underlying investments fluctuates.
- HGT invests in unquoted companies; although great care is taken in their valuation, such valuations cannot, by their nature, be exact and are liable to change.

Duration of HGT

An ordinary resolution was approved by shareholders at the annual general meeting in May 2020 to continue the life of HGT for a further five years – and a similar resolution will be put to the shareholders at every fifth year thereafter.

If the resolution to continue the life of HGT is not approved, a general meeting will be convened within six months after the date of the AGM to put forward proposals for the reorganisation or reconstruction of HGT.

Nominee holdings

Where shares are held in a nominee company name, HGT undertakes to:

- provide the nominee company with multiple copies of shareholder communications, provided that an indication of quantities has been given in advance.
- allow investors holding shares through a nominee company to attend general meetings, provided that the correct authority from the nominee company is available.

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend HGT's general meetings.

Non-mainstream pooled investments

The Board notes the changes to the FCA rules relating to the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes which came into effect on 1 January 2014.

Legal advice obtained by HGT confirms that HGT's shares will qualify as an 'excluded security' under these new rules and will be excluded, therefore, from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

HGT conducts its affairs so that the shares issued by HGT can be recommended by IFAs to ordinary retail investors, in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

Common reporting standard

With effect from 1 January 2016, new tax legislation under the OECD ('Organisation for Economic Co-operation and Development'), The Common Reporting Standard for Automatic Exchange of Financial Account Information ('The Common Reporting Standard'), was introduced.

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in them. As an affected company, HGT provides information annually to the local tax authority on the tax residencies of some non-UK based certificated shareholders and corporate entities.

All shareholders, excluding those whose shares are held in CREST, entered onto the share register from 1 January 2016 will be sent a certification form for the purposes of collecting this information.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information, information for account holders: www.gov.uk/guidance/automatic-exchange-of-information-introduction

ISA status

HGT's shares are eligible for stocks and shares ISAs.

Shareholders' enquiries

In the event of queries regarding your shares, please contact the Computershare Investor Centre. Computershare now offers a free secure share management website which allows you to:

- view your share portfolio and see the latest market price of your shares.
- elect to receive your shareholder communications online.
- calculate the total market price of each shareholding.
- view price histories and trading graphs.
- update bank mandates and change of address details.
- use online dealing services.

Log on to www.investorcentre.co.uk to register – you will need a shareholder reference number (this information can be found on the last dividend voucher or your share certificate).

Changes of name or address must be notified in writing to:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol, BS99 6ZZ

General enquiries about HGT should be directed to:

Hg Pooled Management Ltd
2 More London Riverside
London, SE1 2AP

Telephone: 020 7089 7888

Investing in private equity

Private equity

Private equity is the term given to the provision of equity and equity type risk capital to unlisted companies.

It is normally used to finance beneficial change in businesses. The changes which require equity finance are manifold and ever present. They include a change in the scale of a business (through fast growth or acquisitions), a change in ownership, often in conjunction with management (the management buyout), a change in the strategic direction of a company, a significant change in the structure and operations of a business or financing the commercialisation of new technologies.

Healthy economies require constant change in their corporate sector, otherwise they stultify. Private equity is a form of finance well suited to pay for this change, as it is patient, welcomes considered risk-taking and participates directly in outcomes.

In return for their investment, private equity investors receive a share of the equity in the businesses they finance and do so with the objective of making a significant capital gain over holding periods, typically from three to seven years.

Private equity investors, like Hg, aim to deliver their clients higher returns than may be obtained from a portfolio of public equity investments over any rolling period of five to 10 years. Attractive returns can be garnered, if the private equity manager exploits the advantages which private equity investors have over investors in public markets.

Investment profile

Private equity investments are less liquid than publicly traded equities. To compensate for this, they offer greater control and aim for more attractive returns.

Individual private equity investments have a risk profile dependent on the nature of the underlying business. Investing in a diversified portfolio helps to mitigate some of these risks; the quality of company selections by the private equity manager and the Manager's ability to manage its portfolio further mitigates risk. Manager selection is a key determinant of returns.

Advantages of the private equity model

Compared with investment in the public markets, a private equity investor has significant advantages:

- Better governance
  Theory and experience tell us that businesses run by their owners tend to perform better than those run by salaried agents. In a private equity-backed business, almost everybody around the Board table and often a high percentage of the management and staff own shares in the companies they run. In addition, the private equity managers also have an equity interest in the portfolio companies through their co-investment obligations and via their carried interest. Accordingly, the interests of all parties are closely aligned and focused on creating value and realising a substantial capital gain. This is achieved by selecting ambitious medium- to long-term goals and allowing managers to pursue them, free from short-term distractions which often beset the managers of listed companies.
- Better control
  The private equity manager has more control over the method and timing of the sale of the business than does a manager of listed equities. This superior control also extends to the appointment of management.
- Ability to attract the best management talent
  Working in a private equity-backed business is highly attractive to the best and most ambitious managers. They will be incentivised by capital returns which the listed companies rarely, if ever, match and are given the challenge and satisfaction of running their own business.
- Larger universe of opportunities
  The universe of privately owned businesses is much larger than the publicly traded one, so the investor has greater choice. The choice available to private equity also includes listed companies which can be delisted and refinanced with private equity capital.
- Better access presenting the possibility for better assessment
  Before investing, private equity managers often have better access to information, including detailed market, financial, legal and management due diligence.

Listed private equity

Listed private equity ('LPE') refers to public companies whose shares are listed and traded on a primary stock exchange.

In Europe, primary exchanges include the London Stock Exchange and Euronext. Some private equity companies quoted on the London Stock Exchange are structured as investment trusts. All LPE companies provide the shareholder with an exposure to a differentiated portfolio of private companies, either directly or via funds.

By buying shares in LPE companies, the investor benefits from liquidity while participating in the potentially superior returns of a private equity portfolio. In addition, LPE companies allow investors access to private equity, without having to commit to the 10-year lock-in and minimum investment required when investing in private equity via limited partnerships.

London Stock Exchange-listed private equity investment trusts are supervised by Boards of Directors, the majority of whom is independent, in order to reinforce the Manager's accountability to shareholders.

Provided that they meet certain criteria, investment trusts pay no corporation tax on capital gains, but may not retain more than 15% of their income in each financial year.

The objective of LPE is usually to provide shareholders with long-term capital appreciation, rather than income.

Each listed company, like each private equity firm, has its own investment strategy relating to geography, size and type of investment etc. LPE companies vary considerably in the number of their own holdings, ranging from specialist direct investment trusts, with a handful of portfolio companies in one country, to a fund-of-funds manager, with holdings in over 300 private equity funds worldwide.

LPE companies continually invest and reinvest; most have no fixed life span like a limited partnership. Proceeds from the sale of assets are generally retained for re-investment, rather than being distributed to investors, which would trigger taxable gains. This, together with the long-term horizon of private equity, means that LPE is best suited to long-term holding, rather than frequent trading.

Advantages of listed private equity

Compared with an investment in a limited partnership with a 10-year life, the normal route to obtaining a diversified exposure to private equity, LPE offers significant advantages:

- the opportunity for retail investors, as well as institutions, to participate in a diversified portfolio of mainly unlisted companies for the price of one share, rather than a typical minimum commitment of over £5 million to a limited partnership.
- by buying shares in an LPE company, investors have liquidity in the shares and do not have to make a 10-year commitment to a fund. Accordingly, they can trade without requiring the Manager's consent or the need to run a private auction of their interest.
- listed vehicles handle the cash management and administration, which are complex for a limited partnership interest. All LPE investors need do is monitor the value of their shareholdings in the quoted vehicle itself.
- capital gains retained within London-listed trusts are not taxed.

The listed sector is diverse, offering a wide range of private equity investment vehicles adopting different investment strategies and criteria.

Glossary

CAGR
Compound annual growth rate

Carried interest
Equivalent to a performance fee, this represents a share of the capital profits which will accrue to the investment manager, after achievement of an agreed preferred return.

Co-investment
An equity co-investment is a minority investment in a company made alongside a private equity fund. These investments are free from management fees and carried interest.

DACH
An acronym for D (Deutschland/Germany), A (Osterreich/Austria), CH (Schweiz/Switzerland).

Discount
Investment trust shares frequently trade at a discount to NAV. This occurs when the share price is less than the NAV. In this circumstance, the price which an investor pays or receives for a share would be less than the value attributable to it by reference to the underlying assets. The discount is the difference between the share price and the NAV, expressed as a percentage of the NAV. For example, if the NAV were 268.5p and the share price were 244.1p, the discount would be 10%.

EBITDA
Earnings before interest, tax, depreciation and amortisation

ESG
Environmental, social and governance

ESH
Environmental, social and health

EV (enterprise value)
This is the aggregate value of a company's entire issued share capital and net debt.

Expansion capital
The provision of capital to an existing, established business, to finance organic growth or acquisitions.

Hedging
Hedging is an investment technique designed to offset a potential loss on one investment by purchasing a second investment which is expected to perform in the opposite way.

IPO (initial public offering)
An offering by a company of its share capital to the public with a view to seeking an admission of its shares to a recognised stock exchange.

IRR (internal rate of return)
The annualised rate of return received by an investor in a fund. This is calculated from cash drawn from and returned to the investor, together with the residual value of the investment.

LBO (leveraged buyout)
The purchase of all or most of a company's share capital, often involving its managers, funded mainly by borrowings often secured on HGT's assets, resulting in a post-financing capital structure of HGT which is geared.

LP (limited partnership)
An English limited partnership includes one or more general partners who have responsibility for managing the business of the partnership and have unlimited liability and one or more limited partners who do not participate in the operation of the partnership and whose liability is ordinarily capped at their capital and loan contribution to the partnership. In typical fund structures, the general partner receives a priority profit share ahead of distributions to limited partners. In addition, a limited partner, designated as the 'founder partner', will share in the profits of the partnership, alongside the other limited partners, once limited partners have been returned all loan contributions, plus a hurdle rate of return as agreed with the partnership.

LTM
Last twelve months

MBI (management buy-in)
A change of ownership, where an incoming management team raises financial backing, normally a mix of equity and debt, to acquire a business.

MBO (management buyout)
A change of ownership, where the incumbent management team raises financial backing, normally a mix of equity and debt, to acquire a business it manages.

MOIC
Multiple on invested capital – is one of the performance measurements for private fund investing. It is calculated by dividing the sum of a fund's realised and unrealised value by the total amount invested.

NAV (net asset value per share)
This is the value of HGT's assets attributable to one ordinary share. It is calculated by dividing 'shareholders' funds' by the total number of ordinary shares in issue. For example, as at 30 June 2020, shareholders' funds were £1,096,493,000, with 408,424,808 ordinary shares in issue; the NAV was therefore 268.5p per ordinary share. Shareholders' funds are calculated by deducting current and long-term liabilities, and any provision for liabilities and charges, from HGT's total assets.

NRR
Net recurring revenue is the proportion of the revenue from existing clients which is secured and will therefore recur in the following calendar year.

P2P (public to private)
The purchase of all of a listed company's shares using a special-purpose vehicle funded with a mixture of debt and unquoted equity.

Preferred return
A preferential rate of return on an individual investment or a portfolio of investments.

Premium
A premium occurs when the share price is higher than the NAV and investors would therefore be paying more than the value attributable to the shares by reference to the underlying assets. For example, if the share price were 295.3p and the NAV were 268.5p, the premium would be 10%.

Quoted company
Any company whose shares are listed or traded on a recognised stock exchange.

Share-split
A share-split (or stock-split) is the process by which a company divides its existing shares into multiple shares. Although the number of shares outstanding increases, the total net asset value of the shares remains the same as before.

HGT completed a 10:1 share-split in May 2019.

Total ongoing charges
Please refer to page 80.

Total return
The total return to shareholders comprises both changes in HGT's NAV or share price and dividends paid to shareholders; it is calculated on the basis that all historic dividends have been reinvested in HGT's shares on the date the dividend is paid.

Unquoted company
Any company whose shares are not listed or traded on a recognised stock exchange.

Venture capital
Investing in companies at a point in that company's life cycle which is at the concept, start-up or early stage of development.

Board, management and administration

Directors

Jim Strang
(Chairman)

Richard Brooman
(Chairman of the Audit and Valuation Committee)

Peter Dunscombe
(Chairman of the Management Engagement Committee)

Pilar Junco

Guy Wakeley

Anne West
(Senior Independent Director)

Roger Mountford
(retired May 2020)

Company secretary

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AIC

Association of Investment Companies
www.theaic.co.uk

The AIC represents closed-ended investment companies. It helps its member companies through lobbying, media engagement, technical advice, training and events.

The AIC's website includes information about investments via investment companies, including investments in listed private equity companies.

[1]Authorised and regulated by the Financial Conduct Authority.

www.hgcapitaltrust.com is constantly updated to ensure that the you can always access HGT's latest data and information on your computer or mobile device in a transparent, convenient and intuitive manner.

If you have any suggestions on improvements we can make to the site, please do get in touch at investorrelations@hgcapitaltrust.com

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