



HgCapital Trust (HGT)

HGT offers a unique tech exposure that has delivered strong long-term NAV growth.

Overview

Update
22 October 2025

HgCapital Trust (HGT) focuses on software and tech-enabled services companies, and is managed by Hg, one of the leading private equity firms to specialise in this area. HGT has net assets of c. £2.5bn, making it one of the largest in the LPE sector, and as we discuss in the **Performance section**, it has been a very strong performer over the long-term, achieving share price total returns of 19.2% per annum over the last ten years.

Key to understanding HGT's portfolio is Hg's unique approach and strategy. The team have significant experience of building businesses that provide critical services for many thousands of businesses globally. By focusing on tightly defined 'clusters' (see **Portfolio section**) where the team have experience and expertise, the team can concentrate on supporting investee businesses to rapidly achieve scale. Hg's approach is to grow businesses of different sizes, end-market focus and maturity profiles within these clusters, and remains focused on software and tech-enabled services. Hg generally looks to buy the third or fourth largest company in a local market, and then use its expertise and finances to grow them into the number-one player.

With AuM of over \$100bn, Hg have a lot of experienced resource to help grow portfolio companies. Key to their strategy is to harness the expertise of both the management team and the senior executives of underlying companies for all of the businesses within the Hg portfolio, through the value creation team. Hg enthusiastically embraces collaboration across these individuals, seeking to harness the 'power of the portfolio'. The team often refer to this network effect, which helps drive best practices and value creation initiatives.

HGT has consistently traded at a premium to peers and, at times, a premium in absolute terms. This contrasts with the wider LPE sector, which trades at significantly wider discounts. The current discount to NAV of 8.6% is broadly in line with the average over the past five years.

Analyst's View

HGT represents a high-quality offering, giving unique access to one of the success stories of European technology investing. The benefits of Hg's scale mean that each portfolio company gets access to the Hg team of operational specialists (see **Portfolio section**). Hg invests repeatedly in specific business models, thereby delivering repeatable value growth within a range of business areas that it knows well and has delivered on before.

The current slow-down in deal activity in the private equity world is affecting the whole sector and is evident in a moderation to HGT's long-term NAV growth (see **Performance section**) over the last three years. On the other hand, underlying revenue and earnings growth from the portfolio appears resilient and strong, and with HGT's largest investment (Visma) considering an IPO in 2026, the near-term prospects for NAV growth appear promising. Longer-term, an investment in HGT represents an 'investment in the future of business' as companies around the world progress workplace automation and digitisation. The Hg team are experienced in helping their businesses grow, adapt and innovate to drive value and create strong capital growth.

HGT has a strong investor following, a result we believe of its narrow specialist focus and its strong historic performance. Because it is so unique, there are few trusts (or quoted companies), that investors could own as an alternative that give a similar exposure to similar drivers, or have delivered such strong revenue and earnings growth historically.

Analysts:

William Heathcoat Amory

+44 (0)203 384 8795



Kepler Partners is not authorised to make recommendations to Retail Clients. This report is based on factual information only.

The material contained on this site is factual and provided for general informational purposes only. It is not an invitation or inducement to buy, sell or subscribe to any product described, nor is it a statement as to the suitability or otherwise of any investments for any person. The material on this site does not constitute a financial promotion within the meaning of the FCA rules or the financial promotions order. Persons wishing to invest in any of the securities discussed in the website should take their own independent advice with regard to the suitability of such investments and the tax consequences of such investment.

BULL

Sector specialism gives managers significant potential to add value

High-growth, niche companies provide differentiated exposure

HGT opt-out gives unique reassurance to shareholders

BEAR

Sector specialism could lead to a wider discount to NAV if conditions change

Relatively concentrated portfolio means NAV will be impacted if any significant holdings hit a problem

Compared to peer group, higher valuations and gearing, combined with narrower discount, present a risk if HGT's companies do not perform



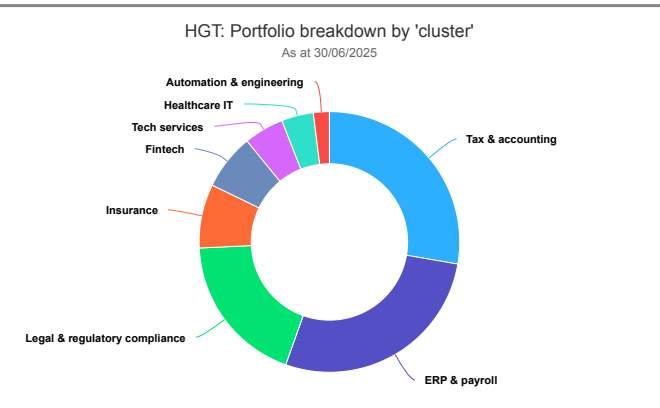
Portfolio

HgCapital Trust (HGT) is a specialist private equity trust, which focuses on software and tech-enabled services companies. It is managed by Hg, one of the leading private equity firms on a global basis that specialise in this area. The trust has net assets of c. £2.5bn, making it one of the largest in the LPE sector, and is Hg’s largest client, having been managing HGT’s assets since 1994. As we discuss in the **Performance section**, HGT has been a very strong performer over the years, achieving NAV total returns of 14.3% per annum over the last 20 years, and 16.6% per annum over the last five years.

Key to understanding HGT’s portfolio is Hg’s unique approach and strategy. The team have developed deep specialisation on building businesses that provide critical services for many thousands of businesses globally. By focusing on tightly defined ‘clusters’ where the Hg team have experience and expertise, they can focus on supporting investee businesses to rapidly achieve scale. Within these clusters, Hg’s approach is to grow businesses of different sizes, end-market focus and maturity profiles. Overall, the portfolio is exposed to two main areas. For software businesses, the team focus on those providing B2B vertical market application software and data, regulatory software and fintech and internet infrastructure. Within tech-enabled services, Hg focus on companies with high levels of intellectual property, large, fragmented customer bases and long-term and stable customer relationships.

Often these businesses provide mission critical services, supplied on a repeat or recurrent basis. The team focus on vertical markets, perhaps with a relatively small total addressable market, but the company may have a dominant position. As well as helping the company growing market share further, Hg will finance M&A for the company enabling it to bolt on product adjacencies. Typically, these will be relatively small acquisitions which will further accelerate top line revenue growth.

Fig.1: Portfolio Breakdown



Source: Hg

Implementing over 200+ bolt-on acquisitions per year, Hg has plenty of expertise in integrating these acquisitions into investee companies. We show the breakdown of the current portfolio by underlying business area (or ‘cluster’) below.

With assets under management of over \$100bn, Hg has a significant depth of resource across investment offices in Europe, Asia and North America. Key to Hg’s success in growing portfolio companies, is their strategy to harness the expertise of both the management team and the senior executives of underlying companies for all of the businesses within the Hg portfolio. Hg enthusiastically embraces collaboration across these individuals, seeking to harness the ‘power of the portfolio’. The team often refer to this network effect, which helps drive best practices and value creation initiatives. Hg has a proprietary online collaboration platform called Hive, as well as hosting over 100 virtual and in-person forums per year for the C-suite of each portfolio company, together maximising the deep knowledge and experience embedded within the network. In addition, each portfolio company gets access to the Hg team of specialists, which are organised across teams below. Hg invests repeatedly in specific business models, with a dedicated Value Creation Team (drawn from across the areas of expertise below) that has been able to develop an approach to drive growth during Hg ownership.

Creating Value

HG VALUE CREATION TEAM		
Data & AI	Growth	Tech, product, cyber
Projects Support	HR & Talent	Finance & FP&A
ESG & Legal	Business Systems	Geographic Coverage
ROE (12-month trailing)	10.9%	0.7%

Source: HgCapital

Having historically been European focused, Hg first established an office in the US in 2019. Hg’s offices in North America now enhance the ability to crystallise and develop transatlantic investment opportunities, manage existing investments and make bolt-on acquisitions, as well as continue to engage with – and ultimately sell – portfolio companies to North American trade buyers. Overall c. 25% of the portfolio is headquartered in the US, with the majority being UK and Scandinavian (28% and 24%, respectively). HGT invests across all three of Hg’s strategies, which target different companies of a diverse size range. As one might expect, the smaller size companies (‘Mercury’ and ‘Genesis’) are represented more in the tail of the portfolio, whilst the upper mid-market deals which typically require an equity investment of



greater than €1bn ('Saturn') are represented in the top ten (of 57 portfolio companies) below, which together represent c. 60% of NAV.

Top Ten Holdings

COMPANY	CLUSTER	LOCATION	%
Visma	Tax & Accounting / ERP & Payroll	Scandinavia	12
IFS	ERP & Payroll	Scandinavia	9.7
Access	ERP & Payroll	UK	8
P&I	ERP & Payroll	Germany	6.6
Howden	Insurance	UK	5.7
Septeo	Legal & Regulatory Compliance	France	4.1
Auditboard	Legal & Regulatory Compliance	N America	3.9
Litera	Legal & Regulatory Compliance	N America	3.8
Ideagen	Legal & Regulatory Compliance	UK	3.2
IRIS	Tax & Accounting / ERP & Payroll	UK	2.8
Total			59.8

Source: Hg

Past performance is not a reliable indicator of future results

We observe that HGT's top ten holdings mean the portfolio is relatively concentrated by comparison to traditional equity funds, and most other listed private equity (LPE) peers (with the exception of 3i, which is dominated by one company). In some ways, this concentration is a natural reality of having a private equity portfolio, in which companies' valuations grow over the hold period, before being realised. As such, one might expect that within the top ten holdings are those which are amongst the most like to see a sale transaction. Visma is a case in point, which has been a long running and exceptionally profitable investment for HGT, which we understand is seeking to IPO in 2026.

An investment in HGT represents an 'investment in the future of business', which has an exciting range of companies helping businesses around the globe progress workplace automation and digitisation. In many cases, HGT offers exposures to trends that are still in early stages of adoption, set to transform the workplace for professionals over decades to come. Rather than being a static portfolio, the Hg team are experienced in helping their businesses grow, adapt and innovate to drive value and create strong capital growth.

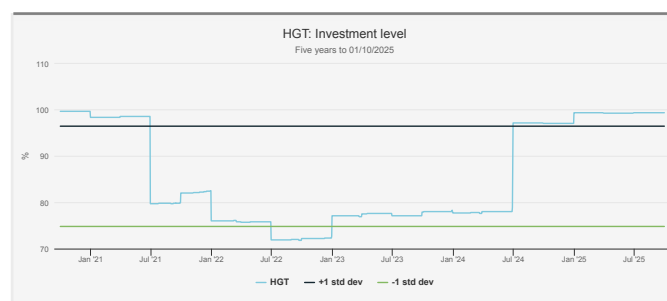
Gearing

HGT's board seeks to have the trust as fully invested as possible over time. Given the cashflows for an illiquid asset class such as private equity are relatively hard to predict, especially over anything other than the short term, most listed private equity trusts tend to have an overdraft facility (or revolving credit facility) to help. HGT is no different in this regard, having a revolving credit facility of £375m, being c. 15% of NAV. What differentiates HGT to the peer group, is the ability (never before used) to opt out of commitments if HGT finds itself over-extended. Whilst so far theoretical, this does provide HGT shareholders with a huge amount of reassurance that the trust should never find itself so financially stretched that it has to raise equity capital to meet commitments.

As the graph below shows, HGT's investment level has risen towards 100%. As at 30/06/2025 HGT has outstanding commitments of £1.4bn (expected to be drawn down over the next four years), or 56% of current NAV. With cash and liquid resources of £432m, HGT has a commitment cover of 0.31x which is relatively thin absent HGT's unique ability to opt-out if needed.

It is worth noting that the underlying portfolio companies also employ leverage. Private equity managers typically structure their investments with debt, and Hg is no different. The overall portfolio has a weighted average net debt to EBITDA ratio of 7.4x. Given the average valuation multiple for the portfolio companies is 25.7x EV/EBITDA, this implies that debt accounts for less than 30% of the portfolio company enterprise value. Hg has a dedicated capital markets team which continually monitors and manages the capital structures of the underlying portfolio companies to ensure they are as robust and flexible as possible in terms of tenor, interest cost and time to maturity.

Fig.2: Investment Exposure



Source: Morningstar

Performance

HGT has been a strong performer in absolute and relative terms over the long term, as we show below in the table showing NAV performance to 30/06/2025. Over more



recent years, relatively muted activity in the private equity universe has slowed which has undeniably had an impact on NAV returns from the listed private equity sector and HGT.

NAV Total Returns To 30/06/2025

	1 YEAR%	3 YEARS%	5 YEARS%	10 YEARS%	20 YEARS%
NAV	3.3	8.1	16.6	17.6	14.3
FTSE All Share Index	11.2	10.7	10.8	6.8	6.9
NAV relative to FTSE All Share Index	-7.9	-2.6	5.8	10.8	7.4

Source: Hg

Past performance is not a reliable indicator of future results

Hg's focus is on investing in high growth companies, but looks for businesses that are resilient and defensive. Certainly, a proportion of the returns generated over the life of any investment are only recognised when a company is sold, and so it might be expected that during a period in which deal activity is relatively muted, that NAV returns might also be lower than they might otherwise be. Despite the headwinds of relatively low realisations across the industry being achieved, Hg believes that it is punching above its weight. The team point to the fact that during the six months to 30/06/2025, six liquidity events from across the portfolio were completed. In aggregate, HGT saw £165m in realisations from the underlying portfolio, representing 7% of opening net assets. On a last 12-month basis, realisations have amounted to £325m, or 13.5% of opening net assets, which compares to a five-year average of 24%. Exits over the last 12 months (LTM) were achieved an average of 11% above carrying value. Hg believes its exit activity, with more than 40 full or partial liquidity events since the start of 2022 is a clear differentiator to peers, and it believes this highlights the fundamental strengths and attractiveness of the underlying portfolio to both trade and financial buyers.

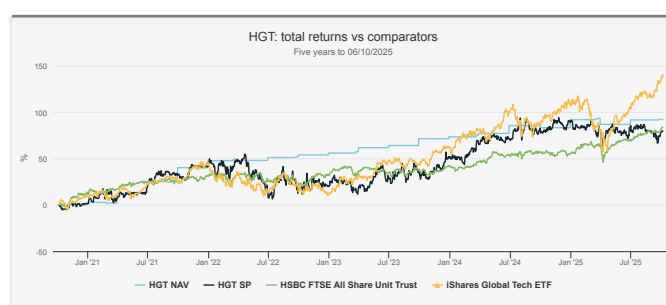
An additional headwind to returns over the last three years has been interest rates around the world increasing dramatically, and as such a certain amount of adjustment to valuations might be expected. In this respect, HGT has seen valuation multiples decline marginally, from 27.1x (on an EV/EBITDA basis) at 30/06/2022 to 25.7x as at 30/06/2025. This represents a decline of c. 5%, although we would caution that this valuation represents the top 20 holdings at each date and so the average will be affected by the different companies within this group.

Hg has stated that (valuation) multiple expansion has not historically been a significant driver of returns, but instead it is the ability of the team (at each portfolio

company, but also those at Hg) to deliver operational and strategic changes within these companies to drive earnings and profit growth at high rates, and certainly higher than the wider market. The team aim to invest in companies which exhibit the 'rule of 40+', being revenue growth and margins which add to 40 or more. Hg's underlying portfolio metrics continue to impress, despite the challenging macro-economic environment. As at 30/06/2025, HGT's portfolio (in entirety) delivered sales growth of 19% (30/06/2024: 19%) and EBITDA growth of 18% (30/06/2024: 26%) over the prior 12 months. Eighty-eight percent of total portfolio companies achieved double-digit sales growth, showing there is breadth behind these numbers. Continued revenue and earnings growth, if achieved, will likely be the backbone of future NAV returns, although if realisation activity continues to improve, then one might expect NAV growth to accelerate. On the other hand, and whilst Hg focuses on companies with defensive growth characteristics, and recurring revenues, valuations and debt levels (see **Gearing section**) are high in absolute terms. Historically, as demonstrated by the long-term results and premiums achieved when investments are sold, these have been warranted. However, if earnings growth slows significantly, the effect of high valuations and gearing levels may negatively impact the NAV.

We show below the standard performance graph over the last five years, which highlights the slower NAV growth HGT has experienced over more recent years. We also show the iShares Global Tech ETF, representing a broad (and mega-cap heavy) technology exposure. Clearly, HGT is exposed to some of the same 'tech' risks, but also some very different ones, which in a portfolio context may be helpful.

Fig.3: Performance Over Five Years



Source: Morningstar

Past performance is not a reliable indicator of future results.

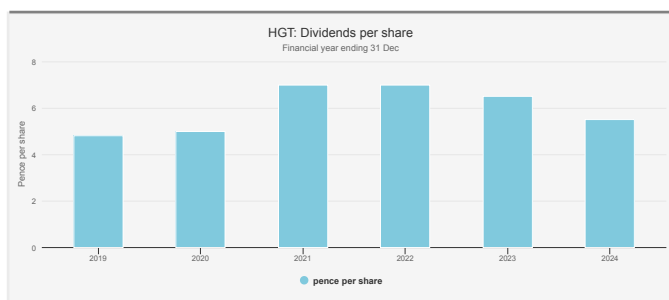
Dividend

Capital growth, rather than dividends, is the priority of HGT. That said, HGT does pay a small dividend, primarily derived from the income delivered by the capital structures of the underlying portfolio companies. The board has announced that it considers there is a 'floor' to the annual dividend of 5p per share, but the level of dividends is



ultimately relatively unpredictable. On a historic basis, the total dividend for the last year of 5.5p per share gives a yield of 1.1%. It should be noted that whilst this is significantly lower than many of the LPE peer group, most peers fund their higher dividends from capital.

Fig.4: Dividend



Source: Morningstar

Past performance is not a reliable indicator of future results.

Management

HGT's manager, Hg, began life as Mercury Private Equity, the private equity arm of Mercury Asset Management, the latter of which was taken over by Merrill Lynch in 1997. It became an independent business in 2000 and Hg is now wholly-owned by its partners. With over 430 employees, together with investment teams based in six offices in London, Munich, New York, San Francisco, Paris and Singapore, Hg has assets under management of c. \$100bn.

Today, the investment professionals are split between three teams. The Genesis funds represent the bulk of investments that Hg has made, representing mid-market companies with a total enterprise value of between £450m and £1.3bn. The Mercury funds offer smaller-company exposure of between £100m and £450m enterprise value and the Saturn funds offer exposure to companies with enterprise values greater than £1.3bn. Each set of funds has an identical investment strategy and they all share the same investment committee. Hg's largest client remains HGT, which it has managed since 1994 and has allocations to all of its funds.

Discount

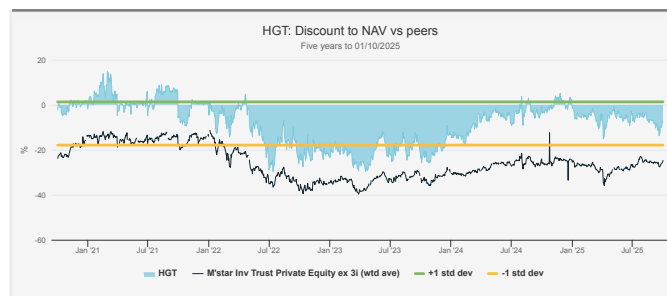
HGT has a strong investor following, a result we believe of its narrow specialist focus and its strong historic performance. Because it is so unique, there are few trusts (or quoted companies for that matter), that investors could own as an alternative that give a similar exposure to similar drivers, or have delivered such strong revenue and earnings growth historically. As a result, HGT has consistently traded at a premium to peers and, at times, a premium in absolute terms. This contrasts with the wider

LPE sector, which as we illustrate in the graph below, trade at significantly wider discounts.

The board has stated that its primary objective is “to maximise investment returns through a disciplined approach to the allocation of available liquid resources”. This incorporates the continual monitoring by the board, working with the manager, of forecast cash flows and estimated returns. They follow a clearly defined share buyback policy, having developed a number of ‘triggers’ set by the absolute and relative level of the discount over various time periods. Where two or more such ‘triggers’ are activated, the board is informed and a decision is taken as to whether to allocate resources to buying back shares. The board has stated that any such buybacks are viewed with suitable caution, reflecting the relative merits of any immediate gain with the considerable impact utilising current cash has on long term NAV growth.

The current discount to NAV of 8.6% is broadly in line with the average over the past five years. In our view, there is clear potential for it to narrow on a sustained basis if realisations across the private equity industry start to pick up. More specific catalysts could include a successful IPO of HGT largest holding, Visma which according to press reports is preparing to go public (if conditions allow) in 2026.

Fig.5: Discount



Source: Morningstar

Charges

HGT has an OCF of 1.5%, excluding deal fees, break fees and carried-interest (or performance fees). The underlying funds charge a basic management fee of between 1% and 1.75% on commitments, as well as carried-interest fees of 20% over an 8% p.a. preferred return, except for the Saturn funds, for which the hurdle is 12%. Shareholders of HGT pay no extra layer of management fees but do pay for the administration of the Trust.

The board and manager are seeking to increase the proportion of the portfolio invested through co-investments, which represent high conviction ideas and have lower fees. Co-investments currently stand at c. 10% of the portfolio, and the target is between 10% and 15%. To



any extent that the level increases further, this will clearly contribute to a lower overall fee burden for the trust.

ESG

Hg see its long-term purpose as “to improve the future of millions of investors by building sustainable businesses for tomorrow”. It sees its underlying clients as the millions of individual investors whose pensions, savings or endowment capital are invested in the Hg funds. Hg believes that it can only deliver on this purpose, consistently and over several decades, if it is investing responsibly.

Hg believes that good governance, resource efficiency, effective risk management, talent attraction and retention, deterring misconduct, lowering operational expenses, protecting financial stability, building motivated workforces and maintaining strong stakeholder relationships all contribute to a social licence to operate. It sees these as non-negotiable principles that build more resilient businesses and generate long-term value.

Hg has been a signatory to the UN Principles for Responsible Investment (UNPRI) since 2012. Hg is certified independently as being a carbon neutral company, and scored five stars across all UNPRI assessment areas. Hg were one of the first PE firms to have signed up to the Science Based Targets initiative with the aim to have a portfolio aligned to Net Zero by 2050.

A materiality assessment is a process in which a company identifies sustainability and broader emerging issues that are most important to its business and stakeholders given its operating context. Hg published their first formal materiality assessment in 2022, and in 2025 took it a step further, which embraces ‘double materiality’, looking at key sustainability topics through both impact and financial lenses, aligning with the Corporate Sustainability Reporting Directive. More information is available by following [this link](#).



Disclaimer

This report has been issued by Kepler Partners LLP. **The analyst who has prepared this report is aware that Kepler Partners LLP has a relationship with the company covered in this report and/or a conflict of interest which may impair the objectivity of the research.**

Past performance is not a reliable indicator of future results. The value of investments can fall as well as rise and you may get back less than you invested when you decide to sell your investments. It is strongly recommended that if you are a private investor independent financial advice should be taken before making any investment or financial decision.

Kepler Partners is not authorised to make recommendations to retail clients. This report has been issued by Kepler Partners LLP, is based on factual information only, is solely for information purposes only and any views contained in it must not be construed as investment or tax advice or a recommendation to buy, sell or take any action in relation to any investment.

The information provided on this website is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Kepler Partners LLP to any registration requirement within such jurisdiction or country. In particular, this website is exclusively for non-US Persons. Persons who access this information are required to inform themselves and to comply with any such restrictions.

The information contained in this website is not intended to constitute, and should not be construed as, investment advice. No representation or warranty, express or implied, is given by any person as to the accuracy or completeness of the information and no responsibility or liability is accepted for the accuracy or sufficiency of any of the information, for any errors, omissions or misstatements, negligent or otherwise. Any views and opinions, whilst given in good faith, are subject to change without notice.

This is not an official confirmation of terms and is not a recommendation, offer or solicitation to buy or sell or take any action in relation to any investment mentioned herein. Any prices or quotations contained herein are indicative only.

Kepler Partners LLP (including its partners, employees and representatives) or a connected person may have positions in or options on the securities detailed in this report, and may buy, sell or offer to purchase or sell such securities from time to time, but will at all times be subject to restrictions imposed by the firm's internal rules. A copy of the firm's Conflict of Interest policy is available on request.

PLEASE SEE ALSO OUR TERMS AND CONDITIONS

Kepler Partners LLP is authorised and regulated by the Financial Conduct Authority (FRN 480590), registered in England and Wales at 70 Conduit Street, London W1S 2GF with registered number OC334771.

