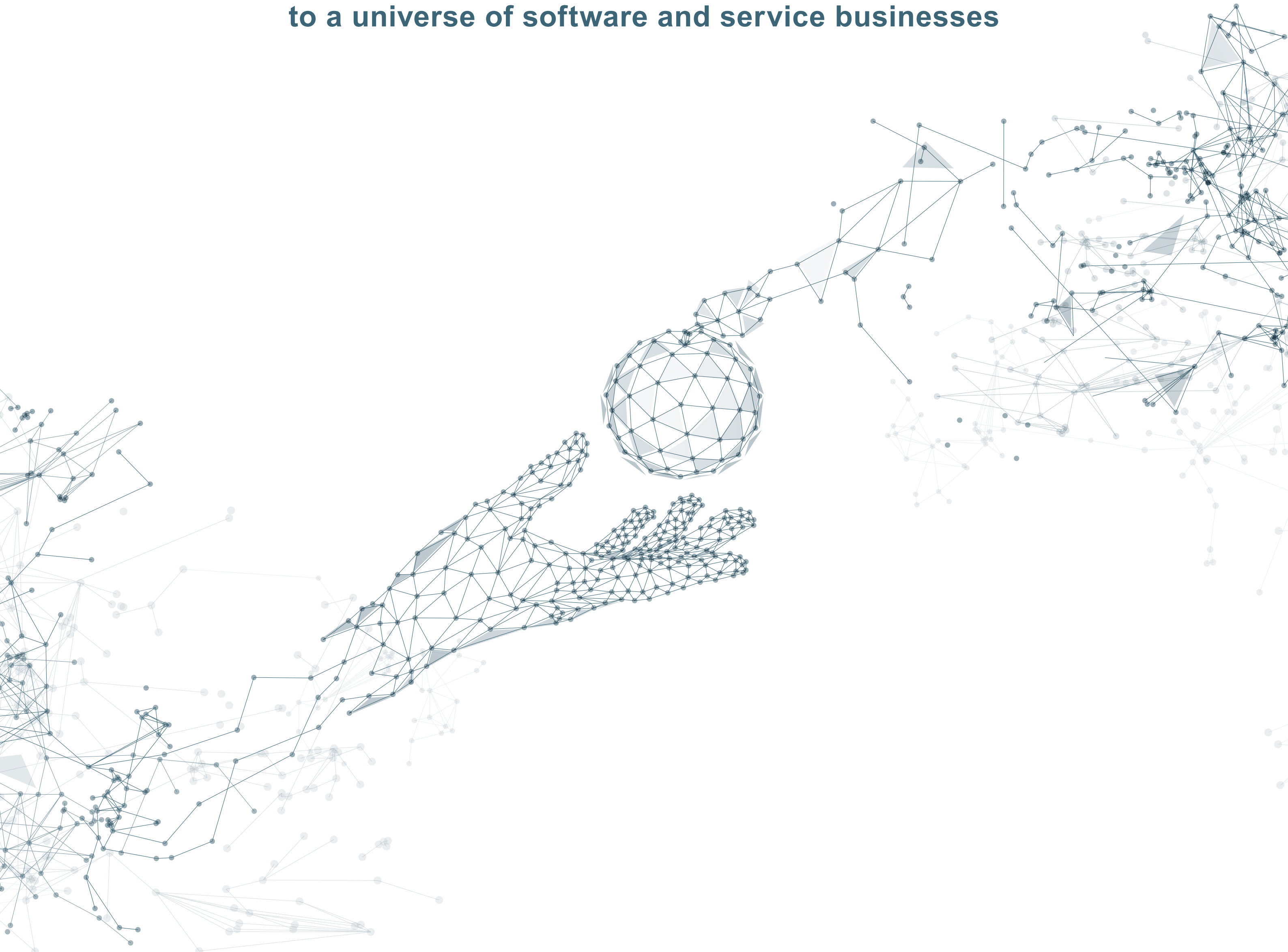
Get connected

to a universe of software and service businesses



HgCapital Trust plc

Interim report and accounts

30 June 2019

The objective of the Company 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.

The Company provides investors with exposure to a fast-growing network of unquoted investments, primarily in software and service businesses across Europe.

References in this Interim Report and Accounts to HgCapital Trust plc have been abbreviated to 'HgCapital Trust' or 'the Company'. 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

HgCapital Trust plc

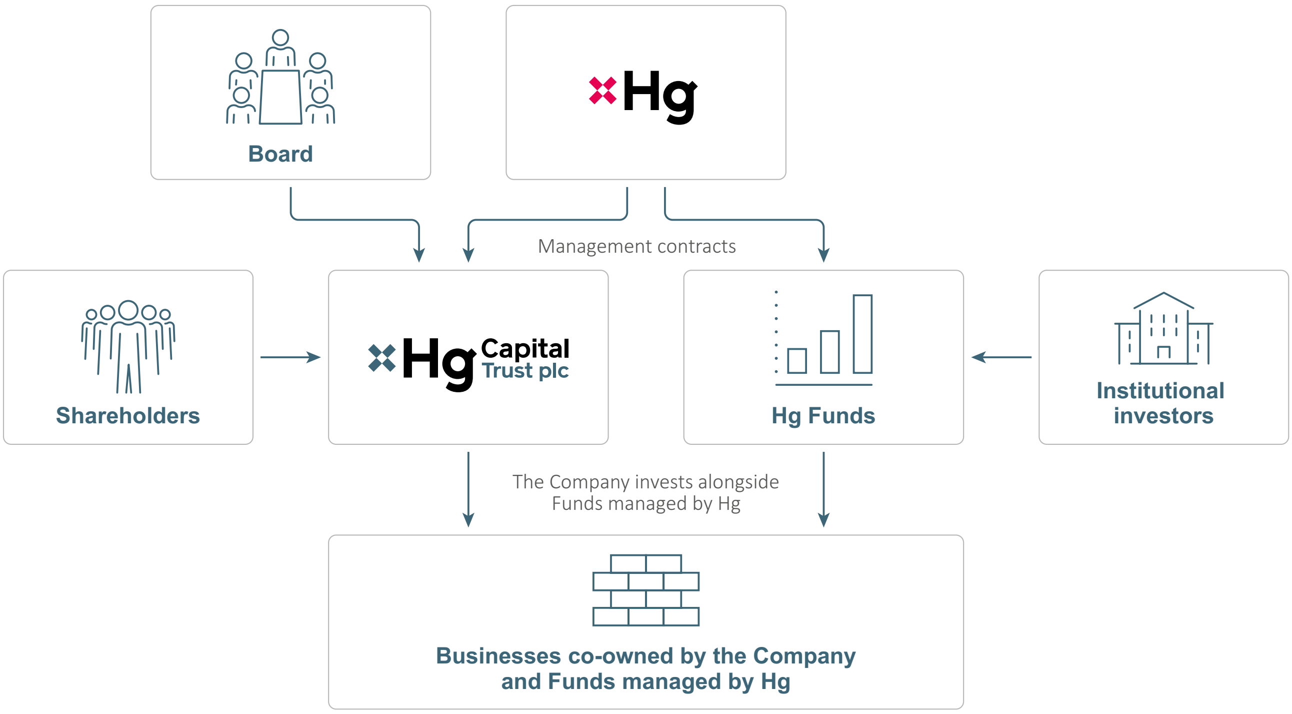
The investment opportunity

The Company provides investors with the **opportunity** to share in the growth in value of a network of **thirty-one investments** brought together by Hg. Value is created by 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 service businesses, 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 the Company's investments, reported aggregate **sales of £3.7 billion** and **EBITDA of £1.0 billion** over the last twelve months, with **EBITDA margins of 28%**.

Hg brings to the Company an experienced team of 170 employees, including more than 90 investment and other professionals, supported by a network of close to 20 Operating Partners, all of them seasoned senior managers from across industry, who work with management teams 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 sectors and geographies.

The Company'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 that would otherwise be inaccessible. This allows the Company 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 £50 million to over £5 billion.



Financial highlights

Six-month performance:

Share price
at 30 June 2019 was £2.16
a total return for the period of:
+22.5%

Market capitalisation
The market capitalisation of the Company at 30 June 2019 was:
£868m

NAV per share
at 30 June 2019 was £2.42,
a total return for the period of:
+13.9%

Net assets
The total NAV of the Company at 30 June 2019 was:
£975m

Total annualised ongoing charges
The total annualised ongoing charges for the period to 30 June 2019:
1.7%

Interim dividend
(2018: 1.6p)
1.8p

Please refer to page 70 for further detail of the calculation of ongoing charges.

Interim dividend of 1.8p per Ordinary share to be paid on 25 October 2019. 2018 interim dividend of 16p per Ordinary share restated for the ten for one share split completed in May 2019.

Financial highlights continued

Top 20 investments as at 30 June 2019:

LTM sales growth
(31 Dec 2018: +25%)
+26%

LTM profit growth
(31 Dec 2018 +27%)
+35%

EV to EBITDA multiple
(31 Dec 2018 17.3x)
19.5x

Debt to EBITDA ratio
(31 Dec 2018 5.6x)
6.3x

These figures are calculated on a value-weighted basis. For further information on the top 20 portfolio trading data, please refer to pages 30 to 31 of the Manager's review.

Balance sheet analysis as at 30 June 2019:

Liquid resources
(16% of NAV)
£159m

Outstanding commitments
(35% of NAV)
£341m

Liquid resources are supported by an undrawn bank facility of £80 million.

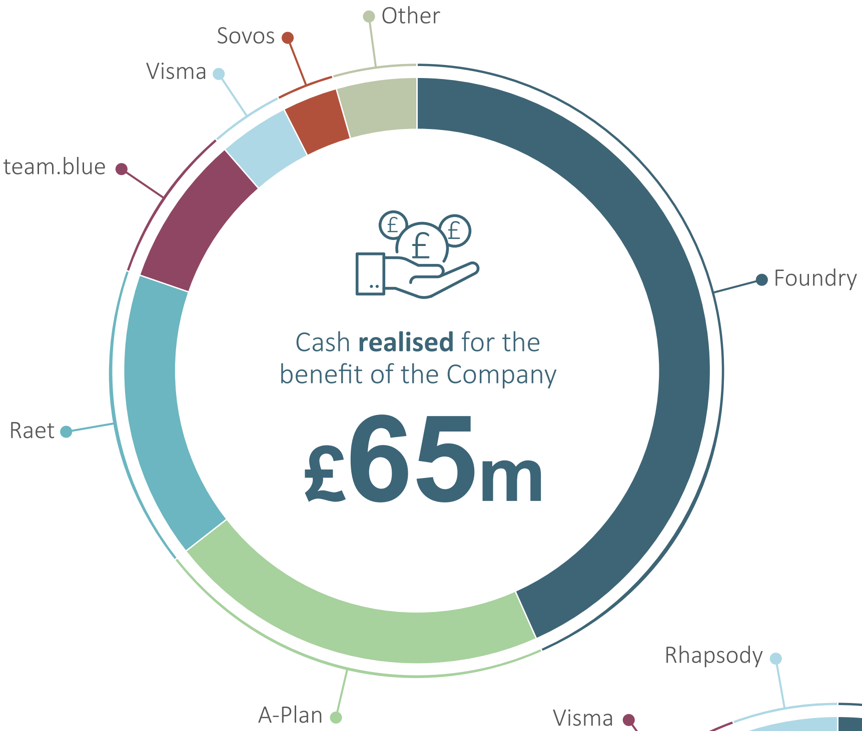
Commitments will be drawn down over the next two years (2019-2021), an average cash outflow of c. £170 million p.a.

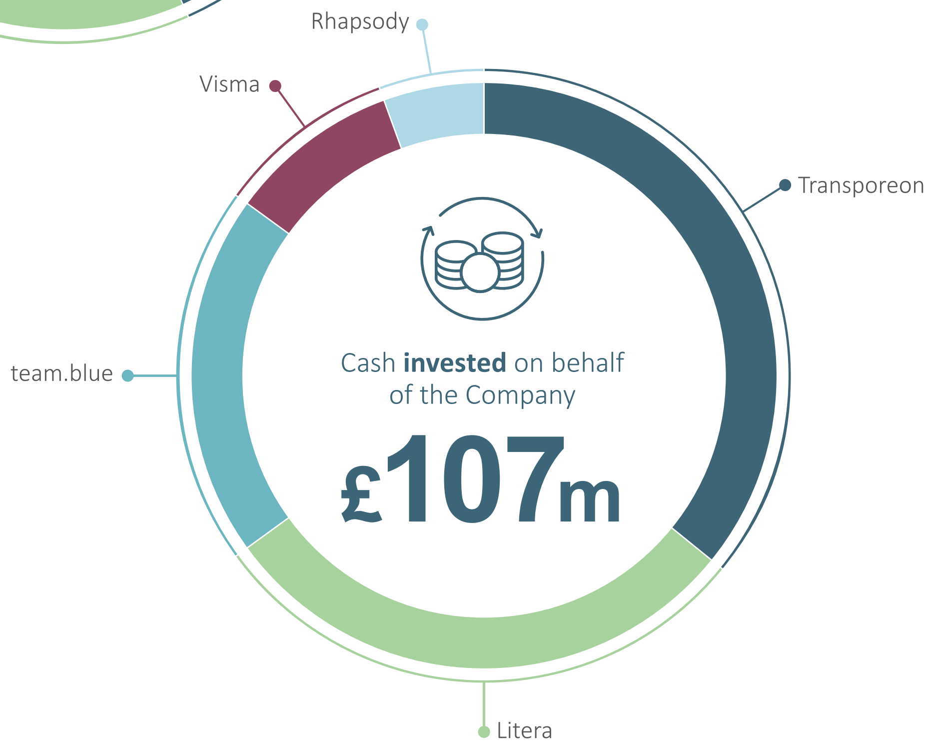
The Company can opt out of a new investment without penalty, should it not have the cash available to invest.

Financial highlights continued

Continued portfolio activity over the first half of 2019, with further investments and liquidity events expected in the second half of 2019.

Investment and realisation activity over the period:





For further information on investment and realisation activity over the period, please refer to pages 34 to 38.

Financial highlights continued

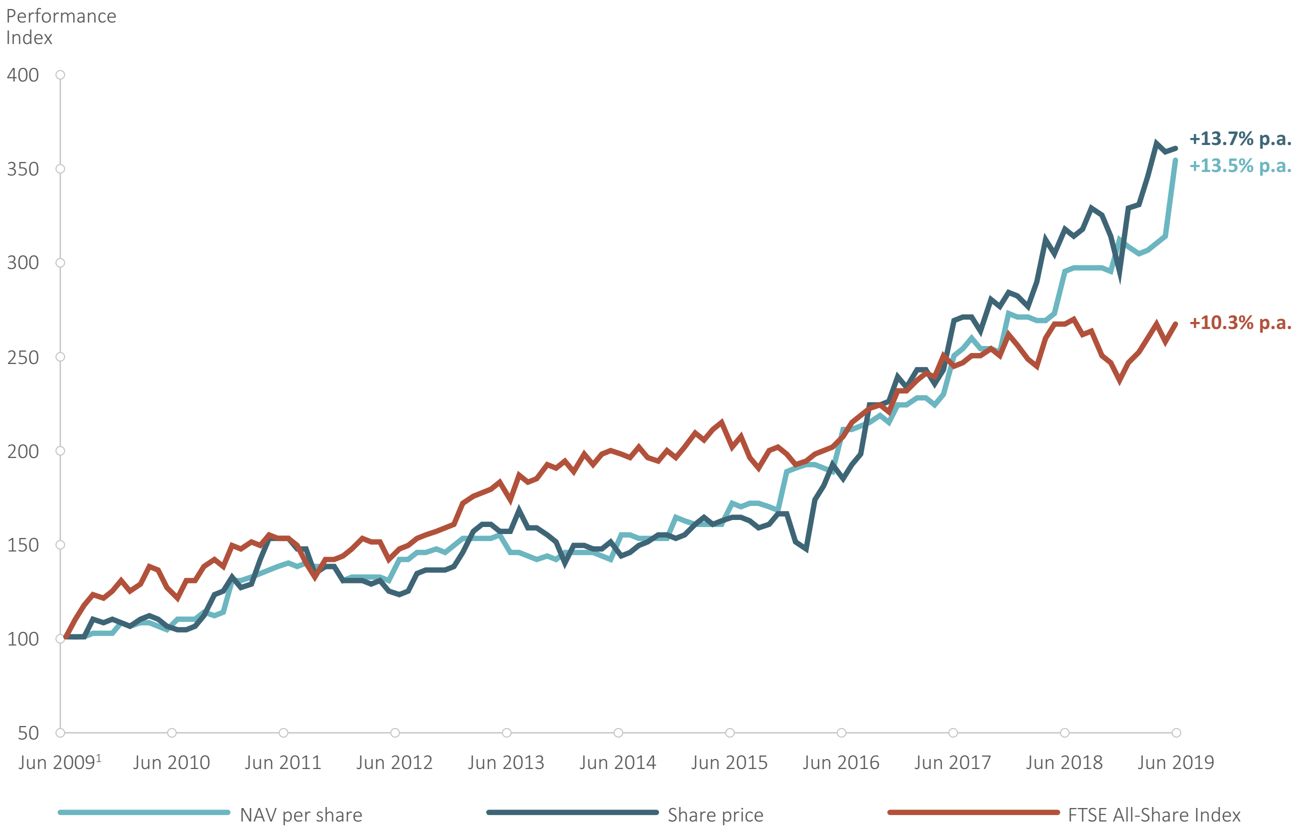
Historical total return performance

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

	Six months to 30 June 2019 %	One year %	Three years % p.a.	Five years % p.a.	Ten years % p.a.	Twenty years % p.a.
Share price	22.5	13.9	25.0	20.2	13.7	14.6
NAV per share	13.9	20.2	19.0	18.1	13.5	13.5
FTSE All-Share Index	13.0	0.6	9.0	6.3	10.3	5.1
Share price performance relative to the FTSE All-Share Index	+9.5	+13.3	+16.0	+13.9	+3.4	+9.5
NAV per share performance relative to the FTSE All-Share Index	+0.9	+19.6	+10.0	+11.8	+3.2	+8.4

Based on the Company's share price at 30 June 2019 and allowing for all historic dividends being reinvested, an investment of £1,000 made twenty years ago would now be worth **£15,292**, a total return of **1,429%**. An equivalent investment in the FTSE All-Share Index would be worth **£2,709**.

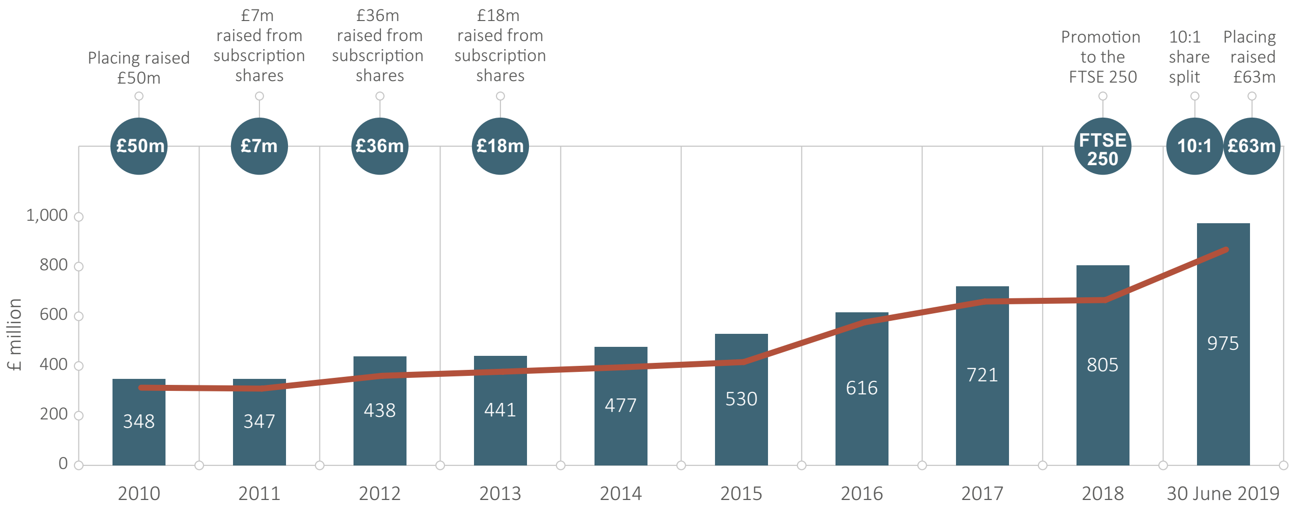
Long-term performance – ten-year share price total return: +13.7%



[1]Performance record rebased to 100 at 30 June 2009. Source: Factset, Hg.

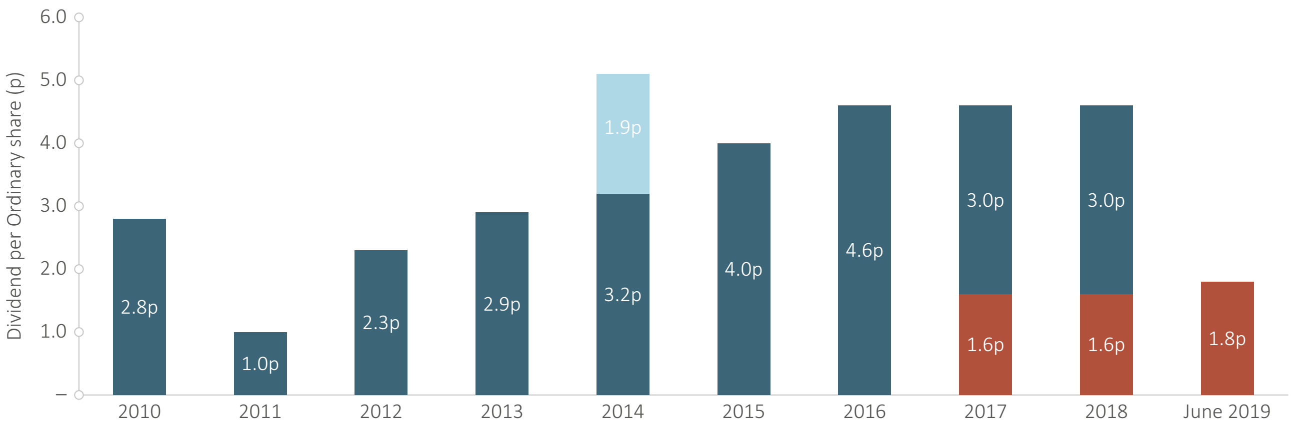
Financial highlights continued

Long term performance record



Source: Hg, Factset   Net assets   Market capitalisation

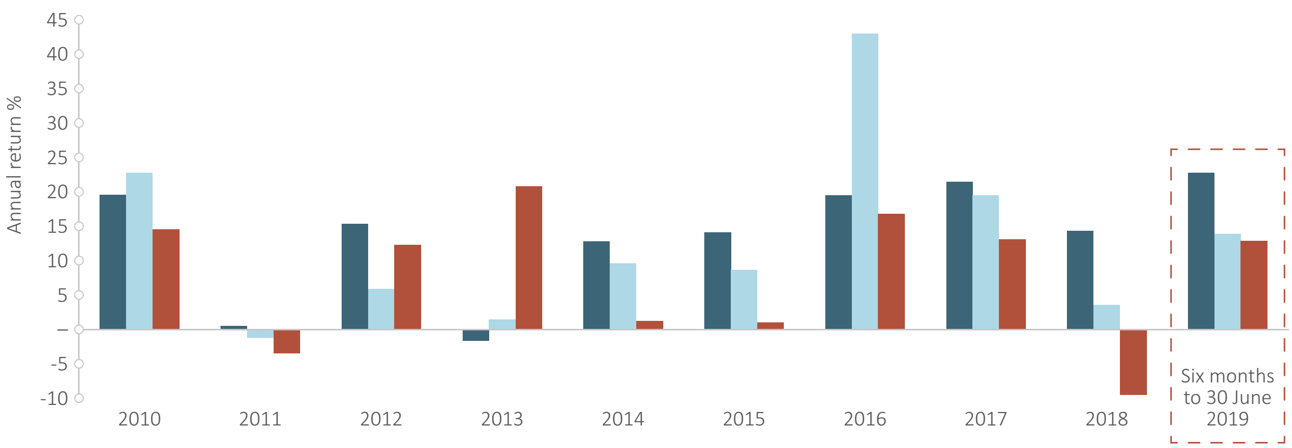
Ten year dividend record



Source: Hg   Final dividend   Special dividend   Interim dividend

Historic dividends restated for the ten for one share split completed in May 2019

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



Source: Hg, Factset   Share price   NAV per share   FTSE All-Share Index

Chairman's statement

Over the twelve months to 30 June 2019, the top 20 companies, that make up 88% of our portfolio by value, reported sales growth of 26% and EBITDA growth of 35%. These are the strongest trading figures we have ever reported and evidence the quality of the businesses we own.

Company performance in the first half

In the first half of 2019, the Company delivered a total return in net asset value per share of 13.9% with the NAV per share reaching a new high of 242 pence per share (after the payment of a final dividend in respect of 2018 of 3 pence).

Our share price also reached a new high of 225 pence per share over the period, closing on 30 June at 216 pence, a total return of 22.5%.

The total NAV of the Company at 30 June reached £975 million, an increase of £170 million over the previous year-end, after the payment to shareholders of £11 million in final dividends, including the proceeds of the share issue in June.

The long-term performance of the Company continues to be outstanding. A shareholder who invested £1,000 twenty years ago (and reinvested all dividends) would today have an investment valued at £15,292; an equivalent investment in the FTSE All Share Index would be worth £2,709.

14% NAV per share total return

Share-split

Shareholders will be aware that, in late May, we completed the share-split announced earlier in the year; this resulted in each shareholder holding ten new shares for every share held previously. As a result, of course, the net asset value and market price of our shares were reduced by a factor of ten. In the commentary set out in this report, all historic figures presented on a per share basis have similarly been adjusted to provide appropriate comparisons.

There were several reasons for carrying out this share-split. The first was that, following more than a decade of growth in net asset value, far exceeding that of the listed market as a whole, our share price had reached a level of over £21 per share. This can be inconvenient for some investors, especially private shareholders wishing to invest smaller sums, but also for many institutional investors where they need to allocate shares to a large number of separate accounts. In the period that followed, our belief that this share-split would generate new interest in the Company's shares, and help create a more liquid market, was borne out.

Dividend

The Company is managed to achieve growth in net asset value and share price, rather than to generate a specific level of dividend. The income available to pay dividends in any accounting period is a result of the capital structure adopted for holding our investments and income earned on our liquid resources awaiting deployment; it can also be affected by valuations of individual holdings.

Following the share-split, the Board has declared an interim dividend of 1.8 pence per share, increased from the level of 1.6 pence per share last year. Long-term investors who hold the Company's shares for growth in capital value can participate in our Dividend Reinvestment Plan ('DRIP'), under which dividends are automatically applied to buy additional shares; details of this are on page 71 of this Report.

Share issue

With a market capitalisation of £868 million, the Company has been a member of the FTSE 250 since October 2018. We believe this better positions our shares for retail investors and index funds, helping to support the share price which has recently traded at a premium to net asset value.

£63m equity raised

The Board took this opportunity to make a placing of new shares in June, raising £63 million in new equity. This will help to underpin the new commitments that the Board anticipates making in the coming months to invest alongside the next generation of Hg funds and co-investments. The share issue also helps consolidate the Company's position in the FTSE 250, attracting more new investors, broadening the share register and further improving liquidity in the trading of the Company's shares.

We were pleased that so many of our long-term shareholders, who had previously felt constrained by the size of their holdings relative to market capitalisation, supported the issue. We were also pleased to see Partners and staff of Hg making substantial investments in the Company, in addition to the commitments they already had made to invest through the Manager's limited partnership funds.

Partners and staff of Hg now hold approximately 13 million shares, representing over 3% of the Company. This reinforces the alignment of interest between the Manager and our shareholders, and I should point out is in addition to the substantial commitments the Partners and staff of Hg make to each vintage fund that Hg raise (typically 2% of the total funds raised).

Portfolio performance

The appreciation achieved in the first half of 2019 reflected further strong growth in sales and earnings across the businesses we own. Over the twelve months to 30 June 2019, the top 20 companies, that make up 88% of our portfolio by value, reported sales growth of 26% and EBITDA growth of 35%. These are the strongest trading figures we have ever reported and evidence the quality of the businesses we own. Two-thirds of the uplift in the value of the unrealised portfolio (20.4 pence per share) in the first half-year has come from this growth in profits. In private equity, to deliver outstanding returns, it is important to avoid losses as well as invest in winners; 96% by value of our portfolio stands above its original cost. Our investment is now focused on software (more than 80% of the portfolio) and services that make use of technology. Technology companies now form the largest sector of the global equity markets but opportunities for investors to buy technology stocks in the UK market are more limited; taken together, the businesses in which we are invested would form one of the largest software businesses in Europe and thus we offer UK investors a rare opportunity to add exposure to this important sector.

Gains over carrying value on the realisation of investments contributed £14 million (3.5 pence per share) to growth in NAV and contributed to proceeds of £65 million for reinvestment. Following a strong run of realisations over the previous two years, only one investment, Foundry, was sold outright in the recent period but several others were refinanced, allowing the return of part of our investment without giving up our ownership interest.

Partial hedging of foreign exchange risk again dampened the impact of movements in foreign exchange rates, with FX movements contributing a small net positive contribution of £3.8 million.

The analysis of NAV movements and attribution analysis (on pages 28 and 29 of this Report) set out a breakdown of movements in the NAV and the underlying investment portfolio. The Board has decided that it will be in shareholders' interest to update the valuations of investments more frequently. Accordingly, with effect from this autumn, we will introduce valuations as at 31 March and 30 September; an updated NAV will therefore be published in early May and early November each year. These will be published on the Company's website and through the regulatory news service: no additional printed reports will be issued.

New Investments

We made investments totalling £100 million in three new companies, in Germany, North America and Belgium, and follow-on investments into several others. All the recent investments have many similarities to prior Hg investments and are in Hg's existing 'clusters', solving workflow problems and serving the needs of similar business customer sets in comparable end markets.

Even when multiples on acquisitions are relatively high we can grow our portfolio through bolt-on acquisitions by companies we already own. These are often identified by the Manager before the initial acquisition and can be made at significantly lower multiples; seven companies in the portfolio made substantial bolt-on acquisitions during the half-year, with some such as Visma, IRIS and Sovos, making multiple acquisitions in the period.

It is worth noting that the Company currently holds 14% of NAV in co-investments, which are free of any fees or carried interest payable. The Company will continue to take up co-investment opportunities as they arise and anticipates maintaining between 10% and 15% of NAV in this strategy.

23% Share price total return

Governance

Given that the Company invests in unquoted companies, we have tried to set new standards in transparency; as private equity transactions can be complex, we have always focused on the clarity of our reporting; and we have ensured that our valuations are rigorous.

The Board pays constant attention to its governance of the Company, taking care to apply best practice in ways that reflect the particular characteristics of the Company and its investment strategy.

Published codes of corporate governance are drafted for use across the market as a whole by many different types of businesses operating with different business models and in different sectors. As a Board, we endeavour to adopt fully the spirit of these codes, applying them carefully to the specific needs of our business. By the nature of private equity investment, the Company makes large, and long-term commitments to invest, with drawdowns over 4-5 years into investments that may be held for up to a decade. The relationship between the Board and the Manager is a long-term partnership based on the deep understanding and long-term commitment between them. It is important to refresh the Board regularly to bring new thinking and challenge. To this end, the Board has adopted new policies on Board tenure and diversity, in order to find the right balance of experience, challenge and diversity of skills and perspective.

"The quality of the individual holdings in our portfolio is the highest the Board can recall, with almost every one of them trading well."

We expect to recruit new Board members every two or three years and aim to maintain an average tenure of around five to six years. Our next recruitment is anticipated during 2020, as part of the planning for my own succession as Chairman, under a process to be led by Anne West, our Senior Independent Director. In doing so, the Board intends to renew its past efforts to achieve greater gender diversity within the Board.

Prospects

We have started discussions with Hg about the commitments the Board will make to invest across the next four to five years, starting in 2020, by which time the existing commitments will have largely been drawn down. We will make further announcements about this in due course.

While market valuations in our target sectors continue to be high, relative to more traditional industries, the rates of growth that are being achieved justify higher multiples. Hg continues to be able to identify businesses that can grow strongly, and at profitable margins, and to attract management teams who can see the opportunities to grow their businesses. Deep sector knowledge built up over many years, and the reputation that this has created, enables Hg to plan bolt-on strategies that add to growth, often reducing the overall multiple at which an investment has been made. While a correction in global equity markets, due to uncertainties around politics and trade continues to look likely, the Board believes our sector and approach to management offers a high degree of protection, as they did in 2008-9.

We continue to monitor the continuing uncertainties around when and how Brexit will be completed, and the new trading relationships between the UK and the European Union; but we agree with the Manager's analysis that the businesses we own are likely to be largely unaffected – in particular as software and services are already outside of the scope of current EU trade agreements.

The quality of the individual holdings in our portfolio is the highest the Board can recall, with almost every one of them trading well and fulfilling the Manager's expectations. More than 70% by value of our investments have been acquired within the last three and a half years, suggesting that this young portfolio offers continuing opportunities to add value. Hg's Portfolio Team has been further strengthened and can now bring to bear a wide range of sophisticated and practical skills that will enhance the business and operating models of our businesses and thereby add value.

As the investments are made in distinct clusters that share characteristics and sectors, valuable experience can also be passed directly between the businesses. This is a highly productive model of ownership — sharing expertise but granting to each management team a high degree of accountability and incentives tied solely to their own performance. This model also encourages the realisation of businesses when value has been created, sustaining growth in shareholder value, rather than building a group where Board and management regard size for its own sake as the objective.

As a vehicle offering exposure to high-growth software and service businesses, not otherwise available to small institutions and private investors, HgCapital Trust offers a way to invest alongside some of the largest institutional investors in the world. With a young portfolio of very attractive businesses, it continues to deserve an allocation in the portfolio of long-term investors seeking growth in value.

Roger Mountford

Roger Mountford
Chairman
6 September 2019

Investment objective and investment policy

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

Risk management

The Company has adopted formal policies to control risk arising through excessive leverage or concentration. The Company's maximum exposure to unlisted investments is 100% of the gross assets of the Company from time to time. On investment, no investment in a single business will exceed a maximum of 20% of gross assets. The Company 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 the Company'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.

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

Gearing

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. The Company 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.

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

Hedging

Part of the Company's portfolio is located outside the UK, predominantly in Northern Europe, and a further part in businesses that operate in US dollars. The Company may therefore hold investments valued in currencies other than sterling. From time to time, the Company 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

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

Liquid funds

The Company 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, the Company may hold substantial cash awaiting investment. The Company 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 the Company'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 the Company and the evolution of the Company'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, the Company 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 the Company's Investment Objective and within the limits set by the Investment Policy, the Company is a direct investor in unquoted businesses managed, and in most cases controlled, by the Manager. From time to time, the Company may hold listed securities in pursuit of its Investment Policy.

The Company is currently invested in 31 companies (as set out on page 40 of this Report), ranging in size, sector and geography, providing diversification.

The Board has delegated the management of the Company'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 70 of this Report. The Manager invests predominantly in unquoted software and service businesses in expanding sectors and provides portfolio management support. Hg's review on pages 17 to 56 of this Report outlines how the Company's investments are managed on behalf of the Company.

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

Periodically, the Company 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 the Company invest on substantially identical terms.

The Company is usually the largest investor in each business. The Board has a further objective of keeping the Company 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.

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

The Company has no liability to pay fees on such co-investment and no carried interest incentive is payable to the Manager on realisation (currently 14% of the Company's NAV is in co-investments). The Company 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 the Company's shares are listed on the London Stock Exchange, it can take advantage of tax benefits available to investment trusts. This allows the Company 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.

Rationale and business model continued

Performance targets

The Company'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 to 7 of this Report. In the six months to 30 June 2019, the Company's NAV per share increased by 13.9% on a total return basis. In comparison, the FTSE All-Share Index increased by 13.0% on a total return basis. The six month total return of the Company's share price was 22.5%.

NAV per share has grown by 13.5% p.a. compound over the last ten years and 13.5% p.a. compound over the last twenty years. The share price has seen broadly similar performance growing by 13.7% p.a. compound over the last ten years and 14.6% 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.

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

Dividends

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 72.

Interim management report and responsibility statement

Interim management report

The important events that have occurred during the period under review are described in the Chairman's Statement and in the Manager's Review, which also include the key factors influencing the financial statements.

The Directors do not consider that the principal risks and uncertainties have changed materially since the publication of the Annual Report for the year ended 31 December 2018. A detailed explanation of the risks summarised below can be found on pages 16 to 18 of the 2018 Annual Report which is available at www.hgcapitaltrust.com.

Performance risk

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

Financial risks

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

Liquidity risk

The Company, 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 that can be serviced from the cash flows generated within that business.

Regulatory risk

The Company operates as an investment trust in accordance with Sections 1158 and 1159 of the Corporation Tax Act 2010 ('CTA 2010'). As such, the Company 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 the Company.

Operational risk

In common with most other investment trust companies, the Company has no employees. The Company therefore relies upon the services provided by third parties and is dependent upon the internal control systems of the Manager and the Company'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 the Company;
- 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 that 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 that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the 2018 Annual Report that could do so.

We consider the Interim Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This interim financial report was approved by the Board of Directors on 6 September 2019.

Roger Mountford
Chairman
6 September 2019

Hg's review

Building businesses that change how we all do business

Hg is an investor predominantly in unquoted software and service businesses.

Our business model combines deep sector specialisation with dedicated portfolio management support. Hg invests in growth companies in expanding sectors, primarily via leveraged buyouts across Europe.

Hg's vision is to be the most sought after private equity investor within our sector focus in Europe, being a partner of choice for management teams, so as to produce consistent, superior returns for the Company and other clients and a rewarding environment for our staff.

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 the Company 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 and HGT Transition Capital LP) of which the Company is the sole Limited Partner;
- a secondary purchase of a direct interest in Hg's 6 fund through HgCapital 6E LP ('Hg6E'), in which the Company is a Limited Partner, alongside other institutional investors; and
- direct investments in renewable energy fund limited partnerships (Asper Renewable Power Partners LP ('Asper RPP I LP') and Asper Renewable Power Partners 2 C LP ('Asper RPP II LP'), of which the Company is a Limited Partner, alongside other institutional investors.

Hg Pooled Management Limited was authorised as an Alternative Investment Fund Manager with effect from 22 July 2014. For further details, refer to pages 122 to 124 of the 2018 Annual Report.

About Hg

Years of investing
>25

Staff
>170

Investment professionals
>90

Funds under management
>£10bn

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.

Since then, Hg has worked hard to develop a unique culture and approach – setting us apart from other investors. We're committed to building ambitious businesses across the software and services space.

With investment offices in London, Munich and New York and over 170 employees, including more than 90 investment professionals, further enhanced by the considerable experience of close to 20 Operating Partners, we have funds of more than £10 billion under management, serving more than 100 highly regarded institutional investors. These include private and public pension funds, endowments, insurance companies and funds of funds, investing alongside the Company.

We have progressively invested in and strengthened the business of Hg over the years, to establish a significant competitive advantage.

The Company is the largest client of Hg, which has been contracted to manage the Company'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. The Company is committed to invest in parallel with all of Hg's current funds.

One strategy over four funds across the size range in software and service businesses

Fundraising activity has seen Hg close on c. £4.5 billion of institutional capital in the last three years, across four distinct funds. The Company has made commitments to invest on the same financial terms as institutional investors in all of these Hg funds.

Team	Year	Focus	Characteristics
Hg Saturn	2018	Large-cap (EVs focus: >£1 billion)	• Fund size: £1.5 billion • Typical hold: £400 million – £500 million • Target number of investments: c. 4
Hg Genesis[1]	2017	Mid-market (EVs: £250 million – £1 billion)	• Fund size: £2.5 billion • Typical hold: £100 million – £250 million • Target number of investments: c. 12
Hg Mercury	2017	Lower mid-market (EVs: £50 million – £250 million)	• Fund size: £575 million • Typical hold: £30 million – £60 million • Target number of investments: c. 12
Transition Capital[2]	2018	Lower mid-market (EVs: £50 million – £250 million)	• Fund size: £75 million • Typical hold: £15 million – £30 million • Target number of investments: c. 3

[1] The Genesis team are currently working on investing the Hg8 fund.
[2] The Company is the sole investor in this strategy.

“We focus our investments in software and service businesses with specific business characteristics that we believe have the ability to grow across market cycles and are attractive to future buyers”

Nic Humphries, *Senior Partner, Hg*

Investment strategy

Hg has a flexible approach to investing, primarily focused on defensive growth buyouts in software and service businesses in specific end-market ‘clusters’ with enterprise values (‘EVs’) of £50 million to over £5 billion predominantly, but not exclusively, in the UK and Northern Europe.

These companies typically provide opportunities for strategic and operational improvement and offer multiple exit options across market cycles, but with the scale and potential to attract high-quality management.

We believe these markets offer a high volume of investment opportunities with proven financial performance and strong market positions.

Clear investment criteria

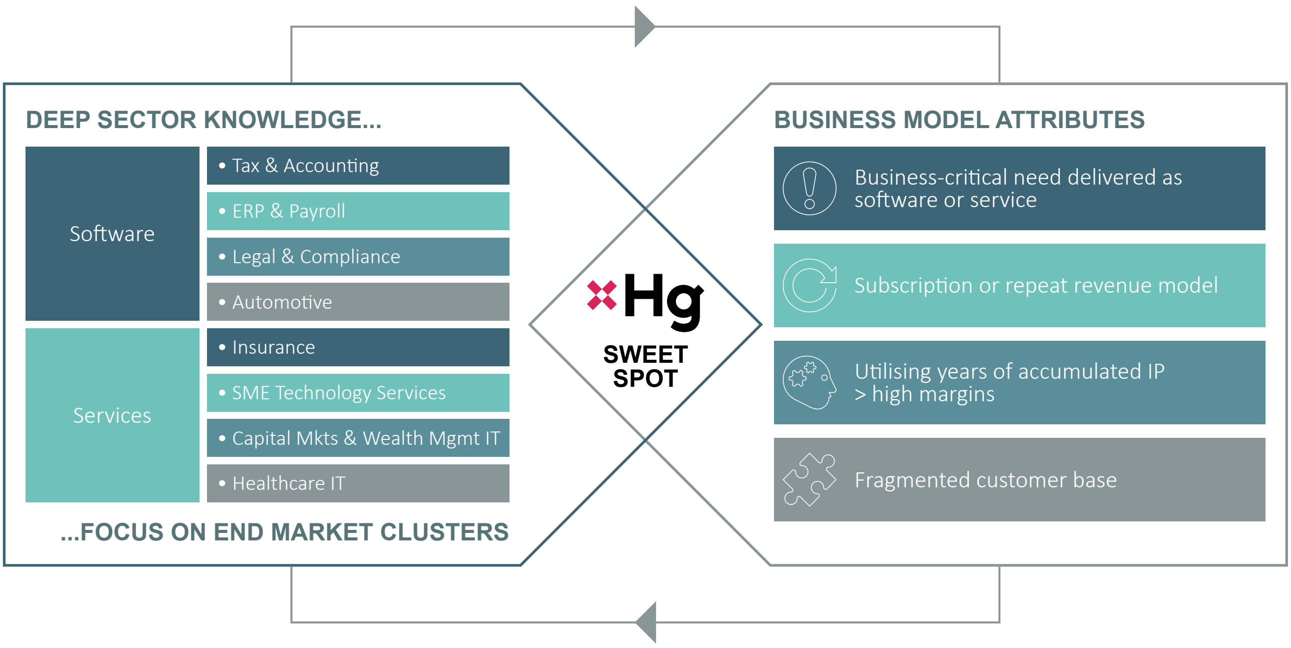
Hg applies a rigorous approach when evaluating all investment opportunities. Our objective is to invest in the most attractive businesses, rather than be constrained by a top-down asset allocation.

We seek companies that share similar characteristics, such as: high levels of recurring or contracted revenues; a product or service that is business-critical but typically low-spend; low customer concentration; high customer loyalty and low sensitivity to market cycles; and often providing a platform for merger and acquisition (‘M&A’) opportunities.

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

The ‘Hg sweet-spot’ business model

A clear and robust business model focused on long-term consistent growth predominantly through investment in buyouts with a Northern European angle.



About the Company
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Sector specialists in software and services

Our experience means we can recognise the specific challenges faced by management teams and the know-how required to support them to deliver business success.

We specialise in investing in software and service businesses focused on eight core end markets (or 'clusters'), with enterprise values of between £50 million and more than £5 billion. Hg offers a deep level of understanding and expertise in these businesses.

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, market leaders which have strong sector reputations, 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 support value creation in our businesses.

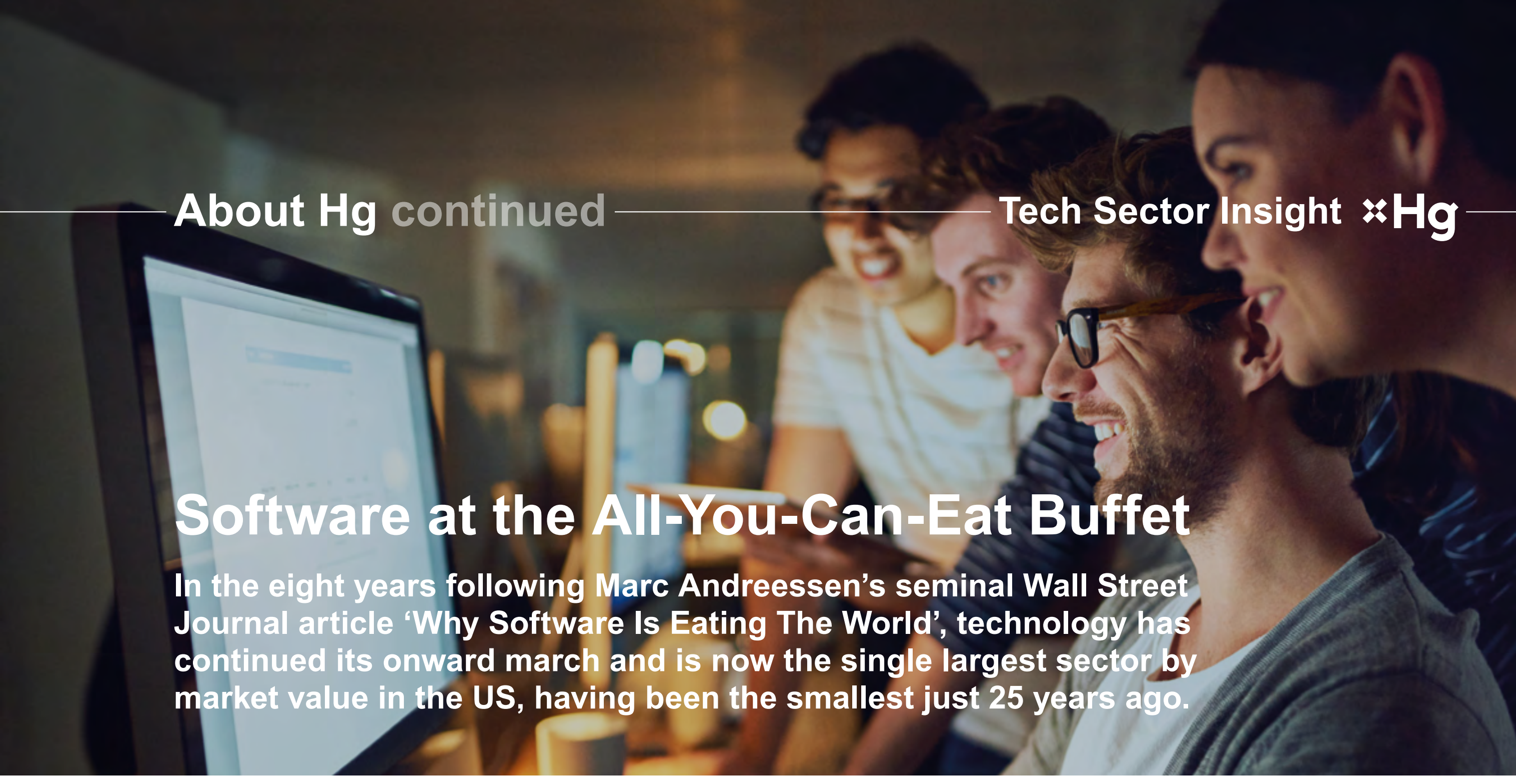
Services

Our services investments focus on companies with high levels of intellectual property, large fragmented customer bases, 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 we aim to grow and scale these businesses, either organically within existing markets or through acquisitions.

We primarily focus on eight core end markets to build deep know-how

Cluster	Portfolio
Tax & Accounting 15 years	TeamSystem, VISMA, SOVOS, Cogital Group, IRIS
ERP & Payroll 15 years	TeamSystem, P&I Pure HR, VISMA, access, IRIS, TRANSPOREON
Legal & Regulatory Compliance 12 years	Achilles, TRACEONE, STP, Citation, MITRATECH, LITERA MICROSYSTEMS
Automotive 11 years	EUCON, MOBILITY HOLDING
SME Tech & Services 9 years	Commify, ( ) REGISTER, ITRelation, teamblue
Capital Markets & Wealth Management IT 6 years	FE, fundinfo
Insurance 6 years	a-plan, EUCON
Healthcare IT 5 years	Evaluate, ALLOCATE, MEDIFOX, Rhapsody



Software at the All-You-Can-Eat Buffet

In the eight years following Marc Andreessen's seminal Wall Street Journal article 'Why Software Is Eating The World', technology has continued its onward march and is now the single largest sector by market value in the US, having been the smallest just 25 years ago.

After such a strong run for the technology industry and its investors, why are we still so excited about the opportunity for software and services?

At Hg, we see generationally sustained secular trends, driving and shaping technology spend and the accompanying investment landscape.

In particular we observe four important trends:

1. Rising labour costs driving accelerating software and services spend and specialisation;
2. Hardware productivity growth (Moore's Law) releasing spend for software and services;
3. Cloud reducing friction, accelerating growth, and moving spend to software;
4. 'Private for longer' trend compounding growth of the opportunity pool.

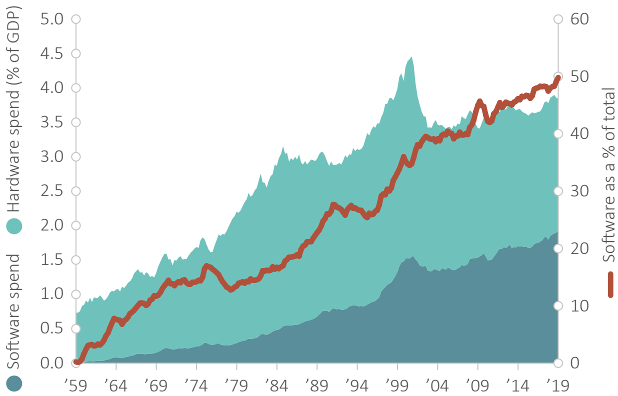
At the all-you-can-eat buffet of software opportunity, we are still on the first course. Our undiminished excitement for the investment road ahead is supported by strong evidence for the scale of opportunity, fuelled by economic development, and catalysed by growth in hardware capacity. Cloud technologies ease the sales and implementation process further, with lower friction benefiting both customers and vendors.

Finally, from a PE perspective, the growing relative attractiveness of private markets helps drive these investment opportunities in our direction, at valuations that are consistent with the broader market.

Impact of labour cost on IT spend

Source: Hg analysis based on data from Conference Board, Gartner Group and the World Bank.

US software and hardware spend as a % of GDP, and software as a % of both combined



Source: Hg analysis based on data from St Louis Federal Reserve.

For the full insight, please go to **hgcapital.com/insight/software-at-the-all-you-can-eat-buffet**

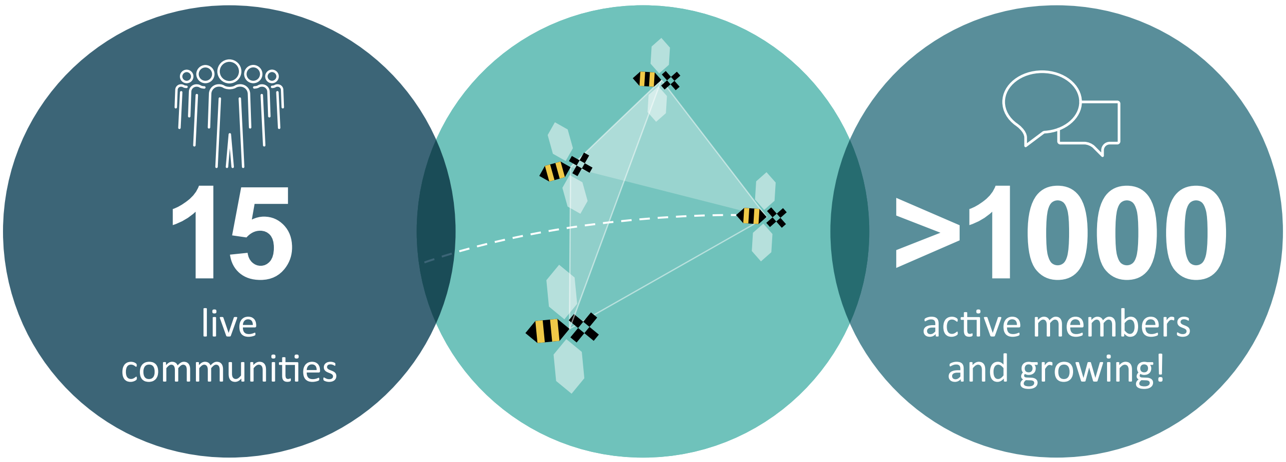
Working together

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 that are key to performance in an 'Hg sweet-spot' business model: sales, digital marketing, value optimisation, customer success, IT, data analytics and talent. For each of these levers, the Portfolio Team has codified the Hg experience and best-practices into set 'plays' that are deployed in collaboration with management.

Every company gets full access to the team up-front, but 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 company pursue growth more quickly. Other times, our experienced operators will mentor senior executives, helping them build more scalable functions (through our Operating Partner relationships). In other instances, most of the support comes through introducing management teams to their counterparts in other companies that Hg invests in, specifically those who have faced the same challenges.

One of the most powerful ways the Portfolio Team motivates change is through peer-to-peer collaboration. In 2018, over 700 portfolio company executives attended 14 forums hosted by Hg. These executives spent time together sharing and adopting each other's best practices. For example, at these Hg forums, Allocate explained how they achieved a tremendous step forward in Customer Success, Visma explained how to build in-house capabilities to complete and integrate 20 acquisitions a year and Sovos presented a methodology to hire and retain the very best technology talent. In addition, we also hosted a diversity forum, specifically focused on rising female leaders in our portfolio companies.

> **"This is not your grandmother's private equity. Progressive PE firms like Hg are doing things differently, focusing on growth, playing a longer game and, most importantly, embracing the power of the portfolio to help each business acquire the knowledge and skills required to lead their market. I'm grateful to be part of it."**
>
> Eric Olson, *Chief Marketing Officer of Sovos*



Collaboration

To enable the continued collaboration across the portfolio, Hg launched 'Hive', its online trusted environment, in 2018. Hive far exceeds the capabilities that any other private equity firm currently offers to its portfolio. With 15 live communities and over 1000 members, peer-to-peer collaboration is unparalleled. Individuals are able to pose questions, start discussions, share and collaborate on content, and have access to best practice methodologies from world-class experts. This is a clear differentiator in the market.

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

Working together

Hg hosts a number of targeted functional forums across the year where the management teams of our portfolio companies have the ability to exchange ideas, insights, share best practice and learnings with others in the Hg portfolio.

Over 2019, we will host 15 forums and will welcome over 800 portfolio employees at forums covering Data Analytics, Sales, Marketing, Women in Leadership, Product and HR & Talent, bringing together the portfolio and our external network of experts.

> **“...a truly inspirational day.”**
>
> Sophia Ramsbottom,
> *Marketing Manager at Citation*


A Path to Power: Hg’s Women in Leadership Forum


Pricing Forum


Building the Revenue Engine: Hg’s Sales & Marketing Forum


HR & Talent


AI in the Real World: Hg’s CIO & CTO Forum


The Product of Understanding: Hg’s Product Forum


From Chaos to Order: Hg’s Data Analytics Forum


Hg CEO and Chair Forum

For further information, please visit **hgcapital.com/hg-insights/**

"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*

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 – both in investment selection and portfolio management – requires significant resources and we have built a business employing 170 people, including over 90 investment executives, and other professionals supported by a team of close to 20 operating partners.

Our investment and portfolio executives come from a range of backgrounds and experience including private equity, consulting, investment banking, accounting and industry specialists. Our Portfolio Team is comprised of a mix of senior operators and functional specialists, who typically have many years of experience in their respective specialist operational and strategic roles. Supporting these in-house resources are Hg's Operating Partners, a complementary group of senior and experienced managers. In addition, they have all worked with Hg and other private equity firms over long periods.

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 sixteen European countries and the USA. Our Partners have, on average, fifteen years' experience in the management of private businesses.

A description of Hg's key staff is available at **hgcapital.com/meet-us**

Positioning ourselves as a best-in-class recruiter

Hg's recruitment and selection processes are rigorous and agile which, along with our strong brand, leadership, sector focus, fund performance and vibrant culture, allows 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 that this is the basis of effective career and succession planning.

Employee engagement

Our people are highly motivated by, and committed to, delivering outstanding value to the Company, 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 our employees are engaged. We use independent external benchmarks to gauge levels of engagement and take appropriate actions to ensure highest possible levels of engagement.

We have a strong focus on career and personal development and provide 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 the behaviours 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.

LEVEL 20

Level 20 is a not-for-profit organisation that was started a few years ago with the aim of inspiring more women to join and succeed in the European private equity industry. Nic Humphries, Senior Partner, Hg, is a member of the Level 20 Advisory Council.

Responsible Investment

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

Why responsible investing 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, whilst generating superior risk adjusted returns for the millions of pensioners and savers globally whose funds are invested with Hg.

We want the businesses we invest in 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 generate superior long-term performance.

Our responsible investing journey

Hg has been a signatory of the UN Principles for Responsible Investment ('UNPRI') since 2012. At the end of 2017, we reviewed and updated our RI framework, policy and approach to define our ambition and ensure we focus on the ESG opportunities and issues most relevant for the types of businesses we invest in. Our new Responsible Business framework forms the foundation of our work and all businesses are assessed against the framework on an annual basis. All businesses get a score from 1 – 10 (10 being the best) and a list of opportunities to consider. In 2018, the average score across the portfolio was 8.6. This is a good reflection of the performance of our companies and demonstrates the low level of inherent ESG risks across the sectors and geographies we invest in.

PRI Principles for Responsible Investment | Hg

A signatory to the UNPRI since 2012.

AA+ 2019 PRI Assessment Score:
'A+' for Strategy & Governance, and 'A+' for PE

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

How we integrate Responsible Investment into our investment process

Investment screening & Due Diligence

- When considering potential new investments, we screen their activity against our exclusion list and assess the quality and sustainability of their business model.
- During due diligence, we assess companies for compliance with relevant laws in relation to environmental, social, governance, health and safety, bribery and corruption issues.

Ownership

- We take an active approach to managing ESG during our ownership. This starts with an ESG onboarding and maturity assessment to prioritise ESG topics and agree an action plan.
- We conduct an annual ESG assessment and work with our businesses to identify areas for improvement and help them to realise their ambitions within and beyond our Responsible Business framework.
- We organise face-to-face events for our management teams to share best practice, network and receive support. In 2018, we have held forums on diversity, implementing GDPR and best practice in HR.

Realisation

- Upon realisation, we aim to demonstrate the increased value from improved ESG performance with case studies and performance metrics.

To watch the video, please go to **hgcapital.com/responsibility**

Case study: Creating a highly innovative segment leader in the film post-production VFX (visual effects) software space

Hg first invested in Foundry in 2015, a business with an excellent reputation in its industry, particularly within the film post production VFX (visual effects) software space and a track record of growth – both organically and through product acquisition.

Website:	www.foundry.com
Investment sector:	Software
Location:	United Kingdom

About Foundry

Foundry has been developing creative software for the Digital Design, Media and Entertainment industries for over 20 years. Its products are used to create visual effects sequences on a wide range of feature films, video-on-demand, television and commercials.

Foundry's clients and partners include major feature film studios and post-production houses such as Pixar, ILM, MPC, Walt Disney Animation, Weta Digital, DNEG, and Framestore as well as automotive, footwear, apparel and technology companies such as Mercedes, New Balance, Adidas and Nike.

Founded in 1996, Foundry is headquartered in London, with 300 staff and a presence in the US, China, Japan, Australia and Europe.

Why did we invest in Foundry?

In May 2015, at the time of Hg's investment in Foundry, the business had an excellent reputation in its industry, particularly within the film post-production VFX (visual effects) software space through its NUKE product range and a series of related products. Foundry had a track record of growth – both organically and through product acquisition. Moreover, the end market was exposed to powerful secular growth drivers and was projected to continue to grow at c. 3x GDP (7%+ CAGR).

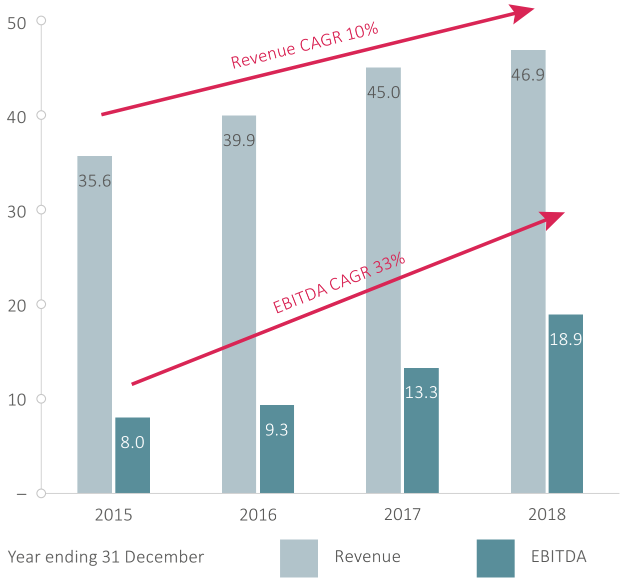
The investment process

The Genesis team partnered with Foundry via Hg7 in May 2015. The investment thesis for the business was centred around professionalising a founder-run business, continuing to grow the profitable and industry-leading core media business, transitioning a collection of small loss-making products to profitability and driving M&A consolidation in a fragmented sector.

The investment was originally acquired for a consideration of £154 million, of which the Company's share was £15.2 million, at an enterprise value of £200 million.

Financial performance

£ million



“Hg has been a great partner to Foundry over the last few years, helping us to evolve from a number of category-leading products into a truly cloud-enabled platform positioned for growth across industry segments and geographies.”

Craig Rodgerson, *CEO, Foundry*

How did we support them and create value?

The CEO of Foundry retired post-investment and Hg took the opportunity to strengthen the management team by recruiting a new CEO, CFO and Head of Sales, Marketing and Design, complementing the incumbent COO, CTO, as well as promoting a new Head of Engineering.

The new management team, especially the CEO, transformed Foundry from a fragmented range of products into a coherent platform, offering cutting-edge solutions across both Media & Entertainment (‘M&E’)and Design.

Under Hg’s ownership, Foundry developed blue-chip customers in Design, scaled Katana (its second key M&E product) and introduced Athera, the first fully cloud-based solution for the M&E sector. The new CEO revitalised Foundry’s sales and oversaw a subscription transition within the Modo product.

These changes had a profound impact on the company and drove a major improvement in the quality of earnings during Hg’s ownership. Foundry’s recurring revenue increased from 38% in 2014 to c. 70% at exit, with the business generating a 108% Net Recurring Revenue (‘NRR’). Recurring revenue grew at an 18% CAGR, while operating leverage drove EBITDA margins north of 40% and underlying cash conversion improved to c. 100%.

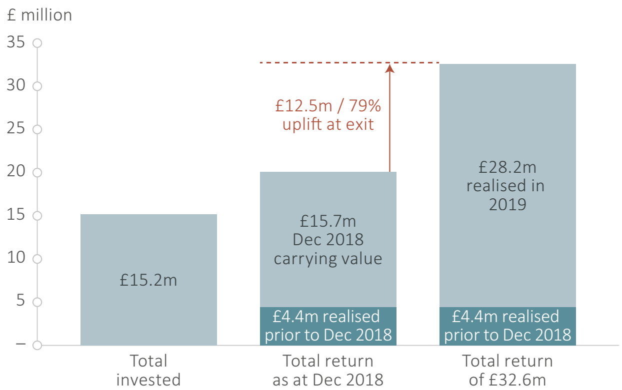
Throughout the course of Hg’s investment in Foundry, it succeeded in building a strong management team, improving the go-to-market strategy, shutting down loss making products and transforming a fragmented set of products into a coherent platform across both divisions.

How did we realise the value?

In March 2019, Hg agreed the sale of Foundry to US listed trade buyer Roper Technologies (NYSE ROP) – sourced by Hg – for an EV of £414 million and an overall return of 2.1x original cost and a 22% gross IRR.

This represented an uplift of nearly 80% on the investment’s prior book value and values the company at 23.3x FY18A EBITDA.

Total return



Figures relate to the Company’s share of Hg’s investment in Foundry.

2.1x
Investment return multiple of cost

22% p.a.
Gross IRR

Review of the period

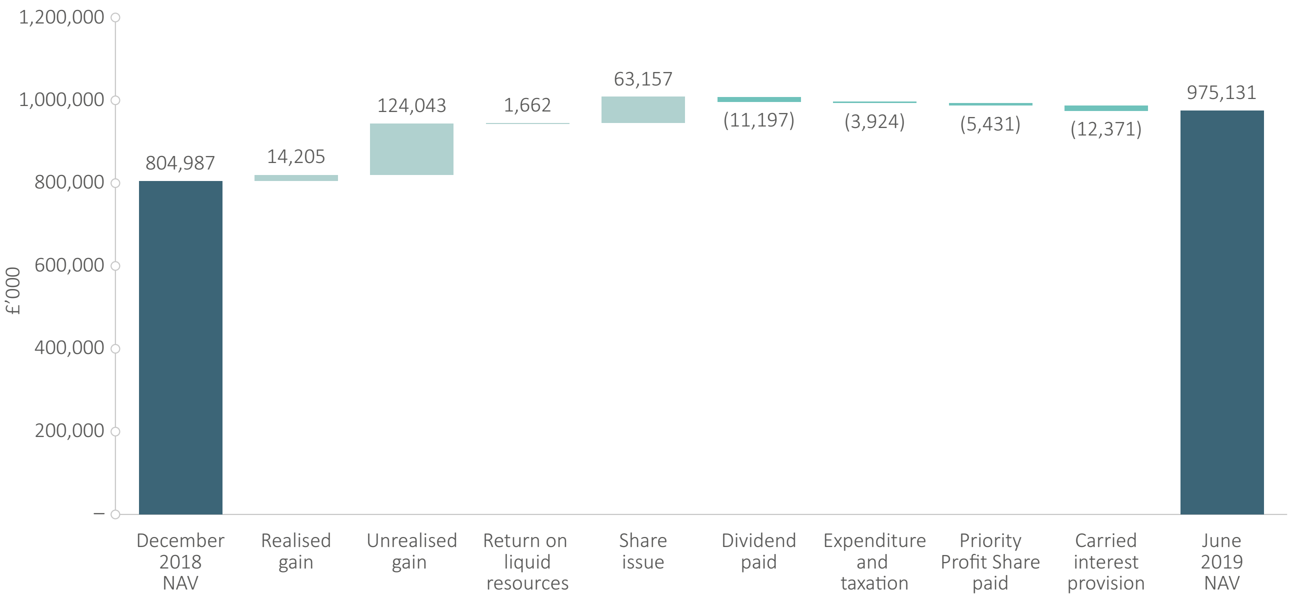
Net asset value (NAV)

Over the first six months of 2019, the NAV of the Company increased by £170 million, from £805 million to £975 million at 30 June 2019.

Attribution analysis of movements in NAV

	Revenue £'000	Capital £'000	Total £'000
Opening NAV as at 1 January 2019	30,554	774,433	804,987
Realised capital and income proceeds from investment portfolio in excess of 31 December 2018 book value	928	13,277	14,205
Net unrealised capital and income appreciation of investment portfolio	15,067	108,976	124,043
Net realised and unrealised gains from liquid resources	959	703	1,662
Net proceeds from share issue	–	63,157	63,157
Dividend paid	(11,197)	–	(11,197)
Expenditure	(2,472)	(1,452)	(3,924)
Taxation	–	–	–
Investment management costs:			
Priority profit share – current period paid	(5,431)	–	(5,431)
Priority profit share – reallocation between revenue and capital	(1,618)	1,618	–
Carried interest – current period provision	–	(12,371)	(12,371)
Closing NAV as at 30 June 2019	26,790	948,341	975,131

Analysis of NAV movements

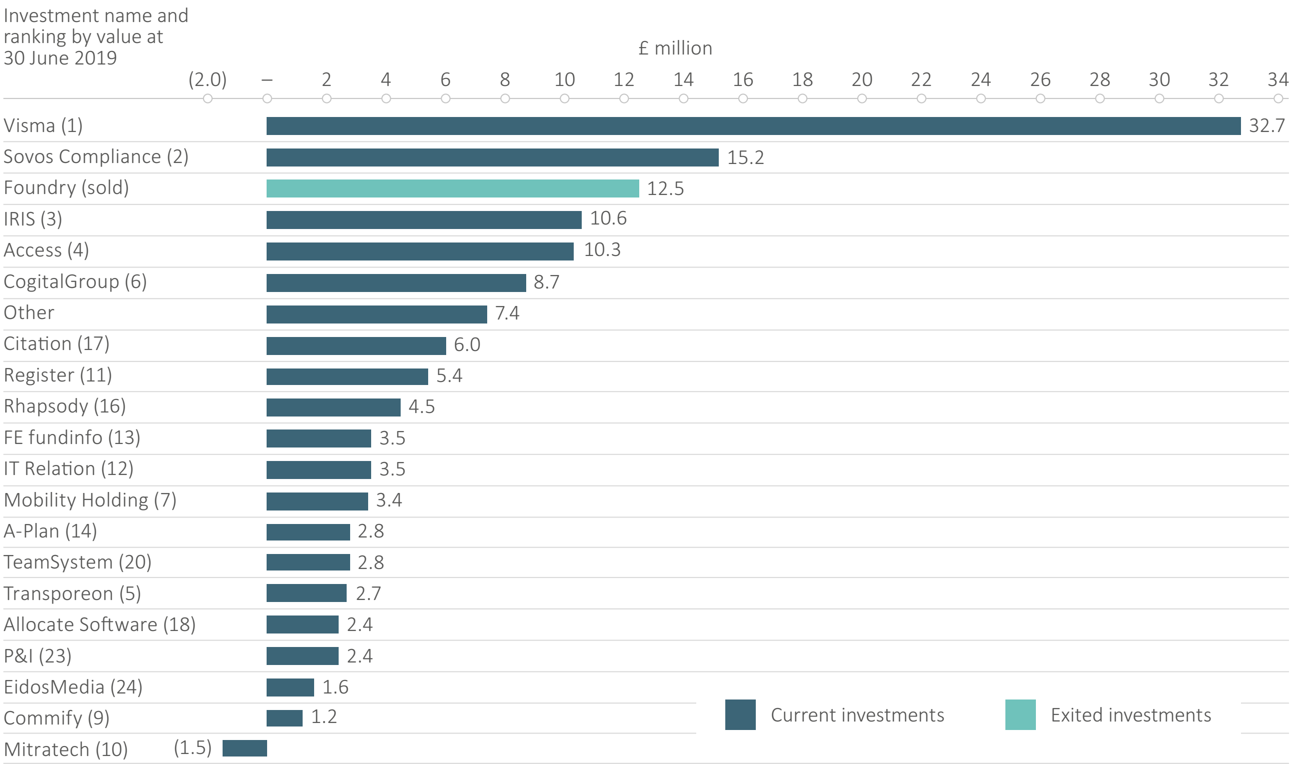


There were a number of underlying factors contributing to the increase in the NAV. Positive impacts were the £124.0 million revaluation of the unquoted portfolio and uplifts of £14.2 million on the realisation of investments compared with their carrying value at the start of the year.

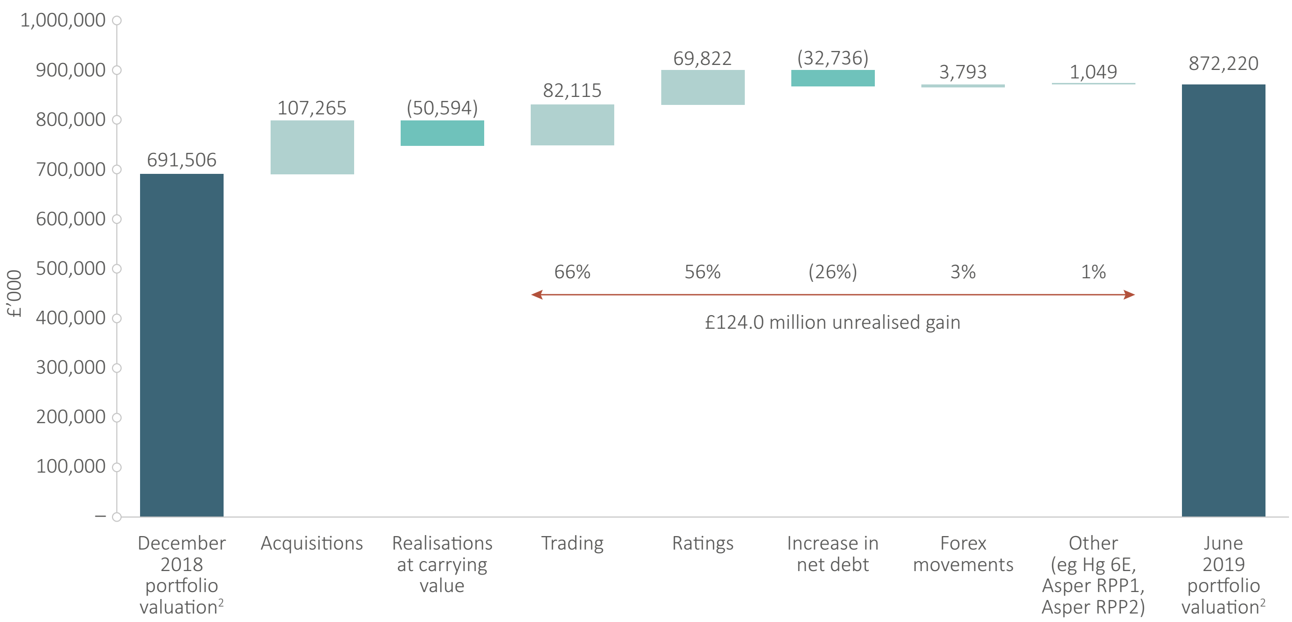
The share issue in June 2019 contributed £63.2 million. Reductions in the NAV included: the payment of £11.2 million of dividends to shareholders and Hg's remuneration (£5.4 million and a £12.4 million increase in the provision for future carried interest.)

Review of the period continued

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 £124.0 million, before the provision for carried interest. Much of the increase (£82.1 million) relates to increases from profit growth in the underlying investments and £69.8 million from increased ratings.

Acquisitions net of realisations at carrying value added £56.7 million. This was partially offset by an increase in net debt of £32.7 million resulting from refinancings that returned cash to the Company and further M&A activity within the portfolio.

Review of the period continued

Top 20 portfolio trading performance as at 30 June 2019

The top 20 investments of the Company (representing 88% of total investments by value) have delivered strong sales growth of 26% and EBITDA growth of 35% over the last twelve months ('LTM').

The business model characteristics of these companies give us confidence that this double digit growth can be achieved consistently going forward.

80% of the top 20 businesses we are invested in are seeing double digit revenue growth, and 88% of the portfolio has delivered double digit EBITDA growth over the last twelve months.

Profits have grown at a faster rate than revenues. Investments made over the last few years into the cost base of a number of our companies, for example, to finance increased sales and marketing capabilities, strengthen management and new product development, continues to bear fruit.

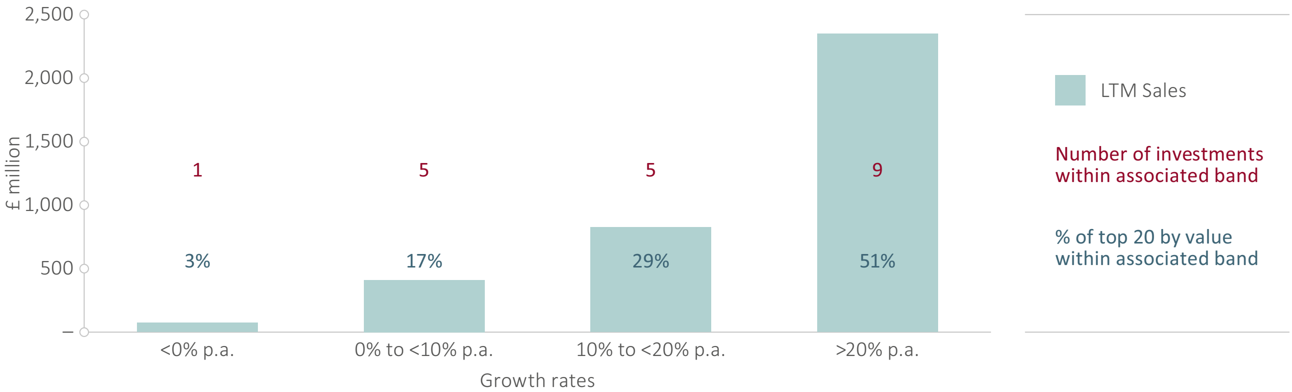
We have seen robust and consistent double-digit trading performance from the majority of the portfolio including: FE fundinfo, Access, Register, Visma, IRIS and Sovos in the software sector; and Citation, CogitalGroup, and A-Plan in the services sector.

Of the smaller investments, TeamSystem, P&I, MediFox and EidosMedia are all trading well. Whilst new to the portfolio, Litera and Transporeon have seen a good start to their partnership with Hg.

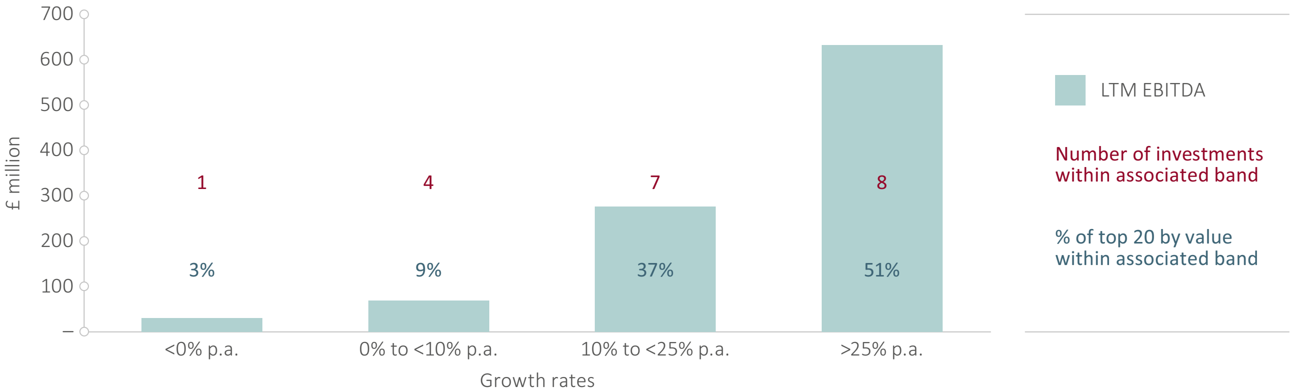
In June 2019, we took the decision to write down Mitratech, as we work to achieve improved performance.

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

Top 20 LTM sales growth: +26%



Top 20 LTM profit growth: +35%



Valuation and gearing analysis as at 30 June 2019

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 M&A activity; this resulted in an average EBITDA multiple for the top 20 buyout investments of 19.5x.

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 SaaS business.

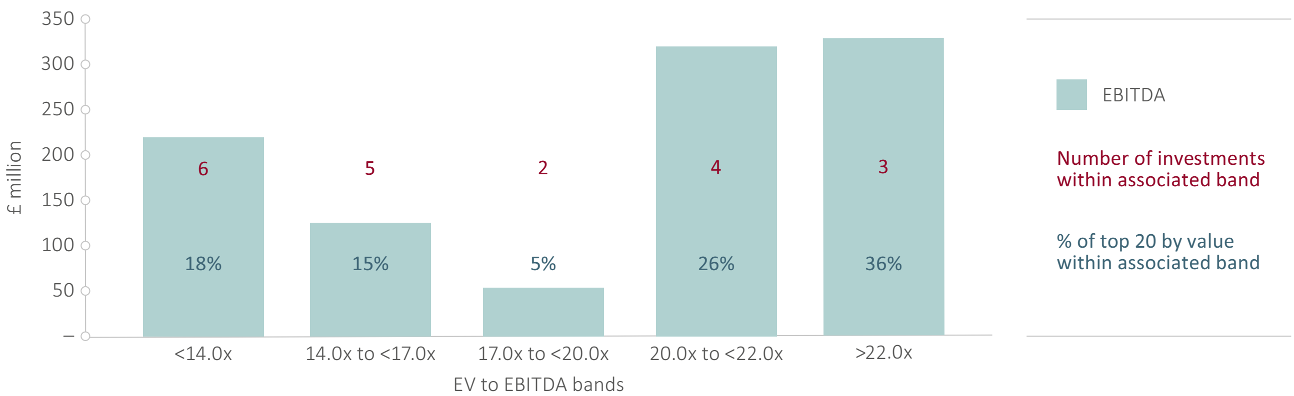
Seven of the top 20 companies (representing 62% by value) are valued at a multiple of over 20x (Transporeon, Visma, Litera, Access, IRIS, Sovos and TeamSystem).

All have attractive business models, are growing strongly and generating cash, and are in demand from investors.

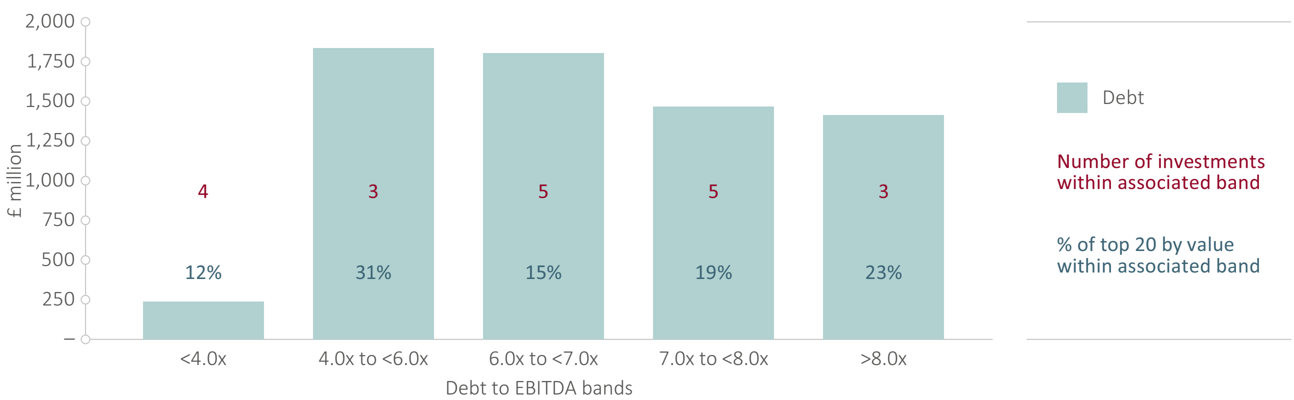
We continue to take a considered and prudent approach in determining the level of maintainable earnings to use in each valuation. Most holdings have been valued using the LTM earnings to 31 May 2019, unless we have anticipated that the outlook for the full current financial year is likely to be lower, in which case we have used forecast earnings. 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 where relevant and recent, we will also use M&A data.

Our companies make appropriate use of gearing, with a weighted average net debt for the top 20 of 6.3x LTM EBITDA. 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. Over the period we took the opportunity to refinance A-Plan, Sovos and team.blue as detailed on page 37.

Top 20 EV to EBITDA valuation multiple: 19.5x



Top 20 net debt to EBITDA ratio: 6.3x



Outstanding commitments of the Company

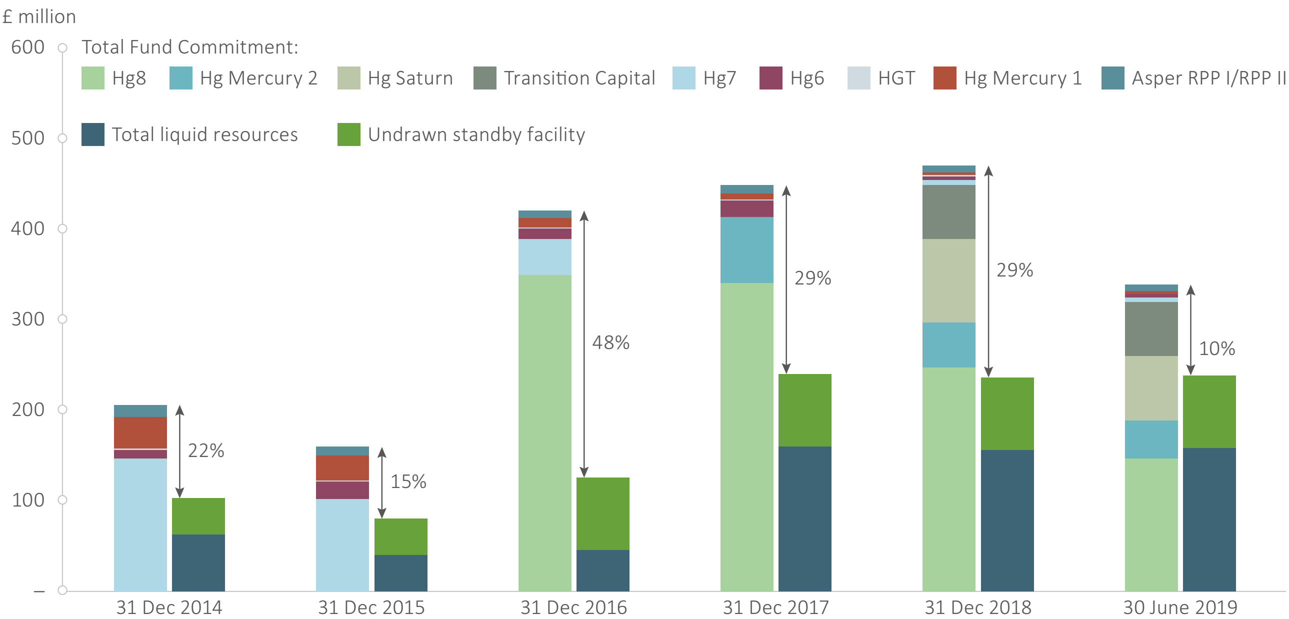
The period ended with liquid resources of £159 million, supported by an undrawn bank facility of £80 million. Outstanding commitments as at 30 June 2019 were £341 million, as listed below. We anticipate that the majority of these outstanding commitments will be drawn down progressively over the next two years and are likely to be partly financed by future cash flows from realisations.

Additionally, the Board has negotiated a right for the Company to opt out of its obligation to fund any investments, without penalty, if it does not have the resources to do so.

Fund	Fund vintage	Original commitment	Outstanding commitments as at 30 June 2019		Outstanding commitments as at 31 December 2018	
		£ million	£ million	% of NAV	£ million	% of NAV
Hg8	2018	350.0	146.9	15.1%	247.9	30.8%
Hg Saturn	2018	150.0	71.7	7.4%	92.4	11.5%
Transition Capital	2018	75.0	59.2	6.1%	59.5	7.4%
Hg Mercury 2	2017	80.0	42.1	4.3%	49.8	6.2%
Asper RPP II	2010	35.8[1]	6.5	0.7%	6.5	0.8%
Hg7	2013	200.0	5.3	0.5%	5.5	0.7%
Hg6	2009	285.0	3.8	0.4%	3.8	0.5%
Hg Mercury 1	2011	60.0	3.0	0.3%	3.2	0.4%
Pre-Hg6 vintage	pre-2009	120.0[2]	1.3	0.1%	1.3	0.2%
Asper RPP I	2006	19.4[3]	0.6	0.1%	0.7	–
Hg6E	2009	15.0[4]	0.2	–	0.2	–
Total			340.6	35.0%	470.8	58.5%
Liquid resources[5]			158.8	16.3%	156.5	19.4%
Net outstanding commitments unfunded by liquid resources			181.8	18.7%	314.3	39.1%

[1] Sterling equivalent of €40.0 million.
[2] Excluding any co-investment participations made through HGT LP.
[3] Sterling equivalent of €21.6 million.
[4] Partnership interest acquired during 2011.
[5] Excludes undrawn bank standby facility

Outstanding commitments unfunded by liquid resources as % of NAV



Review of the period continued

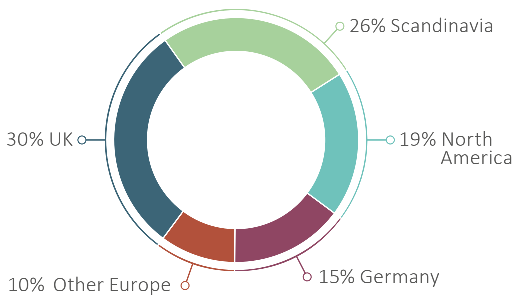
Investment portfolio of the Company

Fund limited partnerships	Residual cost £'000	Total valuation[1] £'000	Value %
Primary buyout funds:			
HGT 7 LP	96,091	247,859	30.3%
HGT 7 LP – Provision for carried interest	–	(40,411)	(4.9%)
HGT 8 LP	183,833	211,725	25.9%
HGT LP	77,999	141,479	17.3%
HGT Saturn LP	76,686	105,603	12.9%
HGT Mercury 2 LP	31,111	55,977	6.8%
HgCapital Mercury D LP	23,781	48,135	5.9%
HgCapital Mercury D LP – Provision for carried interest	–	(9,665)	(1.2%)
HGT 6 LP	14,861	21,864	2.7%
HGT 6 LP – Provision for carried interest	–	(4,377)	(0.5%)
Total primary buyout funds	504,362	778,189	95.2%
Secondary buyout funds:			
HgCapital 6 E LP	–	1,151	0.1%
HgCapital 6 E LP – Provision for carried interest	–	(230)	–
Total secondary buyout funds	–	921	0.1%
Total buyout funds	504,362	779,110	95.3%
Transition capital funds:			
HGT Transition Capital LP	14,864	15,584	1.9%
Total transition capital funds	14,864	15,584	1.9%
Renewable energy funds:			
Asper RPP II	21,043	20,962	2.6%
Asper RPP I	5,040	1,881	0.2%
Total renewable energy funds	26,083	22,843	2.8%
Total investments net of carried interest provision	545,309	817,537	100.0%

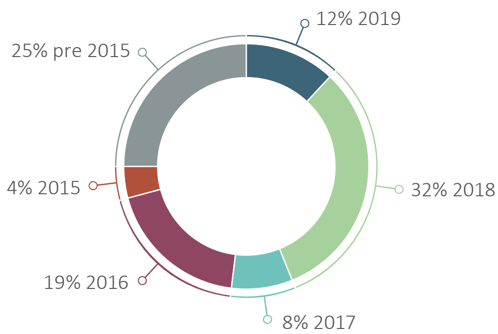
[1] Includes accrued income.

Sector by value

Geographic spread by value

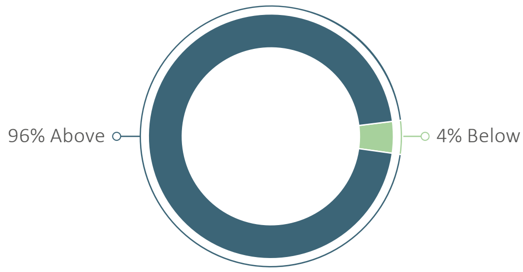


Investment vintage by value



Analysis by value

of investment return relative to its original cost[2]



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

Investments and realisations

Investments

During the period, Hg has invested a total of £690 million on behalf of its clients, with the Company's share being £107 million.

The vast majority of our investments are generated by establishing and developing relationships with companies in our chosen segments 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 sub-sectors and clusters.

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

New investments in the six months to 30 June

TRANSPOREON

£42m invested on behalf of the Company, including £6m in co-investment

Transporeon – In March, Hg completed an investment in Transporeon Group ('Transporeon'), one of the world's leading cloud-based logistics platforms, via the Hg8 Fund. Founded in 2000 and headquartered in Ulm, Germany, Transporeon connects a global network of over 1,200 shippers and >90k carriers, enabling them to source, communicate, collaborate and transact more efficiently, whilst also helping to lower CO_2 emissions by reducing empty back-haul journeys. This investment represents another example of Hg's focus on Cloud-based software and network companies, providing SaaS solutions to the business community.

LITERA MICROSYSTEMS

£34m invested on behalf of the Company

Litera – Litera Microsystems ('Litera') is based in Chicago, New York and London and provides a leading suite of legal document productivity applications, delivered as an end-to-end platform to more than 1,300 organisations across the globe. Litera provides a suite of best-in-class productivity tools that help customers to focus on what matters: creating the highest quality documents.

The investment in Litera follows one of Hg's core investment theses, focused on the secular growth of software suppliers for business-critical functions in the legal and regulatory compliance sector. Hg has been actively following this theme for over 15 years, with Litera representing the sixth legal and compliance business currently in Hg's portfolio, with other current investments including STP, a leading provider of insolvency and law practice software in Germany; and Mitratech, a leading global provider of Enterprise Legal Management ('ELM') software to corporate legal departments, based in Austin, Texas. Hg's team has known Litera for several years, recognising it as a business that solves mission-critical workflows for its customers, leading to strong recurring revenues and displaying the same growth characteristics as many others in the Hg portfolio.

team.blue

£24m invested on behalf of the Company

team.blue – In March, Hg completed an investment in Combell Group, now rebranded as team.blue, a mass hosting provider offering web enablement solutions to SMEs across Europe, via the Hg8 Fund. Established in 1999, team.blue is a leading mass hosting player in Belgium and Denmark, with growing positions in the Netherlands, Sweden and Switzerland. team.blue has over 800,000 SME and Small Office/Home Office ('SoHo') customers and is a one-stop partner for web hosting, domains, e-commerce and application solutions. This represents Hg's 8th investment in the technology services sector, with other recent hosting investments including Zitcom (2015), Register (2017) and most recently, 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.

Further detail on investments as at 30 June 2019 can be found on pages 41 to 56.

To view our press releases, please visit **hgcapitaltrust.com/news-and-media/press-releases/pr-2019.aspx**

Further investments in the six months to 30 June

£11m invested on behalf of the Company

Visma – In May, Hg made a further investment in Visma, a leading provider of business-critical business software to SMEs in the Scandinavian region via the Hg Saturn Fund. In 2002, Hg identified regulatory-driven, subscription-based software as an attractive sub-sector with scope for considerable growth over the following decade and initially invested in Visma in 2006. Since this time the business has consistently exceeded our investment plans, having acquired more than 150 companies over our ownership period to become one of today's leading and largest SaaS companies in Europe, with more than £500 million of pure SaaS revenues.

£6m invested on behalf of the Company

Rhapsody – In June, the Hg Mercury 2 Fund completed the acquisition of Corepoint, a leading US provider of healthcare integration and interoperability solutions, which will be merged with Rhapsody, an existing Hg Mercury 2 investment, to create a leading independent global provider of healthcare interoperability software. Headquartered in Texas, Corepoint is a well-established player in the US interoperability segment, with a strong position in a fragmented and growing sector. The business serves a diversified customer base including hospitals, third-party OEM vendors, clinics and laboratories, with low customer concentration, high customer loyalty and strong recurring revenues.

Further investments since the period end

team.blue – In September 2019, Hg announced the acquisition of Register Group by team.blue, a mass hosting provider offering web enablement solutions to SMEs across Europe. The Company is also invested in team.blue, in parallel with other institutional clients of Hg, investing through the Hg8 Fund.

Further detail on investments as at 30 June 2019 can be found on pages 41 to 56.

To view our press releases, please visit **hgcapitaltrust.com/news-and-media/press-releases/pr-2019.aspx**

Realisations

Over the first six months of 2019, Hg has returned a total of £630 million to its clients, including £65 million to the Company.

Whilst exits over the period have been slower in pace than over the very active prior two 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 the Company, and we will continue to assess further opportunities here.

Exits in the six months to 30 June

FOUNDRY

£28m returned to the Company

Foundry – In April, Hg completed the sale of Foundry, a UK headquartered leading global developer of high-end visual effects ('VFX') and 3D design software to Roper Technologies Inc., a leading diversified technology company. Hg invested in Foundry from the Hg7 fund in 2015, recognising the company as a leading global provider of vertical market application software, with rich intellectual property, strong positioning within its business segments and the potential to enter new market segments. Over the course of the investment, Hg worked with the company's management team to broaden Foundry's go-to-market strategy, invest in its cutting-edge Media & Entertainment product offering and accelerate the growth of the company's Digital Design division.

The sale of Foundry delivered a 2.1x investment multiple and a 22% gross IRR over the investment period. This transaction resulted in an uplift of 79% over the carrying value of the business at 31 December 2018.

Partial exits in the six months to 30 June

raet

£10m returned to the Company

Raet – As reported in the 2018 full year accounts, last year Hg agreed to the sale of Raet's operations to Visma. During the period, £10.3 million of deferred proceeds were received in respect of this investment.

VISMA

£3m returned to the Company

Visma – In February 2019, Hg completed the part-realisation of Visma, a leading provider of business-critical software to private and public enterprises in the Scandinavian region, from the Hg7 Fund, to the Canada Pension Plan Investment Board (CPPIB). Following completion of this transaction, Hg will remain the lead investor in Visma alongside some of the world's largest institutional investors. Together, Visma and its strong investor base will continue to reinforce Visma's position as a leading SaaS business in Europe and one of the world's most successful SaaS companies.

Further detail on investments as at 30 June 2019 can be found on pages 41 to 56.

To view our press releases, please visit **hgcapitaltrust.com/news-and-media/press-releases/pr-2019.aspx**

Investments and realisations continued

Further exits since the period end

Register – In September, team.blue (formerly Combell Group), a leading mass hosting business in Belgium and Denmark, announced the acquisition of Register (formerly DADA), a pan-European mass hosting company headquartered in Italy. On completion, team.blue will be the third largest shared hosting business in Europe with more than 2 million customers across 10 countries.

An estimated £21m returned to the Company

Asper RPP II – In September, the Company agreed the sale of the Asper RPP II assets to two strategic buyers, as part of a wider secondary sale process.

Refinancings in the six months to 30 June

£14m returned to the Company

A-Plan – In March, the Genesis team completed the refinancing of A-Plan, a leading independent high-street insurance broker in the UK. A-Plan has now returned 1.4x the original investment made in April 2015 to the Hg7 fund.

£5m returned to the Company

team.blue – In June, team.blue (formerly Combell Group), a mass hosting provider offering web enablement solutions to SMEs across Europe, headquartered in Belgium, merged with TransIP, a leading hosting and Virtual Private Server ('VPS') provider based in the Netherlands. Subsequently, Hg completed a refinancing of the enlarged business, repaying a portion of Hg's original loan notes.

£2m returned to the Company

Sovos Compliance – In April, Hg completed the refinancing of Sovos, a leading global provider of tax compliance software solutions in Hg7. This was driven by strong trading performance, which has seen Sovos deliver robust double digit revenue and EBITDA compound growth since acquisition.

Further detail on investments as at 30 June 2019 can be found on pages 41 to 56.

To view our press releases, please visit **hgcapitaltrust.com/news-and-media/press-releases/pr-2019.aspx**

Summary of investment and realisation activity

Investments made during the period

Company	Sector	Geography	Activity	Cost £'000
Transporeon	Software	Germany	Cloud-based logistics platform	42,377
Litera	Software	North America	Provider of legal document applications	34,284
team.blue	Software	Belgium	European hosting services for SMEs	23,539
New investments				100,200
Visma	Software	Scandinavia	Provider of business software to SMEs	10,877
Rhapsody	Software	North America	Software provider to the healthcare sector	6,356
Other				2,164
Sovos Compliance	Software	North America	Global provider of tax compliance software solutions	(12,332)[1]
Further investments				7,065
Total investments on behalf of the Company				**107,265**

[1] Figure is negative due to a refinancing which is accounted for as a reduction of original cost if completed with 18 months of original acquisition.

Realisations made during the period

Company	Sector	Exit route	Proceeds[2] £'000
Foundry	Software	Trade sale	28,227
Full realisations			28,227
A-Plan	Services	Refinancing	13,615
Raet	Software	Secondary sale	10,307
team.blue	Software	Refinancing	5,374
Visma	Software	Partial sale	2,510
Sovos Compliance	Software	Refinancing	2,025
Other			2,741
Partial realisations			36,572
Total proceeds from realisations received by the Company			**64,799**

[2] Includes gross revenue received during the period ended 30 June 2019.

Hg's outlook

Strong trading from the unrealised portfolio, realisations at uplifts to carrying value, refinancing activity and the continuous improvement of businesses we back should continue to drive value for shareholders in HgCapital Trust plc.

Realisations

Over the first half of 2019, Hg has returned over £600 million to clients through the sales of Foundry and Raet, a partial sale of Visma and additional returns from the refinancings of A-Plan, Sovos and team.blue.

This realisation activity has continued to demonstrate the attractiveness of 'Hg's sweet-spot' business model investments to both trade and financial buyers, as most recently evidenced by the sale of Foundry to Roper Technologies Inc., which completed in April 2019.

Going forward we will continue to focus on opportunities to crystallise value across our portfolio, with further exit and refinancing processes currently underway.

Investments

We have an active pipeline of investments which has been demonstrated over the first six months of 2019 with the acquisitions of Transporeon, Litera and team.blue (formerly Combell) as well as further investments into Visma and Rhapsody, deploying a total of almost £700 million of Hg client funds. We believe that, in the current market environment, the clarity and distinctive focus of our strategy provides us with several clear advantages as a cautious and disciplined investor. Specifically, we will continue to concentrate on companies that provide a non-discretionary, business-critical product or service, to a fragmented customer base, and which benefit from strong contracted or recurring revenues. This should enable us to identify opportunities that will generate strong, risk adjusted returns for our clients.

The scale and reach of Hg's network within the global software and service sectors is now broader and deeper than ever before.

Despite the persisting heat of the current market, we do continue to see attractive investment opportunities in our target clusters, just as we did in the closing stages of the last period of high valuations, in 2005 to 2008. Hg will continue to invest selectively, capitalising on situations where we have a specific angle and have built many years of knowledge of the business and its end market clusters, and strong relationships with the founders and management teams.

Indeed, the relative de-risking of our existing portfolio over the past 18 months gives our investment teams more time and space to consider attractive new investments in our core areas of focus, across our funds and the size spectrum.

We are also highly focused in this market environment on making accretive bolt-on acquisitions into our existing portfolio companies. So far in 2019, we supported bolt on activity at Visma (12 acquisitions), IRIS (2 acquisitions), Sovos (2 acquisitions), Access (6 acquisitions), CogitalGroup (9 acquisitions), team.blue (merger with TransIP and acquisition of Register), Litera (acquiring Workshare), and Rhapsody (acquiring Corepoint), among others. We expect this portfolio M&A activity to continue in line with recent activity levels.

Prospects

The portfolio is in good health overall and growing strongly. Trading over the first half of 2019 has continued to generate double digit sales and EBITDA growth across almost all the businesses. Given their defensive growth characteristics and our focus on protected business models, we believe our current investments are well positioned to continue to create value on both an absolute and relative basis going forward, even if macro-economic conditions deteriorate.

We continue to consider the UK's forthcoming exit from the EU and our prognosis remains that this will have a relatively limited specific impact on our current portfolio given the characteristics of these businesses, their geographic profile and their relatively protected nature. Hg's pan-European focus and our offices in Munich and New York also offer flexibility in terms of the breadth of our future investment focus, regulatory regime and general fund management approach.

We remain confident in our strong group of businesses with resilient, recurring growth characteristics that are benefiting from the wealth of expertise in the areas in which we invest and the scale to continue to be one of the largest software investors in Europe. The drive for operational improvements in our investments, aligned with the efforts of our dedicated Portfolio Team, means that we believe we can continue to generate significant long-term value across the portfolio on a repeatable basis, irrespective of the challenges of the broader macro-environment. From pricing analysis and customer success, to cybersecurity and bolt on M&A, these initiatives will continue to remain an area of real focus going forward.

"There has been continued portfolio activity over the first half of 2019, both in terms of investment and returns, and we expect this to continue into the second half of the year. We have a young, focused portfolio where we are active in driving further growth through trading performance, business improvement initiatives and accretive M&A."

Matthew Brockman, *Managing Partner, Hg*

Overview of the underlying investments

held through the Company's limited partnerships

	Investments (in order of value)	Fund	Sector	Location	Year of investment	Residual cost £'000	Unrealised value[1] £'000	Value %	Cum. value %
1	Visma	HGT 7/HGT/ HGT Saturn	Software	Scandinavia	2014	80,782	197,374	22.7%	22.7%
2	Sovos Compliance	HGT 7/HGT	Software	N. America	2016	26,177	85,570	9.8%	32.5%
3	IRIS	HGT Saturn	Software	UK	2018	36,380	55,964	6.4%	38.9%
4	Access	HGT 8	Software	UK	2018	30,491	45,654	5.2%	44.1%
5	Transporeon	HGT 8/HGT	Software	Germany	2019	42,377	45,042	5.2%	49.3%
6	CogitalGroup	HGT 7/HGT	Services	UK	2016	20,966	41,803	4.8%	54.1%
7	Mobility Holding	HGT 8	Services	Germany	2018	33,967	37,856	4.3%	58.4%
8	Litera	HGT 8	Software	N. America	2019	34,284	35,188	4.0%	62.4%
9	Commify	Mercury/HGT	Software	UK	2017	12,548	23,308	2.7%	65.1%
10	Mitratech	HGT 7/HGT	Software	N. America	2017	22,258	21,974	2.5%	67.6%
11	Register	Mercury 2	Software	Italy	2017	3,391	19,902	2.3%	69.9%
12	IT Relation	HGT 8	Services	Scandinavia	2018	16,037	19,570	2.2%	72.1%
13	FE fundinfo	Mercury/Mercury 2	Software	UK	2018	11,407	19,154	2.2%	74.3%
14	A-Plan	HGT 7	Services	UK	2015	1,697	18,655	2.2%	76.5%
15	team.blue	HGT 8	Software	Benelux	2019	18,718	18,200	2.1%	78.6%
16	Rhapsody	Mercury 2	Software	N. America	2018	13,045	17,764	2.0%	80.6%
17	Citation	HGT 7	Services	UK	2016	7,904	17,520	2.0%	82.6%
18	Allocate	HGT 8	Software	UK	2018	13,959	16,594	1.9%	84.5%
19	BrightPay	Transition Capital	Software	Ireland	2018	14,864	15,522	1.8%	86.3%
20	TeamSystem	HGT 6	Software	Italy	2010	144	14,982	1.7%	88.0%
21	MediFox	Mercury 2/HGT	Software	Germany	2018	11,687	13,902	1.6%	89.6%
22	Achilles	HGT	Software	UK	2008	17,298	11,352	1.3%	90.9%
23	P&I	HGT 7/HGT	Software	Germany	2013	1,796	10,946	1.3%	92.2%
24	EidosMedia	HGT 7	Software	Italy	2015	8,414	8,068	0.9%	93.1%
25	STP	Mercury	Software	Germany	2016	4,260	7,732	0.9%	94.0%
26	Eucon	Mercury	Software	Germany	2015	4,658	6,936	0.8%	94.8%
27	Evaluate	Mercury	Software	UK	2016	3,733	6,225	0.7%	95.5%
28	Noventic	HGT 6	Software	Germany	2012	922	5,338	0.7%	96.2%
29	Trace One	Mercury	Software	France	2016	493	4,707	0.5%	96.7%
30	Gentrack	HGT 7	Software	New Zealand	2017	2,069	3,021	0.3%	97.0%
31	e-conomic	HGT 6	Software	Scandinavia	2013	–	1,003	0.1%	97.1%
	Non-active investments (7)					22,501	1,618	0.2%	97.3%
	Total investments (38)					519,227	848,444	97.3%	
	Currency hedges	Various	Forward sale of US$ and €			–	(218)	–	97.3%
	Secondary fund interests	Hg 6E	Secondary fund interests			–	1,151	0.1%	97.4%
	Renewable energy	Asper RPP I / II	Renewable energy			26,082	22,843	2.6%	100.0%
	Total all investments					545,309	872,220	100.0%	

[1] Including accrued income but before the provision for carried interest of £54,683,000

Top 10 investments

The Company's top 10 investments represent 68% of the value of the Company's investments. Investments are held through limited partnerships, of which the Company is the sole limited partner. The Company invests alongside other institutional clients of Hg. Typically, the Company'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 £50 million and more than £5 billion.

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

VISMA

Business description

Visma is a leading provider of business-critical software to SMEs and the public sector in the Nordic region. Headquartered in Oslo with significant revenues in Norway, Sweden, Finland, Denmark and the Netherlands, the company provides the following services to its customer base of above 900,000 enterprises: accounting; resource planning and payroll software; and transaction process outsourcing, such as debt collection and procurement services.

Visma produces detailed reporting on its website on a quarterly basis: **visma.com/investors-relations/results-figures/overview/**

The Company's investment through HGT 7 LP, HGT Saturn LP and co-investment through HGT LP

Website:	www.visma.com
Investment sector:	Software
Cluster:	Tax & Accounting
Location:	Scandinavia
Investment date:	Aug 2014
Hg clients' total equity:	63.1%
Residual cost (£'000):	80,782
Unrealised value (£'000):	197,374

Why did we invest?

Visma was an early example of Hg partnering with a business showing recurring revenues, offering business-critical application software, supplying a fragmented SME customer base and their advisers – a focus which forms some of our key 'sweet-spot' investment criteria today. At the time of our initial acquisition, in 2006, we had identified opportunities for Visma not only to grow its existing segments and acquire new segments, but also to further transition the business to a SaaS focused model.

How do we intend to create value?

Visma has consistently exceeded our investment plans. In April 2014, following a decision by the then majority owner KKR to sell part of its original 2010 stake in Visma, Hg decided to sell its remaining stake, generating a total return between 2006 and 2014 of 5.2x original cost and a gross IRR of 33%. Hg clients then reinvested £409 million in the business for a 31% stake, via the Hg7 fund and co-investment, as a co-lead investor, alongside KKR and Cinven. This valued the business at a total EV of NOK 21 billion (£2.1 billion). In 2017, Hg announced a further investment into Visma following the sale of KKR's stake valuing the business at NOK 45 billion (£4.2 billion). In 2018, Hg made a further investment in Visma via Hg Saturn. In 2019, Visma welcomed the Canada Pension Plan Investment Board (CPPIB) as an investor valuing the business at NOK 63 billion (£5.5 billion), and later Hg Saturn purchased the entire Cinven stake alongside CPPIB and GIC. The continued reinvestment in Visma reflects our conviction in the continuing strength of the business, backing a management team we know well with a strong track record of creating value for investors.

What has been achieved?

Since 2006, Visma has acquired over 150 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, with more than £500 million of annualised recurring pure-SaaS revenues.

How is it performing?

Visma continues to see year-on-year strong double-digit growth with revenue and EBITDA growth of 29% and 42% respectively over the last twelve months to 30 June 2019. This has led to the Company's valuation of its stake in Visma rising by £32.7 million over the first six months of 2019.

How will we crystallise value?

Hg wants to continue to support Visma's next stage of development given a number of attractive elements of the company's business model, strength of the management team, and upside potential from the SaaS transition. Visma has a scale and growth profile which would make it an attractive candidate for an initial public offering ('IPO') or a large 'private IPO', where multiple larger institutional or sovereign wealth investors could invest in the business without requiring its shares to be listed.

For a full case study on Visma please visit:
hgcapital.com/wp-content/uploads/2018/10/Visma-Case-Study-FINAL.pdf

SOVOS
Compliance

Business description

Sovos is a leading global provider of tax compliance software solutions. These solutions include sales and use tax determination and filing, 1099 and 10 series tax information reporting, beverage alcohol compliance reporting, VAT compliance reporting, e-invoice filing and reporting, and Automatic Exchange of Information ('AEOI') reporting (FATCA, CDOT & CRS). Sovos is headquartered in Boston, Massachusetts and also has a presence in Europe and Latin America. The majority of revenue is generated from a US customer base of c. 4,500, which are predominantly large enterprises.

The Company's underlying investment through HGT 7 LP and co-investment through HGT LP

Website:	www.sovos.com
Investment sector:	Software
Cluster:	Tax & Accounting
Location:	North America
Investment date:	Mar 2016
Hg clients' total equity:	91.4%
Residual cost (£'000):	26,177
Unrealised value (£'000):	85,570

Why did we invest?

Hg tracked Sovos (previously Taxware) 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 the US market. Sovos sits right in the 'Hg sweet spot' with a strong and predictable business model, including: c. 95% contractually recurring revenue; a fragmented, loyal customer base; high margins; and robust cash conversion. Sovos' largest, core products have achieved close to double digit organic revenue growth.

How do we intend to create value?

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 there are many attractive opportunities for Sovos to grow by acquisition. There is additional potential through further margin improvement.

What has been achieved?

In June 2016, Sovos announced the acquisition of Invoiceware International, based in Atlanta and Sao Paulo. This expanded the company's capabilities in Latin America and added the industry's only solution for handling electronic invoicing and fiscal reporting in multiple countries from a single platform. In August 2017, Sovos announced the acquisition of Paperless, based in Santiago, Chile, which complements Invoiceware's product offering and provides Sovos with a sector leading solution for business to government reporting – a form of regulatory compliance which has spread to more than 60 countries. In July 2018, Sovos completed the acquisition of TrustWeaver, a leading provider of cloud software that helps businesses authenticate and centrally archive electronic documents for VAT audit purposes. Sovos has also recently completed two further acquisitions – Foriba (an independent provider of e-transformation products to enterprise customers across Turkey, Italy, Hungary and Spain to aid real-time tax reporting) and Eagle Technology Management (a US based provider of unclaimed property reporting, insurance premium tax and statutory reporting solutions). Hg has supported the management team at Sovos in key pricing improvement initiatives and helped to operationalise the customer success team, leading to higher customer loyalty.

How is it performing?

Sovos has seen rapid growth since our investment in early 2016, driven by strong organic growth in its core products. We have also been successful in deploying material capital into M&A and see a number of additional opportunities ahead of us. The Company has benefited from an increase of £15.2 million in the Company's valuation of its stake over the first half of 2019.

How will we crystallise value?

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

IRIS

Business description

IRIS is a UK-based software company, serving over 100,000 customers in the Accountancy, human capital management ('HCM'), Education, and Bookkeeping segment. It is a leading provider of core application software to UK accountants and payroll applications to UK SMEs. Over 4 million parents or guardians use IRIS apps each year to connect with their child's school, 2.3 million employees are paid using IRIS payroll software and 15 million payment transactions are made per month using IRIS solutions. The business operates a highly recurring business model with >85% of revenues from software subscriptions, much of which is based on annual renewals paid in advance. IRIS continues to deliver ongoing value-add to its existing customers through regular regulatory and feature updates, leading to high customer loyalty. The level of re-investment into new product development and outstanding customer support continues to fuel outperformance compared with other providers.

The Company's investment through HGT Saturn LP

Website:	www.iris.co.uk
Investment sector:	Software
Cluster:	Tax & Accounting
Location:	UK
Investment date:	Sept 2018
Hg clients' total equity:	65.0%
Residual cost (£'000):	36,380
Unrealised value (£'000):	55,964

Why did we invest?

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

How do we intend to create value?

IRIS continues to deliver added value to its existing customers through regular regulatory and feature updates, leading to high customer loyalty. The strong level of re-investment into new and innovative product development and outstanding customer support has continued to fuel outperformance vs other providers. Combined, this has delivered organic revenue growth and EBITDA of typically more than 10% p.a. The UK accountancy and SME software markets remain fragmented, offering additional acquisition opportunities. We also think there is a substantial upside in developing or acquiring SaaS products to target adjacent sectors.

What has been achieved?

The long-standing partnership between Hg and IRIS started with the 2004 buyout (£102 million Enterprise Value) led by Hg (returning 3.6x and 65% IRR), followed by retaining a minority shareholding after the sale to Hellman & Friedman in 2007. In 2011, we again became the majority shareholder through the Hg6 Fund (£425 million EV). In 2018, Hg6 completed the sale of IRIS (returning 4.2x and 26% IRR) to Hg Saturn and ICG in a joint control deal, representing an EV of £1.3 billion. IRIS has been successful in expanding its offering, both by organic product development and by acquisition into contiguous segments such as payroll, HR and education software. In 2016, IRIS acquired Octopus HR and PS Financial, then SAAF Analytics, Results Squared and ParentMail in 2017 to build an Education software division, with the acquisitions of Contact Group, Taxfiler and STAR Payroll in 2018 to further expand its offering for both smaller and larger accounting practices. This M&A momentum has continued into 2019 including the acquisitions of Hosted Accountants, Practice Engine and FMP (international payroll).

How is it performing?

IRIS has been able to maintain strong levels of revenue, EBITDA and cash flow growth across market cycles. For the past few years, revenues have seen double-digit growth rates year on year, and the annual EBITDA margin has consistently been close to 50%. In the first half of 2019, the Company's valuation of its stake in IRIS saw an increase of £10.6 million.

How will we crystallise value?

We believe IRIS will be an attractive software business acquisition target for financial buyers as it demonstrates high levels of organic revenue growth, strong Net Recurring Revenue and high EBITDA margins and cashflow conversion, coupled with a leading sector position; however, we also see an IPO as a potential route to exit given the strong cash generation. Lastly, there are several potential trade buyers.

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

access

Business description

Founded in 1991, the Access Group ('Access') is a leading UK mid-market Enterprise Resource Planning ('ERP') business, providing financial management systems ('FMS') and human capital management ('HCM') software; as well as industry specific software solutions. Access's software helps over 12,000 UK businesses and not-for-profit organisations to work efficiently, with expertise across numerous industries. When Hg invested in the business in June 2018, the prior owners of Access, TA Associates, elected to roll a material proportion of their existing investment alongside Hg due to their ongoing belief in the business's potential. Hg are therefore co-control shareholders in the company alongside TA Associates.

The Company's investment through HGT 8 LP

Website:	www.theaccessgroup.com
Investment sector:	Software
Cluster:	ERP & Payroll
Location:	UK
Investment date:	June 2018
Hg clients' total equity:	32.1%
Residual cost (£'000):	30,491
Unrealised value (£'000):	45,654

Why did we invest?

This investment builds on our prior experience in SME software, accounting & tax software as well as the HR & payroll software space. Hg has made multiple investments in this space (HR & payroll: IRIS, P&I, Raet, Visma, SHL; accounting & tax: Cogital, Visma, TeamSystem, IRIS, ATC, Sovos). Access demonstrates many of the characteristics that Hg looks for in an investment including: mission critical business software, a strong management team and potential for M&A. The business benefits from a high-quality management team, led by a strong CEO and an impressive team of functional leaders.

How do we intend to create value?

The top priorities for the Board and management team currently include: integration of recent acquisitions; acceleration in the pace of transition to subscription sales; building out capabilities acquired through recent M&A; delivering on bookings growth in accordance with the management plan; investing in organic growth through 'Access 4.0' initiatives including new product development, cloud transition and sales and marketing initiatives; and continuing to execute M&A in accordance with the M&A strategy.

What has been achieved?

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

How is it performing?

Access is trading well, and booking momentum remained strong through 2019, driven by 29% organic growth in subscription bookings. Growth remains robust, with the business growing organic revenue by 13% and organic recurring revenue by 22%. Recurring revenue as a percentage of total revenue has increased to 77% (including the full pro-forma impact of M&A). Strong trading has led to an increase of £10.3 million in the Company's valuation of its stake over the first six months of 2019.

How will we crystallise value?

We believe 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' growth profile and strong cash generation. Lastly, there are several notable potential trade buyers.

TRANSPOREON

Business description

Transporeon is a 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 Europe. As a leader in the sector, the business benefits from strong network effects, connecting 100,000 users across >90,000 carriers and >1,200 shippers using a modern SaaS platform able to serve over 100 countries and available in 24 languages. It offers these customers a business-critical cloud software platform which enables more efficient tendering, dispatching, scheduling and better communication between the hundreds of enterprises (shippers) looking to move freight by road and the thousands of SME operators (carriers) that provide the trucks.

The Company's investment through HGT 8 LP and co-investment through HGT LP

Website:	www.transporeon.com
Investment sector:	Software
Cluster:	ERP & Payroll
Location:	Germany
Investment date:	March 2019
Hg clients' total equity:	75.3%
Residual cost (£'000):	42,377
Unrealised value (£'000):	45,042

Why did we invest?

Transporeon is a highly strategic asset. The business operates 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 different market cycles. Transporeon exhibits a number of typical 'Hg sweet-spot' business model criteria including: high net revenue retention; high customer loyalty; a strong position in a growing sector; and considerable remaining areas for new customers as well as further adoption from the existing customer base through upsell and cross-sell.

How do we intend to create value?

In addition to the potential for growth through the new and existing customers, there are opportunities for further operational efficiencies and various upsides, as well as the scope to derive additional value through M&A. We believe the business will benefit materially from Hg's operational capabilities and expertise in software sales, marketing, packaging, product management and development.

What has been achieved?

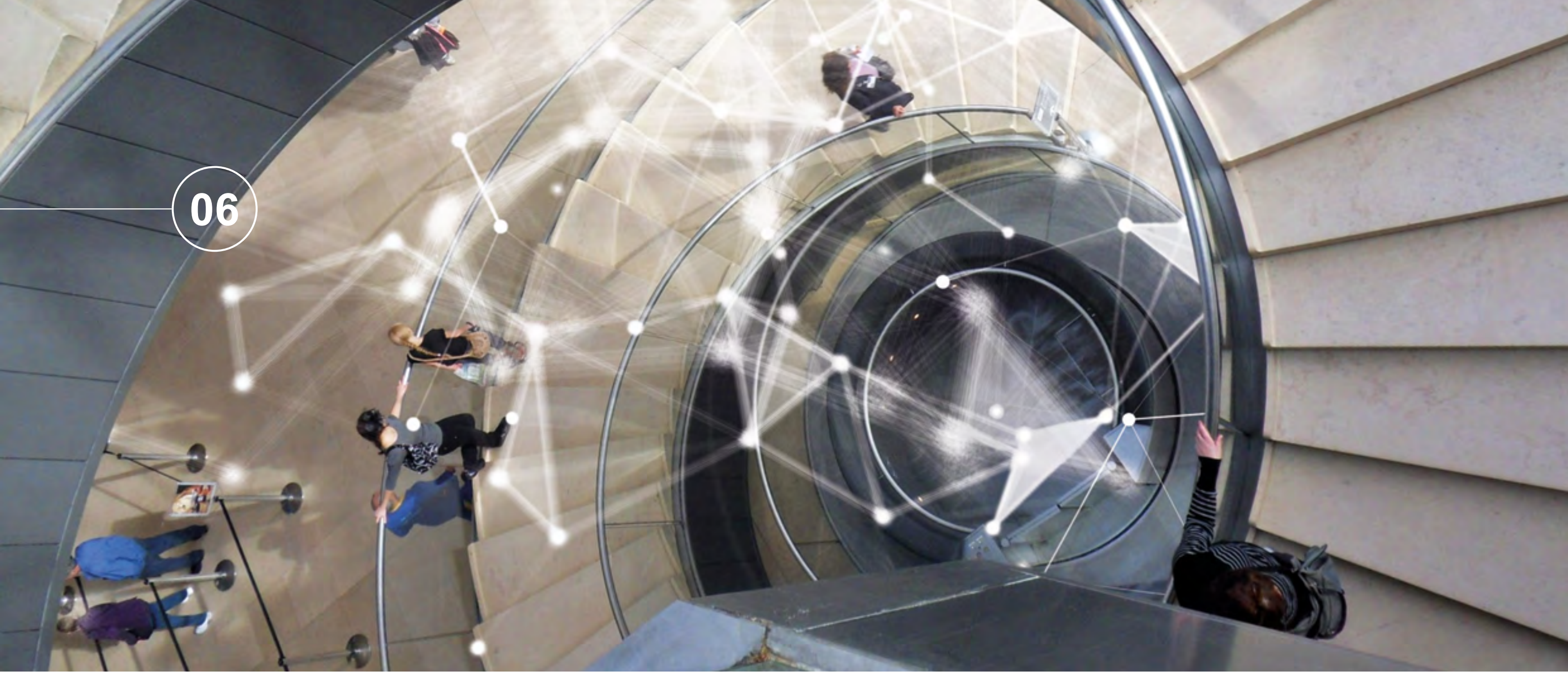
Current focus areas for Transporeon are: supporting the team in sales and marketing approach; clearly defining the future product pipeline in line with ongoing strategy discussions; and looking at potential M&A.

How is it performing?

Transporeon has only been in the Hg portfolio for just over three months; so far trading has been in line with expectations.

How will we crystallise value?

We believe Transporeon will be a highly strategic asset to other software or service providers in the broader Transportation Management space. Transporeon is likely also 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.



06

Business description

CogitalGroup ('Cogital') was launched in December 2016 through the acquisitions and merger of Nordic based Azets (formerly named Visma BPO) and UK based firms Baldwins and Blick Rothenberg.

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. In total, the Group now has c. 110,000 customers with more than 5,500 employees operating from 184 offices in the UK, Norway, Sweden, Denmark and Finland. The Group also has nearly 800 employees based in Romania and Lithuania.

To view Cogital's Annual Review 2018, please visit:
cdn.cogitalgroup.com/Cogital-Group-Annual-Review-2018.pdf

The Company's investment through HGT 7 LP and co-investment through HGT LP

Website:	www.cogitalgroup.com
Investment sector:	Services
Cluster:	Tax & Accounting
Location:	UK
Investment date:	Oct 2016
Hg clients' total equity:	76.3%
Residual cost (£'000):	20,966
Unrealised value (£'000):	41,803

Why did we invest?

Cogital continues the Genesis team's record of investing in regulatory driven businesses within 'Hg's sweet-spot' business model focus. We have been tracking the SME accountancy and advisory services sector for many years as it exhibits several attractive criteria, including: a high share of repeatable revenue due to the business-critical nature of the services; high retention rates due to the trusted nature of the adviser relationship; serving fragmented customer bases; fragmented competitive landscapes allowing for significant M&A opportunities; and an opportunity for high margin improvement driven by the increased use of technology, nearshoring and scale.

How do we intend to create value?

We are principally focused on three valuation creation levers: driving organic growth across the Group; pursuing the acquisitions of small accounting, tax & payroll offices; and improving EBITDA margins through technology and nearshoring.

What has been achieved?

Since Hg invested in December 2016, Cogital has completed over 50 acquisitions (including six over the last quarter), successfully increased its acquisition facilities and rolled out a group-wide incentive scheme. Hg is additionally supporting the management team to improve their data analytics and management information.

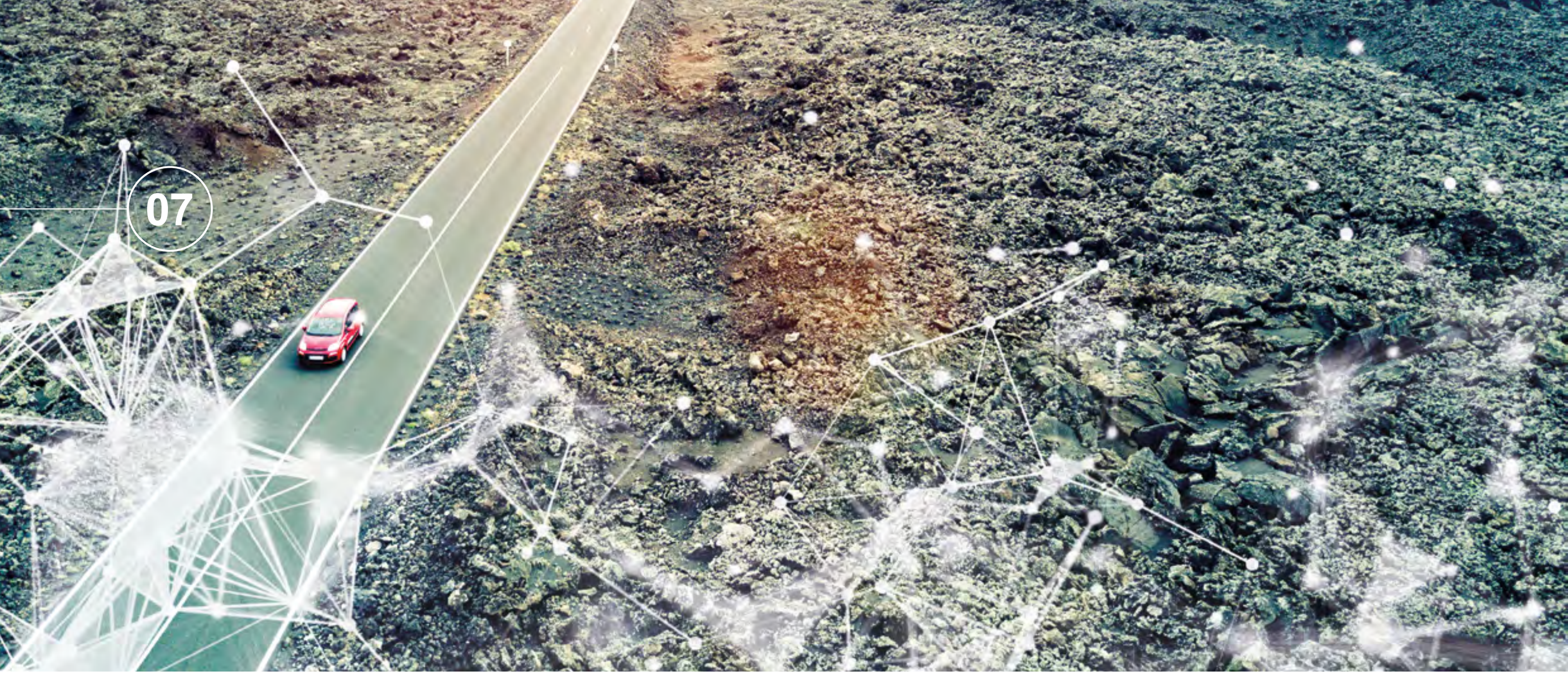
How is it performing?

Cogital is seeing good organic growth, having seen double-digit revenue and EBITDA growth over the last year. Since the business launched in December 2016 it has seen a more than 60% increase in its sales and profits.

This trading has led to an increase in the Company's valuation of its stake of £8.7 million over the first half of 2019.

How will we crystallise value?

We expect the business model characteristics of Cogital to be appealing to a wide range of financial sponsors at exit. We also think an IPO is a possible exit strategy.



07

MOBILITY HOLDING

Business description

Mobility Holding ('MH') is a platform investment 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. Going forward it will focus on marketing subscription-based car offerings to SME customers and consumers, as well as the comprehensive digitisation of car distribution channels and product delivery processes. Mobility Holding is the combination of MeinAuto ('MA'), Germany's leading online car sales platform which Hg acquired from its founders in December 2017, Mobility Concept ('MC'), a leading B2B leasing company in Germany acquired in a carve-out from HBV Unicredit in May 2018, and Athletic Sport Sponsoring ('ASS'), a German provider of flat rate car subscriptions to members of closed-user groups (e.g. sport associations and civil servants) acquired from the founding family in September 2018.

The Company's investment through HGT 8 LP

Website:	www.mobility-holding.de
Investment sector:	Services
Cluster:	Automotive
Location:	Germany
Investment date:	May 2018
Hg clients' total equity:	81.8%
Residual cost (£'000):	33,967
Unrealised value (£'000):	37,856

Why did we invest?

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. This includes prior investments in Zenith, Epyx, Eucon and Parts Alliance. Mobility Holding sits in the Hg investment 'sweet-spot', with a strong and predictable business model, recurring revenues and a loyal customer base. The business has a strong management team with significant experience in the German automotive leasing and online distribution space. Together, the Group will benefit from strong synergies between MC which provides full fleet leasing operations, MA, a B2C online platform for new car purchases and ASS, a provider of flat rate car subscriptions to members of closed user groups which will allow for accelerated growth.

How do we intend to create value?

MC's existing business can benefit from further professionalisation and margin improvement whilst MA and ASS offer additional organic growth potential within their original business models. Further, the combination of MC, MA and ASS, will allow us to build a new online SME and B2C subscription/leasing product including subscription based mobility offers. Our intention is to build the leading German multi-channel provider of full-service leasing solutions to B2C and SME customers with strong online focus.

What has been achieved?

Mobility Holding shows accelerated growth, and significant synergies between the group companies ('the Group') have now been realised. The Group has launched a new online leasing product in cooperation between MC (full leasing operations and license) and MA (highly scalable online sales channel). The launch of the new product has exceeded expectations and the Group will have sold several thousand leasing contracts online by the end of 2019. To finance this growth, as well as the strong organic growth of the traditional ASS and MC product range, the Group has significantly diversified its provider base for fleet financing.

How is it performing?

FY18 finished the year ahead of budget. MH is trading well and with strong LTM trading growth. This has led to the investment being valued at £3.4 million above its December 2018 value within the Trust's portfolio.

How will we crystallise value?

We believe that a leading platform in online car distribution, specifically when combined with a direct leasing offering, is of high relevance to strategic buyers in the mobility ecosystem (e.g. large leasing companies and automotive OEMs with limited distribution footprint in Germany) as well as being attractive to financial sponsors.

LITERA MICROSYSTEMS

Business description

Litera is a leading provider of end-to-end document lifecycle solutions to the legal and life sciences industries globally. The company offers an integrated suite of document productivity applications which is used by lawyers daily to create high quality documents, and check and compare documents more efficiently. Based in Chicago, New York and London, Litera is used by c. 1,500 customers globally.

In July 2019, Litera acquired Workshare, a provider of secure enterprise file sharing and collaboration applications. The combination will create a leader in document productivity tools and transaction applications for law firms. On 15 August, Litera acquired Doxly, a legal transaction management platform based in Indianapolis.

The Company's investment through HGT 8 LP

Website:	www.litera.com
Investment sector:	Software
Cluster:	Legal & Compliance
Location:	North America
Investment date:	May 2019
Hg clients' total equity:	87.0%
Residual cost (£'000):	34,284
Unrealised value (£'000):	35,188

Why did we invest?

Litera exhibits a number of 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, as shown by the recent acquisitions of Workshare and Doxly; fragmented customer base; cross-sell opportunities into the established customer set, supplemented by potential new customers; and high operating leverage which should provide margin upside as the business grows.

How do we intend to create value?

The top priorities for the Board and management team are: the successful operational integration of Workshare including joint go-to-market and product integration; scaling the sales organisation operations to unlock revenue synergies by cross-selling; and continuing to develop and manage the product portfolio based on revenue potential.

What has been achieved?

The team is now focused on working on a number of workstreams with Litera: supporting successful integration of Litera and Workshare; supporting the management team on specific operational initiatives, and continuing to drive add-on acquisitions of complementary legal software vendors such as Doxly.

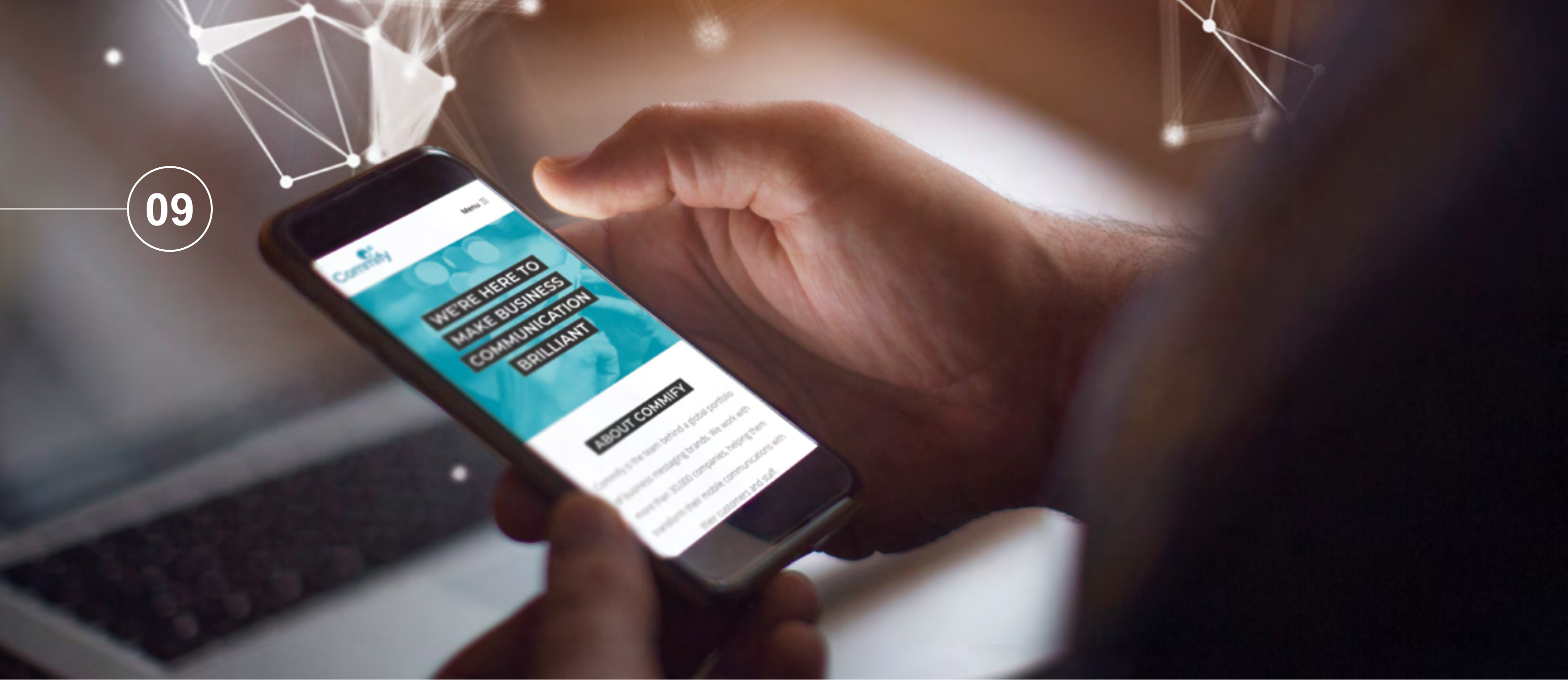
How is it performing?

Whilst the business is new to the portfolio, Litera has seen a strong start to its partnership with Hg, and has completed two acquisitions since closing.

How will we crystallise value?

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

09



Commify

Business description

Commify is a leading Application to Person 'A2P' messaging service in Western Europe. The group is a roll-up of four businesses: Mobyt (acquired in Q4 2016), SMS Envoi (acquired by Mobyt in June 2017), Esendex (acquired in June 2017) and SMS Publi (acquired by Esendex in June 2017). The customer base is mainly SMEs and some larger enterprises who use Commify's services to communicate with their end customers through messages, voice, and a number of other media. The purpose of the communication 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. The business has grown organically and through M&A over the past 10 years and now sends over two billion SMSs across the UK, Italy, France, Germany, Spain and Australia.

The Company's investment through HgCapital Mercury D LP and co-investment through HGT LP

Website:	www.commify.com
Investment sector:	Software
Cluster:	SME Tech Services
Location:	UK
Investment date:	Jun 2017
Hg clients' total equity:	82.6%
Residual cost (£'000):	12,548
Unrealised value (£'000):	23,308

Why did we invest?

The A2P industry is a fast growing segment of the technology sector but remains fragmented in most geographies and the key bases of the investment hypothesis are: strong organic growth in the A2P sector is expected to continue, driven by further use and increasing adoption across Europe; an opportunity for targeted M&A; and a wider portfolio of messaging technologies to provide customers with a channel agnostic platform to communicate with their customers and employees.

How do we intend to create value?

Our initiatives are targeted at scaling the business and maximising our strategic value to potential acquirers through building a robust pan-European business. Key initiatives are: M&A; supporting the integration of the existing businesses into a much larger business; and investing behind product development to capitalise on the multichannel messaging opportunity.

What has been achieved?

We have supported the team to acquire a further six businesses over the last 18 months across a range of geographies. We've also invested significantly behind the integration of the technical platforms and migration of customers to allow them to benefit from Commify's full product suite. New product investment has also been a focus given the opportunity to push forward new multi-channel messaging technologies like RCS and Whatsapp. Commify is uniquely positioned to support these partners with over 30,000 customers across Europe.

We also continue to support management on a project by project basis through access to Hg's portfolio team across a number of functions such as sales and marketing, and data analytics.

How is it performing?

The business is performing overall in line with its investment case. We continue to see good adoption and use of Commify's products with its customers as well as early interest in next generation messaging technologies. Technology integration is progressing well and there continues to be a deep pipeline of value accretive M&A for the business to execute in the remainder of the year. EBITDA growth in the first six months of the year has led to a small uplift in value of £1.2 million in the Company's valuation of its interest in Commify.

How will we crystallise value?

At the time of exit, we expect there to be interest in the business from trade buyers (other consolidators in Europe and the US). We additionally expect interest from capital markets and private equity investors given the long runway of organic growth as well as the availability of M&A targets across Europe.

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MITRATECH

Business description

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 Enterprise Resource Planning 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 c. 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, including all of the AmLaw 200 and 99% of the Global 100 Law Firms. The company is based in Austin, Texas with further offices in the US, England, Wales and Australia, employing c. 360 people.

The Company's investment through HGT 7 LP and co-investment through HGT LP

Website:	www.mitratech.com
Investment sector:	Software
Cluster:	Legal & Compliance
Location:	North America
Investment date:	Apr 2017
Hg clients' total equity:	53.7%
Residual cost (£'000):	22,258
Unrealised value (£'000):	21,974

Why did we invest?

Legal process and regulatory compliance software is a core Hg sector, and one we have invested in before and are currently invested in through STP, which supports insolvency processes and mid-market practice management in the DACH region of Europe. Hg's Genesis team have looked at many targets in this fragmented sector. However, Mitratech is one that is sufficiently large and attractive as a standalone investment and has a proven track record of performance backed by a strong management team with a clear strategy to create value. We see Mitratech as the best-placed platform to drive a global sector roll-up.

How do we intend to create value?

Hg intends to support Mitratech through both continued organic growth of the business and as the best-placed platform in this sector to achieve global scale through M&A. The business has a strong management team with a best-in-class core product, winning customers from fragmented competition in a growing market.

What has been achieved?

Hg is supporting Mitratech to source further M&A opportunities following the acquisition in April 2018 of ThinkSmart, the workflow automation platform that fits well with Mitratech's core ELM product, TeamConnect. Hg's Portfolio Team is working with the management on proposition and product development as well as several customer success initiatives to put new systems and processes in place to enhance Mitratech's customer satisfaction and productivity.

How is it performing?

Performance over FY19 was slightly below expectations; however, trading year to date has been in line with budget. The business faces an increasingly intense competitive landscape for bookings in the core ELM segment but continues to display strong win rates. We have been pleased with cross-selling the newly acquired ThinkSmart product to key TeamConnect customers. Further, Mitratech has launched new LegalHold GRC modules. Early 2019 saw the launch of TeamConnect Essentials, the new cloud platform built for smaller/ medium-sized corporate legal departments. The early adoption programme with selected customers has been successful and Mitratech is looking to increase presence in this market segment over the next 12 months. Performance over the last 12 months has led to a small write-down of £1.5 million in the valuation of the Company's stake in Mitratech.

How will we crystallise value?

We believe Mitratech will present an attractive acquisition target to a number of trade acquirers in the Legal, Enterprise Content Management ('ECM') and Governance Risk and Compliance ('GRC') sectors where its position as the leading ELM vendor holds high strategic value. Equally, we expect that Mitratech will continue to be attractive to Private Equity buyers given recurring revenue, EBITDA margins and market position.

For a full case study on Mitratech please visit: **hgcapital.com/case-studies/mitratech-building-a-global-technology-partner-for-the-legal-profession**

Other investments

Many of our businesses outside the top 10 are also performing very well. Some of these investments are from the Hg Mercury Funds, which invest in smaller software companies with EVs of between £50 million and £250 million.

The Mercury investments are seeing strong double-digit growth in both revenues and profits across its portfolio. They also sit firmly in 'Hg's sweet spot', with a high level of recurring revenues, business-critical products, fragmented customer and competitor bases and low exposure to economic cycles. The vast majority of our investments have been into founder-owned businesses, and we have a strong proprietary pipeline of investment opportunities.

11 REGISTER — web: www.register.eu — sector: Software

Register (formerly DADA) is a leading European mass hosting business, with a presence across several attractive European markets including Italy, UK, Spain, Portugal, and France. In March 2018, Mercury 2 completed the purchase of 100% of the shares in Register SpA, and de-listed the company from the Italian stock exchange. Register provides domains, website hosting and email services to more than 900k customers. The Register management team has built the business through extensive M&A since 2006, acquiring businesses across Europe. In September, team.blue agreed to acquire Register.

Strong trading performance over the first six months of 2019 has led to an increase of £5.4 million in the Company's stake of the business.

12 ITRelation — web: www.itrelation.dk — sector: Services

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 520 employees supporting thousands of customers and tens of thousands of users in Denmark and around the world. This investment is consistent with Hg's focus on SME Technology Services in Europe, with other activity in this sector including investments in Zitcom (2015), Register (2017) and team.blue (2019), all providers of online hosting services to SMEs. Hg will support the management team to build a clear industry champion based on IT Relation's excellent customer service and operating platform.

Strong trading has led to an increase in the Company's valuation of its stake of £3.5 million over the first six months of 2019.

13 FE fundinfo — web: about.fundinfo.com — sector: Software

FE fundinfo is a global investment fund data business catering to asset managers and fund distributors. FE fundinfo comprises the following three heritage businesses: Financial Express (UK-based provider of fund data to IFAs, platforms, wealth managers and private investors), fundinfo (Swiss provider of fund data publication and distribution connecting asset managers and wealth managers) and F2C (Luxembourg-based SaaS platform for the creation and dissemination of fund documents).

FE fundinfo has seen robust trading over the first half of 2019 and this has been reflected in the £3.5 million uplift in the valuation of the Company's holding in the business.

14 a-plan — web: www.aplan.co.uk — sector: Services

A-Plan is a UK-based insurance broker focused on non-discretionary B2C motor and household insurance products. A-Plan distributes commercial lines insurance products, and is active in a range of niches including HNW individuals and foreign language-speaking customers.

A-Plan focuses on high levels of customer service and more complex cases than online brokers. A-Plan's local, high-touch model enables it to offer customers products at the same price as those found on price comparison websites but with significantly higher levels of service, whilst retaining industry beating margins. A-Plan's KPIs consistently outperform its peers, with market leading NPS scores, loss ratios and customer retention which have enabled the business to demonstrate 25 years of uninterrupted revenue growth.

This continued growth has seen the Company's stake in A-Plan grow by £2.8 million over the first six months of 2019.

Other investments continued

15 teamblue

web: www.team.blue — sector: Software

team.blue was established in 2019 from the combination of Combell group, a leading mass hosting company in Belgium and Denmark, and TransIP, the leading cloud server and mass hosting platform in the Netherlands. team.blue recently partially acquired Register, which is head-quartered in Italy with a pan-European mass hosting footprint. Post combination with Register, team.blue has close to two million SME and Small Office/Home Office ('SoHo') end customers and is a one-stop partner for web hosting, domains, e-commerce and application solutions. This represents Hg's 8th investment in the technology services sector, with other recent hosting investments including Zitcom (2015), Register (2017) and most recently, 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.

16 Rhapsody

web: www.rhapsody.health — sector: Software

Headquartered in Boston, USA, Rhapsody is a global leader in healthcare interoperability and data liquidity solutions. Their software serves public and private hospitals, health systems, Health Information Exchanges, OEM vendors, public health departments and federal government organisations. In June 2019, Rhapsody acquired Corepoint Health, the supplier of the Best in KLAS® healthcare integration platform, building a global segment leader in a strategic and attractive sector.

The companies provide integration platforms that power the complex and critical systems within healthcare, with high-volume data-acquisition capabilities. The platforms' comprehensive set of tools help simplify interoperability in complex healthcare environments. The combined business is global, serving over 1,000 customers in more than 36 countries.

The performance of Rhapsody over the first half of 2019 has led to an increase of £4.5 million in the valuation of the Company's holding in this business.

Case study: hgcapital.com/case-studies/rhapsody-building-a-business-to-connect-the-healthcare-continuum/

17 Citation

web: www.citation.co.uk — sector: Services

Citation is a leading provider of tech-enabled compliance and quality related subscription services to over 40,000 SMEs across the UK. The business helps its customers comply with relevant regulations and ensure certain levels of quality and standards are met, in areas such as HR / Employment Law, Health & 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 strong performance over the past twelve months and this has led to an Increase of £6.0 million over the period in the value of the Company's investment.

Case study: hgcapital.com/case-studies/citation-employee-engagement-at-the-heart-of-the-companys-dynamic-people-strategy/

18 ALLOCATE

web: www.allocatesoftware.com — sector: Software

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 results in more effective healthcare delivery. The company has a leading position in the UK, Sweden and Australia, and a very strong track record of renewals.

Continued strong performance over the first half of 2019 has led to an increase of £2.4 million in the Company's valuation of its stake in Allocate.

Case study: hgcapital.com/case-studies/allocate-investing-in-rd-to-accelerate-organic-growth/

19 brightpay

web: www.brightpay.co.uk — sector: Software

Based near Dublin, BrightPay is an award winning software provider providing easy to use and cutting edge software solutions to enable payroll bureaus and SMEs to manage payroll, supported by excellent customer service. BrightPay's software is used by over 200,000 employers across the UK and Ireland under two brands, BrightPay and Thesaurus Software. This represents the first investment of Transition Capital, a structured minority investment strategy and is within a cluster where Hg has invested for many years. In 2019, payroll in Ireland underwent significant change when PAYE modernisation was introduced, which requires employers to report PAYE in real time to the Irish Revenue Commissioners. BrightPay invested significantly ahead of this change to support Irish payroll bureaus and SMEs through this transition. In addition, BrightPay continues its expansion in the UK where its SME and bureau payroll customer base is growing rapidly. Strong performance in both the UK and Ireland has led to an uplift of £0.7 million in the value of the Company's stake in the business.

20 TeamSystem

web: www.teamsystem.com sector: Software

TeamSystem is a software and services business based in Pesaro, Italy, which was established in 1979. TeamSystem is the Italian market leader in its core business of providing regulatory-driven software applications to accountants, labour professionals and SMEs. It is also the market leader in the 'micro' SME segment, a market which is significantly underpenetrated in Italy compared to other Western economies. The company has a large and diversified customer base of over c. 250,000 customers served by a strong direct sales force and a distribution platform of over 400 value added resellers (VARs) and employs c. 1,600 people.

Over the first half of 2019 TeamSystem has continued to perform well resulting in an uplift in the Company's stake in this business of £2.8 million.

21 MEDIFOX

web: www.medifox.de sector: Software

MediFox is the leading provider of software solutions to over 7,700 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, reimbursement and factoring. The business is characterised by a leading position in a fragmented sector, a robust financial profile, a highly competent management team and a 'mission-critical' product. The company is headquartered in Hildesheim, Germany and employs 340 people.

Case study: hgcapital.com/case-studies/medifox-a-platform-play-in-the-social-economy/

22 Achilles

web: www.achilles.com sector: Software

Achilles is a mission-critical Data as a Service ('DaaS') provider of supply chain information that allows 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 (e.g. UK utilities, Scandinavian Natural Resources etc.) require their key suppliers to qualify to a set of standardised information in the Achilles DaaS 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 supply chain and thus protect buyers against high cost of failure. Achilles currently operates more than 30 vertical market communities across five continents.

23 P&I PURE HR

web: www.pi-ag.com sector: Software

Founded in 1968 and headquartered in Wiesbaden, Germany, P&I Personal & Informatik AG provides integrated software solutions and services for human resources management. It consists of four product lines: P&I LogaAll-in, P&I LOGA, P&I PLUS and P&I BIG DATA. Over the course of more than four decades, P&I products have been enriched with information from the highly diverse tasks and best practices of its more than 15,000 customers (of whom 3,900 are direct). While the customer base is primarily in Germany, Austria and Switzerland, P&I serves customers across thirteen countries in Europe via its partners. In September 2016, Hg announced the sale of P&I to Permira, this delivered a 35% IRR and 2.4x investment multiple. Hg (including its co-investors) has retained a minority position in the business. The business continues to perform well and in the first half of 2019, the Company's valuation of its stake in P&I saw an increase of £2.4 million.

24 EidosMedia

web: www.eidosmedia.com sector: Software

EidosMedia is global leader in high value Enterprise Content Management ('ECM') software, primarily serving Media and Financial Services verticals. ECM is a platform which enables users to collaboratively create and customise multi-media content and disseminate it via various media channels (desktop, mobile, print etc.). The Company serves 30,000 users at 600 newspapers plus 5,000 research analysts on the core Method product, and 77 distinct clients. In the past couple of years, EidosMedia successfully expanded into the financial services market by applying its software to the production of investment research reports published by financial institutions. Other verticals that Eidos has been targeting recently are large corporates and government agencies. Headquartered in Milan, EidosMedia serves a global client base with a focus on Western Europe and the US; 92% of its recurring revenues are generated outside of Italy.

EidosMedia has seen improved performance over the past six months and this has led to an uplift of £1.6 million in the valuation of the Company's stake in the business.

25 STP

web: www.stp-online.de — sector: Software

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 c. 200 FTE serving over 1,200 legal customers with critical software. STP's core business is providing software solutions for insolvency law firms where it has a leading market position in the German market. 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 both the insolvency market as well as in combination with its practice management software.

26 Eucon

web: www.eucon.de — sector: Software

Eucon consists of 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 with Eucon collecting, processing and supplying crucial data to support its customers in managing their parts and aftermarket operations. The Digital Services division provides highly automated claims management services to insurers in Germany, helping them achieve lasting reductions in claims expenditure through the sophisticated automation of claims processes and application of structured data, for both car and property insurance claims. In addition to this, Eucon's Digital Services help Real Estate clients automate data extraction, leveraging AI and machine learning capabilities. Eucon has c. 400 staff and is headquartered in Germany with an additional office in the USA. The business serves nearly 250 clients operating in 40 countries globally.

Case study: hgcapital.com/case-studies/eucon-applying-ai-know-how-to-build-a-digital-leader/

27 Evaluate

web: www.evaluategroup.com — sector: Software

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 advisors. The core data around which Evaluate 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.

The business has seen robust performance and this has increased the valuation of the Company's stake in Evaluate by £0.8 million over the first six months of 2019.

Case study: hgcapital.com/case-studies/evaluate-accelerating-the-growth-of-a-best-in-class-product/

28 noventic

web: www.noventic.com — sector: Software

Noventic (formerly QUNDIS) supplies a full data management solution for the housing and utilities industries to collect, measure, and transmit consumption-dependent data for heating and water usage on an apartment unit level. In May 2017, the Munich team completed the exit of QUNDIS, retaining a minority position in the combined group, Noventic.

29 TRACEONE

web: www.traceone.com — sector: Software

Trace One's collaborative platform enables brand owners to develop and to source higher quality, trusted and compliant products more quickly, to benefit people and the environment. The platform connects, streamlines and organises data, teams and networks, allowing brand owners to overcome complexity and grasp the opportunities at every stage of the product lifecycle. Trace One serves the CPG and food suppliers Industry and currently has a customer base of over 30 global leading retailers and 20,000 CPG's manufacturers, across Europe, North America and Asia. The business has seen a small £0.4 million uplift in the Company's valuation of its stake over the first six months of 2019.

30 Gentrack

web: www.gentrack.com — sector: Software

Gentrack is a provider of mission-critical software including billing and CRM for utilities and management systems for airports. Gentrack's shares are listed on the NZX and ASX markets and Hg is the largest institutional shareholder in the business. Gentrack focuses on utilities in Australia, New Zealand and the UK and airports globally. This investment is valued at its market price.

Other investments continued

Renewable energy

Website:	https://asper-im.com
Investment sector:	Renewable Energy
Location:	Europe
Residual cost (£'000):	26,082
Unrealised value (£'000):	22,843

The Company has investments in two renewable energy funds: Asper RPP I and Asper RPP II. These fund investments continue to be overseen by the Manager but are managed by a specialist renewable energy team formerly at Hg.

On 30 November 2017, the team transitioned to Asper, a newly formed independent investment management firm. This transition had been in preparation for close to two years and is in line with the strategic plans of both Hg and the Asper team. Asper uses private equity skills to identify, acquire and build high quality European renewable energy projects. Investment returns in this asset class are generated through a combination of yield during operation and capital gain at refinancing or exit. By bringing individual investments together into platforms, Asper enhances value through economies of scale, shared expertise and aggregated generation capacity.

Asper has built a portfolio of high-quality projects on time and on budget and operational performance remains ahead of the investment case across all platforms.

However, financial returns have been materially reduced by retroactive tariff changes in Spain and depressed power prices in Sweden between 2010-2013. Since 2014 the Asper team has been working on a value recovery plan centred on:

- investments in and realisations from the portfolio assets unaffected by the adverse events;
- arbitration proceedings against Spain for the retroactive tariff changes; and
- debt restructuring of distressed projects.

The NAV increased in 2018, thanks to positive developments in the arbitrations against Spain, including successful investor awards in similar claims.

In September 2019, the Company agreed the sale of the Asper RPP II assets to two strategic buyers, as part of a wider secondary sale process.

Financial statements

Income statement

for the six months ended 30 June 2019

	Notes	Revenue return			Capital return			Total return		
		Six months ended		Year ended	Six months ended		Year ended	Six months ended		Year ended
		30.06.19 £'000 (unaudited)	30.06.18 £'000 (unaudited)	31.12.18 £'000 (audited)	30.06.19 £'000 (unaudited)	30.06.18 £'000 (unaudited)	31.12.18 £'000 (audited)	30.06.19 £'000 (unaudited)	30.06.18 £'000 (unaudited)	31.12.18 £'000 (audited)
Gains on investments and liquidity funds		–	–	–	109,133	57,480	93,792	109,133	57,480	93,792
Gains/(losses) on priority profit share loans advanced to General Partners	7(b)	–	–	–	1,618	(4,296)	(6,325)	1,618	(4,296)	(6,325)
Net income	6	9,905	7,544	17,128	–	–	–	9,905	7,544	17,128
Other expenses	8(a)	(1,419)	(1,383)	(2,468)	–	–	–	(1,419)	(1,383)	(2,468)
Net return before finance costs and taxation		8,486	6,161	14,660	110,751	53,184	87,467	119,237	59,345	102,127
Finance costs	8(b)	(1,053)	(370)	(753)	–	–	–	(1,053)	(370)	(753)
Net return before taxation		7,433	5,791	13,907	110,751	53,184	87,467	118,184	58,975	101,374
Taxation	10	–	(141)	(242)	–	–	–	–	(141)	(242)
Net return after taxation attributable to reserves		7,433	5,650	13,665	110,751	53,184	87,467	118,184	58,834	101,132
Return per Ordinary share	11(a)	1.85p	15.14p	36.61p	27.51p	142.49p	234.34p	29.36p	157.63p	270.95p

The total return column of this statement represents the Company'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 notes on pages 62 to 68 form part of these financial statements.

Balance sheet

as at 30 June 2019

	Notes	30.06.19 £'000 (unaudited)	30.06.18 £'000 (unaudited)	31.12.18 £'000 (audited)
Fixed asset investments				
Investments at fair value through profit or loss:				
Unquoted investments		772,073	558,676	609,663
Total fixed asset investments		**772,073**	**558,676**	**609,663**
Current assets – amounts receivable after one year:				
Accrued income on fixed assets		45,464	56,643	39,531
Current assets – amounts receivable within one year:				
Debtors		154	271	154
Investments at fair value through profit or loss:				
Liquidity funds		153,537	148,459	152,920
Uninvested capital in Limited Partnerships		2,045	337	169
Cash at bank		3,209	5,127	3,436
Total current assets		**204,409**	**210,837**	**196,210**
Creditors – amounts falling due within one year		(1,351)	(852)	(886)
Net current assets		**203,058**	**209,985**	**195,324**
Net assets		**975,131**	**768,661**	**804,987**
Capital and reserves:				
Called up share capital		10,065	9,331	9,331
Share premium account		182,791	120,368	120,368
Capital redemption reserve		1,248	1,248	1,248
Capital reserve – unrealised		217,374	109,285	119,958
Capital reserve – realised		536,863	499,918	523,528
Revenue reserve		26,790	28,511	30,554
Total equity shareholders' funds		**975,131**	**768,661**	**804,987**
Net asset value per Ordinary share	11(b)	**242.2p**	**2,059.4p**	**2,156.7p**
Ordinary shares in issue at 30 June / 31 December		**402,599,808**	**37,324,698**	**37,324,698**

The financial statements of HgCapital Trust plc (registered number 01525583) on pages 58 to 68 were approved and authorised for issue by the Board of Directors on 6 September 2019 and signed on its behalf by:

Roger Mountford, Chairman

Richard Brooman, Director

The notes on pages 62 to 68 form part of these financial statements.

Statement of cash flows

for six months ended 30 June 2019

	Notes	Six months ended 30.06.19 £'000 (unaudited)	Six months ended 30.06.18 £'000 (unaudited)	Year ended 31.12.18 £'000 (audited)
Net cash inflow/(outflow) from operating activities	9	**394**	**4,249**	**(17,850)**
Investing activities:				
Purchase of fixed asset investments		(107,265)	(79,346)	(187,338)
Proceeds from the sale of fixed asset investments		54,737	79,971	218,925
Purchase of liquidity funds		(59,100)	(23,900)	(222,882)
Redemption of liquidity funds		60,100	31,795	226,578
Net cash (outflow)/inflow from investing activities		**(51,528)**	**8,520**	**35,283**
Financing activities:				
Servicing of finance		(1,053)	(370)	(753)
Equity dividends paid		(11,197)	(11,197)	(17,169)
Proceeds from issue of share capital		63,157	–	–
Net cash inflow/(outflow) from financing activities		**50,907**	**(11,567)**	**(17,922)**
(Decrease)/increase in cash and cash equivalents in the period		**(227)**	**1,202**	**(489)**
Cash and cash equivalents at 1 January		3,436	3,925	3,925
Cash and cash equivalents at 30 June / 31 December		**3,209**	**5,127**	**3,436**

The notes on pages 62 to 68 form part of these financial statements.

Statement of changes in equity

for six months ended 30 June 2019

		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 31 December 2018		9,331	120,368	1,248	119,958	523,528	30,554	804,987
Net return		–	–	–	97,416	13,335	7,433	118,184
Issue of Ordinary shares		734	62,423	–	–	–	–	63,157
Equity dividends paid	4	–	–	–	–	–	(11,197)	(11,197)
At 30 June 2019		**10,065**	**182,791**	**1,248**	**217,374**	**536,863**	**26,790**	**975,131**
At 31 December 2017		9,331	120,368	1,248	79,256	476,763	34,058	721,024
Net return		–	–	–	40,702	46,765	13,665	101,132
Equity dividends paid	4	–	–	–	–	–	(17,169)	(17,169)
At 31 December 2018		**9,331**	**120,368**	**1,248**	**119,958**	**523,528**	**30,554**	**804,987**

The notes on pages 62 to 68 form part of these financial statements.

Notes to the financial statements

1. Principal activity

The principal activity of the Company is investment. The Company 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 November 2014 and updated in February 2018. All of the Company's operations are of a continuing nature.

The Company has considerable financial resources and, as a consequence, the Directors believe that the Company is well placed to manage its business risks. After making enquiries, the Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the next twelve month period from the date 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 applied in the Company's previous annual audited report and accounts.

3. Organisational structure and accounting policies

Partnerships where the Company is the sole limited partner

The Company entered into eight 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 and February 2018; at each point an investment holding limited partnership was established to carry on the business of an investor, with the Company being the sole limited partner in these entities.

The purpose of these partnerships, HGT LP, HGT 6 LP, HgCapital Mercury D LP, HGT 7 LP, HGT 8 LP, HGT Mercury 2 LP, HGT Transition Capital LP and HGT Saturn LP (together the 'primary buyout funds'), is to hold all the Company's investments in primary buyouts. Under the partnership agreements, the Company made capital commitments into the primary buyout funds, with the result that the Company now holds direct investments in the primary buyout funds and an indirect investment in the fixed asset investments that 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 investment portfolio on page 33. The underlying investments that are held indirectly are included in the overview of investments on page 40.

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

Partnerships where the Company is a minority limited partner

In July 2011, the Company made a direct secondary investment in HgCapital 6 E LP ('Hg6E'), one of the partnerships that comprise the Hg6 Fund, in which the Company is now a limited partner *pari passu* with other limited partners. This is a direct investment in the Hg6E Fund, as shown on the balance sheet and in the investment portfolio on page 33.

The Company also entered into partnership agreements with the purpose of investing in renewable energy projects by making capital commitments with other limited partners in Asper Renewable Power Partners LP ('Asper RPP I LP') and Asper Renewable Power Partners 2 C LP ('Asper RPP II LP') (together the 'renewable funds'). These are direct investments in the renewable funds, as shown on the balance sheet and in the investment portfolio on page 33.

Priority profit share and other operating expenses, payable by partnerships in which the Company 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 is entitled to appropriate, as a first charge on the net income of the funds, an amount equivalent to its priority profit share ('PPS'). The Company 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 the Company. Such loan is only recoverable from the general partner 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 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 the Company, when the right to these returns is established.

Accordingly, the Company'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 that have 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 in 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 30.0 pence per share was paid on 30 April 2019 in respect of the year ended 31 December 2018 (2018: interim dividend in respect of the year ended 31 December 2018 of 16.0 pence per share and final dividend of 30.0 pence per share in respect of the year ended 31 December 2017).

Note: the above stated figures are prior to the ten for one share-split in May 2019.

5. Issued share capital

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

	Six months ended				Year ended	
	30.06.19 (unaudited)		30.06.18 (unaudited)		31.12.18 (audited)	
	No. '000	£'000	No. '000	£'000	No. '000	£'000
Ordinary shares of 2.5p each: (previously 25p each prior to ten for one share split in May 2019)						
Allotted, called-up and fully paid:						
At 1 January	37,325	9,331	37,325	9,331	37,325	9,331
Ten for one share split	335,922	–	–	–	–	–
Issued as part of placing offer	29,353	734	–	–	–	–
At 30 June / 31 December	**402,600**	**10,065**	**37,325**	**9,331**	**37,325**	**9,331**

6. Income

	Revenue return		
	Six months ended		Year ended
	30.06.19 £'000 (unaudited)	30.06.18 £'000 (unaudited)	31.12.18 £'000 (audited)
Total net income comprises:			
Interest	9,905	6,825	16,349
Non-interest income	–	13	73
Dividend	–	706	706
Total net income	9,905	7,544	17,128

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

Income from investments held by the primary buyout funds:			
Unquoted investment income	15,995	7,891	19,453
Dividend income	–	706	706
Other investment income:			
Unquoted investment income	–	530	1,161
Liquidity funds income	914	150	1,033
Total investment income	16,909	9,277	22,353
Total other income	45	13	128
Total income	**16,954**	**9,290**	**22,481**
Priority profit share charge against income:			
Current period – HGT 8 LP	(4,672)	–	(1,315)
Current period – HGT 7 LP	(1,135)	(1,288)	(2,445)
Current period – HGT Mercury 2 LP	(684)	(172)	(736)
Current period – HGT Saturn LP	(253)	–	(304)
Current period – HgCapital Mercury D LP	(196)	(237)	(409)
Current period – HGT Transition Capital LP	(93)	–	(52)
Current period – HGT LP	(16)	(49)	(92)
Current period – HGT 6 LP	–	–	-
Total priority profit share charge against income (note 7(a))	(7,049)	(1,746)	(5,353)
Total net income	**9,905**	**7,544**	**17,128**

7. Priority profit share and carried interest

	Revenue return		
	Six months ended		Year ended
(a) Priority profit share payable to General Partners	30.06.19 £'000 (unaudited)	30.06.18 £'000 (unaudited)	31.12.18 £'000 (audited)
Priority profit share payable:			
Current period amount	5,431	6,042	11,678
Less: Current period loans advanced to General Partners	(7)	(4,296)	(6,325)
Add: Prior period loans recovered from General Partners	1,625	–	–
Current period charge against income	7,049	1,746	5,353
Total priority profit share charge against income	**7,049**	**1,746**	**5,353**

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 the primary buyout funds respectively and is deducted prior to such income being attributed to the Company 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 in the income statement.

	Capital return		
	Six months ended		Year ended
(b) Priority profit share loans to General Partners	30.06.19 £'000 (unaudited)	30.06.18 £'000 (unaudited)	31.12.18 £'000 (audited)
Movements on loans to General Partners:			
Losses on current period loans advanced to General Partners	(7)	(4,296)	(6,325)
Gains on prior period loans recovered from General Partners	1,625	–	–
Total gains/(losses) on priority profit share loans recovered from/(advanced to) General Partners	**1,618**	**(4,296)**	**(6,325)**

In years in which the primary buyout 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 the Company. Such loan is only recoverable from the general partner 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		
	Six months ended		Year ended
(c) Carried interest to Founder Partners	30.06.19 £'000 (unaudited)	30.06.18 £'000 (unaudited)	31.12.18 £'000 (audited)
Carried interest charge against capital gains:			
Current period charge against realised capital gains	–	2,438	55,023
Current period charge/(credit) against unrealised capital gains	12,371	10,338	(40,599)
Total carried interest charge against capital gains	**12,371**	**12,776**	**14,424**

The carried interest payable to the Founder Partners ranks as a first appropriation of capital gains on the investments held in primary buyout funds via limited partnerships established solely to hold the Company's investments, and is deducted prior to such gains being paid to the Company in its capacity as a Limited Partner. The net amount of capital gains of 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, as set out on page 106 of the 2018 Annual Report, states that carried interest is payable once a certain level of cash repayments have been made to the Company. Based on the repayments received to date, no carried interest was paid during the period.

If the investments in HGT 6 LP, HGT 7 LP, HgCapital Mercury D LP and HgCapital 6 E LP are realised at the current fair value and then distributed to Partners, an amount of £54,683,000 will be payable to the Founder Partner and therefore the Directors have made a provision for this amount. No provision is required in respect of the Company's investment in the other fund limited partnerships.

8. Other expenses

(a) Operating expenses	Revenue return Six months ended 30.06.19 £'000 (unaudited)	Revenue return Six months ended 30.06.18 £'000 (unaudited)	Revenue return Year ended 31.12.18 £'000 (audited)
Registrar, management and administration fees	436	394	837
Legal and other administration costs[1]	983	989	1,631
Total other expenses	**1,419**	**1,383**	**2,468**

[1]Includes employer's National Insurance contributions of £15,306 (2018: £29,427).

(b) Finance costs	Revenue return Six months ended 30.06.19 £'000 (unaudited)	Revenue return Six months ended 30.06.18 £'000 (unaudited)	Revenue return Year ended 31.12.18 £'000 (audited)
Arrangement fees	720	–	–
Non-utilisation fees and other expenses	333	370	753
Total finance costs	**1,053**	**370**	**753**

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

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 30.06.19 £'000 (unaudited)	Six months ended 30.06.18 £'000 (unaudited)	Year ended 31.12.18 £'000 (audited)
Net return before finance costs and taxation	119,237	59,345	102,127
Gains on investments held at fair value	(122,956)	(60,691)	(54,297)
Carried interest paid	–	(10,338)	(55,023)
Increase/(decrease) in carried interest provision	12,371	2,438	(40,599)
Increase in accrued income from liquidity funds	(914)	(150)	(1,033)
(Increase)/decrease in prepayments, accrued income and other debtors	(5,933)	14,466	31,577
Decrease in creditors	(1,411)	(910)	(616)
Taxation received/(paid)	–	89	14
Net cash inflow/(outflow) from operating activities	**394**	**4,249**	**(17,850)**

10. Taxation

Taxation for the six-month period is charged at 19% (31 December 2018: 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, the Company 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 year. Where possible, the Company 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 the Company on any interest income designated as a dividend.

11. Return and net asset value per Ordinary share

	Revenue return			Capital return		
	Six months ended		Year ended	Six months ended		Year ended
(a) Return per Ordinary share	30.06.19 (unaudited)	30.06.18 (unaudited)	31.12.18 (audited)	30.06.19 (unaudited)	30.06.18 (unaudited)	31.12.18 (audited)
Amount (£'000):						
Net return after taxation	7,433	5,650	13,665	110,751	53,184	87,467
Number of Ordinary shares ('000):						
Weighted average number of shares in issue	402,600	37,325	37,325	402,600	37,325	37,325
Return per Ordinary share (pence)	1.85	15.14	36.61	27.51	142.49	234.34

	Six months ended		Year ended
(b) Net asset value per Ordinary share	30.06.19 (unaudited)	30.06.18 (unaudited)	31.12.18 (audited)
Amount (£'000):			
Net assets	975,131	768,661	804,987
Number of Ordinary shares ('000):			
Number of Ordinary shares in issue	402,600	37,325	37,325
Net asset value per Ordinary share (pence)	242.2	2,059.4	2,156.7

12. Commitment in fund partnerships and contingent liabilities

Fund	Original commitment £'000	Outstanding at 30.06.19 £'000 (unaudited)	Outstanding at 30.06.18 £'000 (unaudited)	31.12.18 £'000 (audited)
HGT 8 LP[1]	350,000	146,878	288,295	247,905
HGT Saturn LP[1]	150,000	71,693	124,598	92,411
HGT Transition Capital LP[1]	75,000	59,228	74,862	59,460
HGT Mercury 2 LP[1]	80,000	42,143	69,203	49,774
Asper RPP II LP	35,790[2]	6,520[3]	6,592[3]	6,607[3]
HGT 7 LP	200,000	5,321	1,045	5,451
HGT 6 LP	285,029[4]	3,750	6,000	3,750
Hg Mercury D LP	60,000[4]	3,008	2,368	3,228
HGT LP[6]	120,000[4]	1,261	1,261	1,261
Asper RPP I LP	19,363[5]	619[6]	793[6]	749[6]
Hg 6 E LP	15,000	197	316	197
Total outstanding commitments		340,618	575,333	470,793

[1] The Company has the benefit of an opt-out provision in connection with its commitment alongside Hg8, Hg Mercury 2 and HGT Saturn LP, allowing it to opt out of its obligation to fund draw-downs under its commitment, without penalty, where certain conditions exist. The Company is the sole investor in the Transition Capital strategy and no commitment will be made if the Company does not have cash available to invest.

[2] Sterling equivalent of €40,000,000.

[3] Sterling equivalent of €7,287,000 (2018: €7,454,000).

[4] 21.4% of the original £120 million commitment to the HgCapital 5 Fund, 5.0% 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.

[5] Sterling equivalent of €21,640,000.

[6] Sterling equivalent of €692,000 (2018: €897,000).

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 2019 and 30 June 2018 has not been audited. The information for the year ended 31 December 2018 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 2019 in March 2020. The 2019 Annual Report should be available by the end of March 2020, with the Annual General Meeting being held in May 2020.

Further information

Investment management and ongoing charges

Over the first six months of 2019, the Company's assets were managed by Hg Pooled Management Limited ('Hg'). The Company 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.)
Hg Saturn	1.0% on invested capital
Transition Capital	1.25% on invested capital
Hg8	1.75% on the fund commitment during the investment period (commenced 1 October 2017), stepping down to 1.5% on invested capital
Hg Mercury 2	1.75% on the fund commitment during the investment period (commenced 1 October 2017), stepping down to 1.5% on invested capital
Hg7	1.5% of original cost of investments in the fund less the original cost of investments that 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 that have been realised or written-off.
Hg6 and Hg6E	1.5% of original cost of investments in the fund less the original cost of investments that have been realised or written-off.
HGT	0.5% on the value of investments held in that fund, excluding co-investments.
Asper RPP II	1.25% of lesser of value or cost of investments.
Asper RPP I	1.5% of original cost of investments in the fund, less the original cost of investments that have been realised or written-off.

For the Company's investment alongside the Hg6, Hg Mercury 1, Hg7, Hg Mercury 2 and Hg8 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 the Company 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 that is capitalised annually. Carried interest in HGT Transition Capital will be calculated in the same way.

For the Company'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 the Company of its invested capital and a preferred return based on 8% p.a. or 20% of the aggregate profits, payable after the repayment to the Company 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 Hg5, Hg6, Hg Mercury, Hg7, Hg Mercury 2 and Hg8 in excess of the Company's *pro-rata* commitment. Thus, the co-investments made by the Company in P&I, Visma, Achilles, Sovos, CogitalGroup, Mitratech, Commify, MediFox 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 the company 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 2019, the Company's annualised ongoing charges were calculated as 1.7% (31 December 2018: 1.9%). 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 that are operational and recurring by nature and specifically exclude, amongst 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.

The Company's ongoing charges consist of 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 the Company'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 2019 is 1.8 pence per share.

Ex-dividend date (date from which shares are transferred without dividend)	19 September 2019
Record date (last date for registering transfers to receive the dividend)	20 September 2019
Last date for registering DRIP instructions (see below)	4 October 2019
Dividend payment date	25 October 2019

The final dividend is subject to approval of the shareholders at the forthcoming AGM.

Payment of dividends

Cash dividends will be sent by cheque to the first-named shareholder at their 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 via Bankers' Automated Clearing Service ('BACS'). This may be arranged by contacting the Company'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 the Company.

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 4 October 2019.

Share price

The Company'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 fifteen minute delay: www.hgcapitaltrust.com.

ISIN/SEDOL numbers

The ISIN/SEDOL numbers and mnemonic code for the Company's Ordinary shares are:

ISIN	GB00BJ0LT190
SEDOL	BJ0LT19
Reuters code	HGT.L

Share dealing

Investors wishing to purchase or sell shares in the Company may do so through a stockbroker, financial advisor, 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 the Company's website: www.hgcapitaltrust.com.

If you are proposing to use Computershare Investor Services PLC to purchase shares please contact them on +44 (0) 370 703 0084 and they can provide you with the KID either by email or by 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 only available to shareholders in certain jurisdictions, 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 the Company'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.com/dealing/uk. 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 this service is, at present, only available to shareholders resident in certain jurisdictions. The commission is 1% plus a charge of £50. In addition, stamp duty, currently 0.5%, is payable on purchases. The service is available from 8.00 a.m. to 4.30 p.m. Monday to 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 due to the regulations in the UK, Computershare are required to check that you have read and accepted the Terms & Conditions before being able to trade, which could delay your first telephone trade. If you wish to trade quickly, we suggest visiting their 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. Shareholders who are 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 for information only.

Uncertificated Securities Regulations 1995 – CREST

The Company'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 the CREST system. Private investors are able to buy and sell their holdings in the same way as they did prior to the introduction of CREST, although there may be differences in dealing charges.

Income tax

Where possible, dividends will 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 advisor.

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 2019/2020, the first £12,000 per annum of such gains from all sources is exempt.

The following CGT rates currently apply:

- 10% and 20% for individuals (depending on total taxable income and gains);
- 20% for trustees or personal representatives; and
- 10% for gains qualifying for Entrepreneurs' Relief.

Investments held in ISAs continue to remain exempt from CGT.

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

Risk factors

- Investments in predominantly unquoted companies, which form the majority of the Company's investments, may not be as readily realisable as investments in quoted companies.
- As Hg invests in Continental Europe and in companies that trade internationally, the value of the Company's shares may be affected by changes in rates of 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 the Company's shares trade on the London Stock Exchange is not the same as their NAV (although they are related) and therefore you may realise returns that 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 the Company and the income from them can fluctuate, as the value of the underlying investments fluctuates.
- The Company invests in unquoted companies and although great care is taken in their valuation, such valuations cannot, by their nature, be exact and are liable to change.

Duration of the Company

An ordinary resolution was approved by shareholders at the Annual General Meeting in May 2015 to continue the life of the Company for a further five years and a similar resolution will be put to the shareholders in 2020 and every fifth year thereafter.

If the resolution to continue the life of the Company 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 the Company.

Nominee holdings

Where shares are held in a nominee company name, the Company undertakes:

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

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend the Company'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 the Company confirms that the Company's shares will qualify as an 'excluded security' under these new rules and will therefore be excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

The Company conducts its affairs so that the shares issued by the Company 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, the Company provides information annually to the local tax authority on the tax residencies of a number of 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

The Company's shares are eligible for stocks and shares ISAs.

Shareholder enquiries

In the event of queries regarding your shares, please contact the Computershare Investor Centre. Computershare now offers a free secure share management website that 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; and
- 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 the Company 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 that 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 ten years. Attractive returns can be garnered if the private equity manager exploits the advantages 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 tells 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 that 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 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 that 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 de-listed and refinanced with private equity capital.
- Better access presenting the possibility for better assessment
  Prior to investing, private equity managers often have better access to information, including detailed market, financial, legal and management due diligence.

Investing in private equity

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 listed private equity 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 ten-year lock-in and minimum investment required when investing in private equity via limited partnerships.

For the most comprehensive single source of information on listed private equity go to www.lpeq.com.

London Stock Exchange-listed private equity investment trusts are supervised by boards of directors, the majority of whom are independent, in order to reinforce the manager's accountability to shareholders.

Provided 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 listed private equity 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. Listed private equity 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.

Listed private equity 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 listed private equity 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 ten-year life, the normal route to obtaining a diversified exposure to private equity, listed private equity offers significant advantages:

- listed private equity offers 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 a listed private equity company, investors have liquidity in the shares and do not have to make a ten-year commitment to a fund. Accordingly, they can trade without requiring the manager's consent and 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 listed private equity investors need do is monitor the value of their shareholdings in the quoted vehicle itself; and
- 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 that will accrue to the investment manager, after achievement of an agreed preferred return.

DACH
An acronym for D (Deutschland / Germany), A (Österreich / 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 that 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 was 245.0 pence and the share price was 220.5 pence, the discount would be 10%.

EBITDA
Earnings Before Interest, Tax, Depreciation and Amortisation.

ESG
Environmental, Social and Governance.

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 that 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. It 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 the company's assets, resulting in a post-financing capital structure of the company that 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, or MOIC, 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 the Company'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 2019, shareholders' funds were £975,131,000 and there were 402,599,808 Ordinary shares in issue; the NAV was therefore 242.2 pence per Ordinary share. Shareholders' funds are calculated by deducting current and long-term liabilities, and any provision for liabilities and charges, from the Company's total assets.

NRR
Net Recurring Revenue is the proportion of the revenue from existing clients that 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 269.5 pence and the NAV were 245.0 pence, the premium would be 10%.

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

Total ongoing charges
Please refer to page 70.

Total return
The total return to shareholders comprises both changes in the Company's NAV or share price and dividends paid to shareholders; it is calculated on the basis that all historic dividends have been reinvested in the Company'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 that is either at the concept, start-up or early stage of development.

Board, management and administration

Directors

Roger Mountford
(Chairman)

Richard Brooman
(Chairman of the Audit
and Valuation Committee)

Peter Dunscombe
(Chairman of the Management
Engagement Committee)

Jim Strang

Guy Wakeley

Anne West
(Senior Independent Director)

Company Secretary

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Registered office

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Registered number

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

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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.

www.hgcapitaltrust.com is constantly updated to ensure that the you can always access the Company'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

www.hgcapitaltrust.com