

Valuation policy

Our policy is to value HgCapital Trust plc's investment portfolio at fair value. We achieve this by valuing individual investments on a considered basis using a consistent approach across the portfolio.

Our valuation policy is owned by the Board and periodically reviewed by the Board's Valuations Committee. The policy ensures that the portfolio valuation complies with all relevant accounting standards and is fully consistent with IFRS and the guidelines issued by the International Private Equity Valuation Board (the "IPEV guidelines"). Further information can be found at www.privateequityvaluation.com.

Fair value is defined as "the price at which an orderly transaction would take place between Market Participants at the Reporting Date" (IPEV guidelines, December 2015). Fair value is therefore an estimate and accordingly determining fair value requires use of judgements.

Valuation methodology

We continue to take a considered and prudent approach in determining the level of maintainable earnings to use in each investment valuation. The majority of the portfolio is valued using the LTM earnings for each company where we are confident that they will continue to see growth going forwards. Where we anticipate future earnings for companies to be below the LTM levels we have used the lower forecast figure.

In selecting an appropriate multiple to apply to HGT's earnings, we look for a basket of comparable companies primarily from the quoted sector, but where relevant and recent, we will also use private M&A data.

General principles

Investments should be reported at their Fair Value, being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, except in situations where Fair Value cannot reliably be measured. In these situations the Investment should be valued at the previous reporting date unless there is evidence that the investment has since been impaired. Methodologies should be applied consistently from period to period, except where a change would result in better estimates of Fair Value.