

## **Interim Management Statement**

**9 October 2013**

HgCapital Trust plc (the 'Trust'), today issues its Interim Management Statement in accordance with FCA Disclosure and Transparency Rule 4.3. This statement relates to the period from 1 July 2013 to 8 October 2013 and incorporates the Trust's calculation of its Net Asset Value (NAV) at 30 September 2013, in the same form as is issued following the end of each month. The NAV at 30 September 2013 is based on the valuations of unquoted investments as at 30 June 2013, as set out in the interim report issued on 22 August 2013, with any subsequent investment completed by the date of the announcement accounted for at cost; in addition, adjustments are made for capital and income realisations, exchange rate movements, changes in the value of quoted securities, dividends payable and expenses incurred during the period to 30 September 2013.

## **Investment Environment**

The views of the Board and the Manager on the current investment environment in Europe are substantially unchanged.

- The macro-economic environment remains generally weak across Western Europe where the Manager invests. Although there are some signs of recovery, the environment continues to be relatively challenging.
- There appears to be marginally more risk on the downside than opportunity on the upside with respect to general economic indicators.
- Although there are positive lead indicators in the UK, Germany, Benelux and the Nordic countries over the last few months, any broad recovery remains at a very early stage and for the time being, the Manager's core position is unchanged.

The Board and the Manager have held a cautious view of Western European economic prospects since 2009, assuming minimal levels of GDP growth and greater volatility, generally taking a more bearish stance than most economic commentators over the last four years. The Board believes, however, that macro-economic factors have relatively little bearing on the Trust's investment performance over the medium and longer-term. This is because the Manager's investment strategy is focused on using its deep sector expertise to identify attractive sub-sectors that will exhibit stronger secular growth even in a weak economy and provide consistent opportunities to invest in multiple businesses that benefit from these fundamental growth trends.

The Manager uses its sector expertise to identify the highest quality, growth companies in sub-sector niches which themselves are growing at typically 2-3 times GDP, driven by fundamental long-term factors.

The Manager is selective about making new investments and within its sectors of expertise it continues to find pockets of opportunity to acquire leading businesses at reasonable prices, usually where it has had the opportunity to build relationships with such companies over many years before making an investment.

Both trade and financial buyers continue to express interest in acquiring a number of the Manager's portfolio companies, as a result of their growth and market positions. The Manager will continue to consider realising its investments to deliver strong risk-adjusted returns, as it has done consistently over the last decade.

## **Activity during the period**

### ***New Investments***

Since 30 June 2013, the Trust has announced three new buyout investments alongside other clients of the Manager, deploying a total of £35.0 million.

In July, the TMT team agreed the acquisition of e-economic for an enterprise value of £77.0 million. The deal completed in August. e-economic provides Software-as-a-Service ('SaaS') accounting services to SMEs in its home market of Denmark and in eight other European countries, including the UK, the Nordic region and Germany. Its core customer base is small businesses with 1-50 employees as well as accountancy practices. The company was founded in 2001 and has 115 employees working in its headquarters in Copenhagen and a research and development centre in Ukraine. The Trust's share of this investment is £11.5 million.

In August, the Mercury Fund acquired IntelliFlo Limited at an enterprise value of £43.0 million. IntelliFlo is one of the UK's leading SaaS providers of front and back office software to financial advisors, advisor networks and brokers. Nearly ten thousand advisors and administrators use IntelliFlo's software on a daily basis to manage workflows and respond to customer and regulatory needs. The Trust's share of this investment, net of short-term borrowings utilised, is £4.0 million.

Also in August, the Services team completed the acquisition of Nair & Co. for an enterprise value of £123.0 million. The company is a UK headquartered provider of tailored solutions for fast growing companies looking to expand into international markets. Nair & Co. sets up the required international entities and integrates legal, accounting, payroll, tax and human resources services to ease the process of international expansion. The Trust's share of this investment is £19.5 million.

The Trust has also participated in further small investments in the buy-out and Renewable Energy funds, to give a total for all investments in the period of £37.4 million.

## ***Realisations***

In June 2013, we announced the sale of ATC to Intertrust for €303.0 million. This realisation represented an investment multiple of 2.3x original cost and a gross IRR of 40% p.a. over the two year investment period. The Trust received proceeds of £22.4 million on completion of the transaction in August 2013, which is an uplift of £3.8 million over the carrying value of £18.6 million at 31 December 2012. The anticipated sale proceeds of ATC were reflected in the NAV of the Trust at 30 June 2013.

In addition, the Trust received income proceeds of £4.5 million as a result of the refinancing of Visma that completed in September 2013.

## **Current trading**

The Manager is represented on the board of every material investment in the portfolio and receives monthly management accounts from all the buyouts in which the Trust is invested. These are regularly discussed with the Board, together with other information about the trading environment, strategy, prospects and leadership of each business, and the actions that the Manager is taking to effect improvements. The latest available trading figures for companies in the portfolio are for the period ended 31 August 2013.

The top 20 companies in the buyout portfolio (which represent 87% of the portfolio value) have seen sales growth in the last twelve months to 31 August 2013 of 7%. Of these investments, six companies increased sales by greater than 10%, including two by 15% or more. One investment reported sales materially below the prior year.

During the last twelve months to 31 August 2013, EBITDA growth of the top 20 buyout investments was 3%. Of these investments, five increased EBITDA by more than 10%, including three by 15% or more. Six investments have reported EBITDA materially below the prior year.

## **Investment objective**

The Trust gives investors access to a private equity portfolio run by an experienced and well-resourced Manager that makes investments in private companies across Northern Europe in the Healthcare, Industrials, Services and TMT sectors. In addition, the Trust has made a £60.0 million commitment to invest in small-cap TMT deals, where the Manager has many years of experience, alongside HgCapital's Mercury fund. Finally, the Trust also holds investments in the Manager's two renewable energy funds. Undrawn commitments at 30<sup>th</sup> September 2013 totalled £314.8 million.

The objective of the Trust is to provide shareholders with long-term capital appreciation in excess of the FTSE All-Share Index by investing in unquoted companies. The Trust provides investors with exposure to a diversified portfolio of private equity investments primarily in the UK and Continental Europe.

## Performance

The Manager's aim is to achieve returns in excess of the FTSE All-Share Index over the long term, but is not to reflect movements in the Index.

Between 30 June and 30 September 2013, the NAV return was -2.1%, mainly resulting from foreign exchange movements over the period. The Trust's share price at 30 September 2013 was 1,142 pence, a discount of 0.5% against the NAV of 1,148 pence per share. The Trust's share price (on a total return basis) increased by 0.9% over the three months to 30 September 2013, in a period when the FTSE All-Share Index increased by 5.6%.

These calculations of NAV are based on valuations of the portfolio as at 30 June 2013, using market multiples at that date, and therefore do not reflect changes in the ratings of comparable listed companies between 1 July 2013 and 30 September 2013. The book value of the unquoted portfolio will next be reviewed, as usual, at 31 December 2013, taking account of each company's maintainable earnings and ratings of comparable businesses in the relevant listed markets at that time, in accordance with IPEV guidelines.

The table below represents the performance at month end with net income reinvested. All information is at 30 September 2013 and is unaudited.

	One month	YTD	One year	Three years p.a.	Five years p.a.	Ten years p.a.
NAV per Ordinary share (diluted)	(1.2%)	(4.3%)	0.1%	8.1%	3.9%	14.3%
Ordinary Share price	0.0%	14.6%	16.5%	12.3%	10.1%	17.5%
FTSE All-Share Index	1.1%	14.6%	18.9%	10.1%	10.7%	9.2%

Sources: HgCapital, Factset

## Results at 30 September 2013

NAV per share:	1,147.8p
Share price – ordinary shares:	1,142.0p
Ordinary share price discount to NAV :	0.5%
Total net assets:	£428.4m
Net yield:	2.0%
Gearing:	Nil%
Ordinary shares in issue:	37,324,698
Ticker code:	HGT

## Unaudited NAV per Share

The investment portfolio has not been revalued at 30 September 2013. The unaudited NAV at 30 September 2013 is based on the NAV at 30 June 2013, adjusted to reflect purchases and realisations of investments, exchange rate movements, market prices (at bid) in respect of quoted investments, any dividends payable and expenses incurred during the period.

The Trust has a significant exposure to euro denominated assets. As at 30 September 2013, the depreciation of the euro against sterling, by 2.5% since 30 June 2013, has resulted in a decrease in the valuation of that portion of the portfolio of £2.4 million (6.3 pence NAV per share). Similarly, other non-sterling denominated assets depreciated against sterling, resulting in a decrease of £3.1 million (8.4 pence NAV per share) on the portfolio.

## Balance Sheet

At 30 September 2013 the Trust's summary balance sheet was as follows:

	£m	%
Total investment portfolio	308.1	71.9
Cash and other liquid assets	121.3	28.3
Other net liabilities	(1.0)	(0.2)
<b>Net assets</b>	<b>428.4</b>	<b>100.0</b>

As at 30 September 2013, the Trust had liquid resources of £121.3 million (28% of the 30 September 2013 NAV). This compares with outstanding commitments to invest in or alongside the Manager's Hg7, Hg6, Hg5, Mercury, RPP and RPP2 funds amounting to £314.8 million (74% of the 30 September 2013 NAV). The Trust also has a £40.0 million bank facility that is currently undrawn.

## Portfolio

The portfolio of investments at 30 September 2013 (at valuation including accrued interest) consisted of the following, with the twenty largest primary buy-out investments listed in detail:

	<b>Investment</b>	<b>% of Net Assets</b>	<b>Sector</b>
1	IRIS	6.4	TMT
2	Visma	6.3	TMT
3	TeamSystem	5.7	TMT
4	Achilles	4.6	TMT
5	Nair & Co	4.3	Services
6	JLA	4.0	Services
7	Voyage Care	3.1	Healthcare
8	Lumesse	2.9	TMT
9	QUNDIS	2.9	Industrials
10	SimonsVoss	2.9	Industrials
11	Epyx	2.7	TMT
12	Atlas	2.6	Services
13	e-conomic	2.6	TMT
14	Frosunda	2.3	Healthcare
15	Sporting Index	2.2	Consumer & Leisure
16	NetNames	1.8	TMT
17	Schleich	1.8	Consumer & Leisure
18	Manx Telecom	1.7	TMT
19	Investments in UK Parts Alliance	1.3	Services
20	KVT	0.6	Industrials
<b>Total Top 20</b>		<b>62.7</b>	
	Other primary mid-cap buy-out	1.3	
	<b>Primary small-cap buy-out</b>		
	HgCapital Mercury D	1.6	
	<b>Secondary mid-cap buy-out</b>		
	HgCapital 6 E	2.2	
<b>Total buy-out investments</b>		<b>67.8</b>	
	<b>Renewable Energy investments</b>		
	Hg RPP 1	1.7	
	Hg RPP 2	2.4	
<b>Total Investment Portfolio</b>		<b>71.9</b>	

The sector analysis of the net assets is listed below:

<b>Sector</b>	<b>% of Net Assets</b>
TMT	36.2
Services	12.4
Healthcare	6.6
Industrials	6.5
Renewable Energy	4.1
Consumer & Leisure	4.0
Fund Investments	1.9
Cash and other liquid assets	28.3
<b>Total</b>	<b>100.0%</b>

This statement is a general description of the financial position and performance of the Trust for the period from 1 July 2013 to 8 October 2013. It does not contain any profit forecast or forward looking information. Future performance and share price are likely to be affected by a number of factors, including (but not limited to) general economic and market conditions and specific factors affecting the financial performance or prospects of individual investments within the Trust's portfolio.