



# F&C Private Equity Trust plc

## INVESTOR DISCLOSURE DOCUMENT

### IMPORTANT INFORMATION

#### Regulatory and legal status of the Company

***F&C Private Equity Trust plc (the “Company”)*** is an 'alternative investment fund' ("AIF") for the purposes of the EU Alternative Investment Fund Managers Directive (Directive 2011/61/EU) (as implemented in the United Kingdom, the "AIFM Directive") which has appointed F&C Investment Business Limited (“FCIB”) as its Alternative Investment Fund Manager (“AIFM”). F&C is authorised and regulated by the United Kingdom Financial Conduct Authority (the “FCA”) as an AIFM for the Company.

The Company is an investment trust and is incorporated as a public limited liability company in Scotland. The Company's shares are listed on the premium segment of the Official List of the UK Listing Authority and are admitted to trading on the main market of the London Stock Exchange. The operation of the Company is subject to its Articles of Association, the FCA Listing Rules, the FCA Disclosure and Transparency Rules, the UK Corporate Governance Code issued by the Financial Reporting Council (September 2012) and the UK Companies Act 2006.

The provisions of the Company's Articles of Association, which are binding on the Company and all of its shareholders, set out the respective rights and restrictions attaching to the Company's shares. All shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the Company's Articles of Association.

#### Limited purpose of this document

This document, which is made available to investors in the Company by being made available at [www.fcpet.co.uk](http://www.fcpet.co.uk), is not a prospectus. It is issued for the sole purpose of making certain regulatory disclosures to investors in accordance with the requirements of the AIFM Directive. The Company, its Directors and FCIB as its AIFM will not be responsible to persons other than the Company's shareholders for their use of this document, nor will they be responsible to any person (including the Company's shareholders) for any use which they may make of this document other than to inform a decision to invest in shares in the Company.

This document does not constitute, and may not be used for the purposes of, an offer or solicitation to buy or sell, or otherwise undertake investment activity in relation to, the Company's shares.

**This document is not intended to be an invitation or inducement to any person to engage in any investment activity. It does not include all the information which investors or their professional advisers may require for the purpose of making an informed decision in relation to an investment in the Company and its shares.**



### **No advice**

The Company, its Directors and FCIB as its AIFM are not advising any person in relation to any investment or other transaction involving shares in the Company. Recipients must not treat the contents of this document or any subsequent communications from the Company, FCIB or any of their respective affiliates, officers, directors, employees or agents, as advice relating to financial, investment, taxation, accounting, legal, regulatory or any other matters. Prospective investors must rely on their own professional advisers, including their own legal advisers and accountants, as to legal, tax, accounting, regulatory, investment and any other related matters concerning the Company and an investment in the Company's shares.

**Potential investors in the Company's shares should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company.**

### **Overseas investors**

The distribution of this document in certain jurisdictions will be restricted and accordingly any persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. In particular, the shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under any of the relevant securities laws of Canada, Australia or Japan. Accordingly, the shares may not (unless an exemption from such Act or such laws is available) be offered, sold or delivered, directly or indirectly, in or into the USA, Canada, Australia or Japan. The Company is not registered under the United States Investment Company Act of 1940 (as amended) and investors are not entitled to the benefits of such Act.

Prospective investors must inform themselves as to (a) the legal requirements within their own countries for the purchase, holding, transfer and other disposal of shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of shares.

This Investor Disclosure Document is dated, and is valid, as at 24 April 2017.



## **THE COMPANY**

### **Investment Objective**

The Company's Investment Objective is "to achieve long-term capital growth through investment in private equity assets, whilst providing shareholders with a predictable and above average level of dividend funded from a combination of the Company's revenue and realised capital profits."

### **Investment restrictions and guidelines**

The Company makes private equity investments by taking stakes in private equity focused limited partnerships, offshore funds, investment companies and investment trusts. In addition to investing in newly-formed private equity funds, the Company may also purchase secondary private equity fund interests (that is, portfolios of investments in existing private equity funds). The Company may also make direct private equity investments, mainly through co-investment with the funds in which the Company is invested.

The private equity funds in which the Company invests comprise buy-out funds, venture capital funds and mezzanine funds. Both the funds and the direct investments are selected in order to create an underlying portfolio which is well-diversified by geography, sector, size of company, stage of development, transaction type and management style.

At the time of investment:

- No more than 15 per cent of total assets may be invested in UK-listed investment companies.
- No more than 15 per cent of total assets may be invested in non-UK listed investment companies.
- No more than 50 per cent of total assets may be invested in direct private equity co-investments.
- No more than 5 per cent of total assets to be invested in any one direct investment or co-investment.
- No more than 10 per cent of total assets may be invested outside the United States of America, the United Kingdom and Continental Europe.

As far as practicable the Company will be fully invested at all times.

### **Leverage**

The Company may borrow in sterling or other currencies. The Company's Articles of Association contain a borrowing limit equal to the value of its adjusted capital and reserves. However, under the Company's investment policy it may only use gearing up to 30 per cent of its total assets at the point of drawdown. To reflect this intention and to allow for future fluctuations in portfolio valuations, the maximum gross leverage, calculated in accordance with the requirements under the AIFM Directive as being inclusive of exposure to derivatives, is 200 per cent on both a gross and commitment basis.

Material changes to leverage policies must be agreed by the Company and will be notified to shareholders via the Company's website and its Annual Report and Accounts.

The total level of leverage employed by the Company is updated regularly on the "Quarterly Factsheet" published on the Company's website.



## **Investment Policy and Strategy**

The Company's Investment Strategy and Policy are set out in full in the Business Model and Strategy section of the Annual Report and Accounts, which can be found on the Company's website.

The Company is required to obtain the prior approval of shareholders, by ordinary resolution, to any material change to its published Investment Policy. The Company will announce any such change through a Regulatory Information Service.

### **Dividend policy**

The Company aims to pay semi-annual dividends with an annual yield equivalent to not less than 4 per cent of the average of the published net asset values per Ordinary Share as at the end of each of its last four financial quarters prior to the announcement of the relevant semi-annual dividend or, if higher, equal (in terms of pence per share) to the highest semi-annual dividend previously paid.

The second semi-annual dividend in respect of each financial year is usually paid as a final dividend and is therefore subject to a vote by shareholders at the Company's Annual General Meeting. Dividend payments are announced through a Regulatory Information Service. The Annual Report and Accounts on the Company's website contains details of dividends paid and proposed in respect of the relevant financial year.

## **ADMINISTRATION AND MANAGEMENT OF THE COMPANY**

### **The Alternative Investment Fund Manager (AIFM)**

FCIB, a wholly-owned subsidiary of F&C Asset Management PLC (FCAM), is the Company's AIFM. FCIB is a Scottish incorporated company. The directors of the AIFM are David Sloper, David Logan, Richard Watts, Benjamin Apfel, Nigel Parry, Tina Watts, Marrack Tonkin, Mandy Mannix and FCAM.

FCAM, the parent company of the AIFM, is incorporated in the United Kingdom. The directors of FCAM are Gilles Ouellette, Barry Cooper, William (Bill) Smith, Richard Wilson, Charlie Porter, David Logan, Ruth Sack, Kieran Poynter and Jack Mohammed. FCAM has its offices at 80 George Street, Edinburgh EH2 3BU, Scotland.

FCAM is owned 100% by Bank of Montreal through its wholly owned subsidiary, BMO Global Asset Management (Europe) Limited. BMO Global Asset Management is part of BMO Financial Group, a highly diversified financial services provider based in North America.

The Company has entered into a revised management agreement with FCIB dated 22 July 2014 appointing it to act as AIFM to the Company in accordance with the requirements of the AIFM Directive, which includes the provision of discretionary investment management services and risk oversight and management services in relation to the Company's investment portfolio.

In addition to its duties as AIFM, FCIB also provides company secretarial, accounting, marketing and administrative services to the Company, as set out in detail in the Annual Report and Accounts at [www.fcpet.co.uk](http://www.fcpet.co.uk).

FCIB is entitled to a basic management fee of 0.90 per cent per annum of the relevant assets of the Company, calculated at each quarter end. For the purposes of the basic management fee, the 'relevant' assets are the net assets of the Company plus the amount of any long-term borrowings undertaken for the purpose of investment but excluding the value of any investment in any fund which is managed by FCIB or an associate of FCIB.



FCIB is also entitled to a performance fee if certain performance objectives are met. The performance fee payable in each financial year is capped at an amount which, when taken with the aggregate basic management fee payable in each financial year, equals 2.0 per cent of the net assets of the Company.

FCIB is also entitled to an index linked administration fee, which was £125,000 in respect of the year to 31 December 2013.

The management agreement continues unless or until terminated by either party giving to the other not less than six months' notice in writing or unless otherwise terminated with cause upon immediate written notice from the Company to FCIB.

### ***Remuneration policy***

The AIFM Remuneration Code of the UK Financial Conduct Authority requires F&C Investment Business Limited as the designated AIFM for F&C Private Equity Trust plc to maintain a remuneration policy for AIFM Remuneration Code Staff ('AIFM Code Staff'). The policy's purpose is to promote sound and effective risk management. The policy must be consistent with F&C Private Equity Trusts plc's risk profile, governing terms and investment strategy. AIFM Code Staff are treated as those persons whose professional activities have a material impact on the risk profiles of the AIFMs or the investment funds managed by them.

The Board of the AIF Manager delegates to the BMO Global Asset Management (EMEA) Group Risk and Remuneration Committee (the 'Committee') the responsibility of maintaining a compliant remuneration policy. The Committee approves on an annual basis the BMO Global Asset Management (EMEA) Group Remuneration Policy (the 'Policy').

The Policy defines how the AIFM will achieve the objective of providing total compensation to AIFM Code Staff, taking into account:

- business unit/function, individual performance and market rates
- the promotion of sound and effective risk management and the achievement of fair outcomes for all customers.
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The Policy deals with how the 'Pay-Out Process Rules' in the AIFM Remuneration Code apply to variable remuneration (which may be cash bonus and/or long-term award pools). The Pay-Out Process Rules require certain levels of variable remuneration to be paid in the shares of the relevant investment fund and for certain amounts to be deferred. The Committee determines annually how the Pay-Out Process Rules apply at a firm and at an AIFM Code Staff level.

The Policy also includes requirements that an employee's unvested variable remuneration may be reduced at the discretion of the Committee in certain circumstances, for example, reasonable evidence of employee misconduct, or material failure in risk management.

### ***Employee remuneration disclosure***

The total remuneration paid by F&C Investment Business Limited to its staff is zero, as all AIF Manager staff are employed by other companies in the same group of companies as the AIF Manager.

The table below provides an overview of aggregate total remuneration paid to AIF Manager Code Staff.



|  | Headcount | Total Remuneration<br>£m |
|--|-----------|--------------------------|
| <b>F&amp;C Investment Business Limited<br/>Remuneration Code Staff</b> | 23        | 2.432                    |
| of which:  |           |                          |
| Senior Management  | 11        | 0.501                    |
| Other Code Staff   | 12        | 1.931                    |

*Notes:*

Total remuneration reported is the sum of salary, cash bonus, any deferred annual bonus, the face value of any long term incentive awards, plus the value (actual or estimated) of any pension or benefits in kind, awarded in respect of performance in the reportable financial year.

The table excludes individuals who are providing delegated services to the AIF Manager.

It is not possible to apportion remuneration based on time spent by individual Code Staff on the work of a specific AIF. Total Remuneration is therefore provided in aggregate on an AIF Manager basis.

*AIFM activities*

The following table provides an overview of the size and composition of the funds managed by the AIF Manager, including F&C Private Equity Trust plc. This shows the total number of funds managed, the split between, and proportions of AIF, UCITS and other funds.

|                              | Number of<br>funds | AUM as at 31<br>October 2016<br>£ | % of AUM as at 31<br>October 2016 |
|------------------------------|--------------------|-----------------------------------|-----------------------------------|
| Alternative investment funds | 16                 | 8,450,843,491                     | 100%                              |
| UCITS                        | 0                  | 0                                 | 0%                                |
| Other funds                  | 0                  | 0                                 | 0%                                |
| <b>Total</b>                 | <b>16</b>          | <b>8,450,843,491</b>              | <b>100%</b>                       |

**The Depositary**

The Company has appointed J.P. Morgan Europe Limited (JP MEL) to provide depositary services, under the AIFM Directive and certain other associated rules, under the terms of a depositary agreement dated 22 July 2014 to which both the Company and the AIFM are parties. The services provided by JP MEL as depositary for the Company include:

- general oversight responsibilities over the issue and cancellation of the Company's share capital, the carrying out of net asset value calculations, the application of income, and the ex-post review of investment transactions;
- monitoring the Company's cash flows and ensuring that all cash is booked in appropriate accounts in the name of the Company or FCIB or JP MEL acting on behalf of the Company; and
- ensuring that J.P. Morgan Chase Bank Limited (JP MCB) (to whom JP MEL has delegated the safekeeping of all assets held within the Company's investment portfolio, including those classed as financial instruments for the purpose of the AIFM Directive, in accordance with the terms of a Global Custody Agreement to which both the Company and the AIFM are also a party) retains custody of the Company's financial instruments in segregated accounts so that they can be clearly identified as belonging to the Company and maintains records sufficient for verification of the Company's



ownership rights in relation to assets other than financial instruments. No specific conflicts have been identified as arising as a result of the delegation of the provision of custody and safekeeping services by JPMEL to JPMCB.

The terms of the depositary agreement provide that, where certain assets of the Company are invested in a country whose laws require certain financial instruments to be held in custody by a local entity and no such entity is able to satisfy the requirements under the AIFM Directive in relation to use of delegates by depositaries, JPMEL may still delegate its functions to such a local entity and be fully discharged of all liability for loss of financial instruments of the Company by such local entity. However, this is strictly subject to the prior approval of the Directors and a prior notification to shareholders.

Although the Depositary has delegated the safekeeping of all assets held within the Company's investment portfolio to JPMEL, in the event of loss of those assets that constitute financial instruments under the AIFM Directive, the Depositary will be obliged to return to the Company financial instruments of an identical type, or the corresponding amount of money, unless it can demonstrate that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary.

The Depositary receives an annual fee for its services of 1.9 basis point of the Company's net assets, payable monthly in arrears.

The depositary agreement in place with JPMEL and the related custody agreement in place with JPMCB is in place with the counterparty continues unless and until terminated by the Company giving not less than 90 days' notice or by JPMEL giving not less than 120 days' notice, in each case such notice to be effective no earlier than the first anniversary of the effective date.

The Depositary's duties are owed to the Company and not directly to investors in the Company, whether individually or in groups. Accordingly, investors may not bring any action or make a claim against the Depositary under the depositary agreement.

### **The Auditor**

Ernst & Young LLP (E&Y) provides audit, audit-related assurance services and taxation compliance services to the Company. Its Audit Report in respect of the Financial Statements of the Company, and the fees for its services, are set out in the Annual Report and Accounts on the Company's website.

The Auditor has a statutory responsibility to report to the members of the Company as a whole in relation to the truth and fairness of the Company's state of affairs and profit or loss as well as confirming that the Company accounts have been prepared in accordance with the Company's Articles of Association. The Auditor is also required to report by exception if there are certain matters on which they are not satisfied, including if adequate accounting records have not been kept by the Company or it has not received all the information and explanations required in order to carry out the audit.

### **The Share Registrar**

Capita Asset Services is responsible for maintaining the Company's share register, including keeping up to date the names and addresses of shareholders, receiving and recording proxies at the Company's Annual General meeting, and paying dividends on the due date to shareholders on the register in accordance with instructions from the Company. The fees paid to the Registrar are variable.



### **Outsourcing and delegation of functions by the AIFM**

The AIFM has outsourced responsibility for settlement, corporate action, reconciliation and certain other administrative and record-keeping functions to State Street Bank and Trust Company. Fees for these services are paid by the AIFM and are not reimbursed by the Company. The Company has not identified any conflicts of interest in this relationship.

F&C Management Limited, an associate of the AIFM, trades securities and financial derivatives with brokers and other market counterparties as agent on behalf of the Company on a delegated basis.

## **SHAREHOLDER INFORMATION**

### **Reports and Accounts**

Copies of the Company's latest Annual and Interim Reports may be accessed at [www.fcpet.co.uk](http://www.fcpet.co.uk) or by writing to the Company Secretary at its Registered Office address, 80 George Street, Edinburgh, EH2 3BU.

### **Publication of net asset values and share prices**

The Company's quarterly net asset values are published through a Regulatory Information Service and may also be accessed at [www.fcpet.co.uk](http://www.fcpet.co.uk) under "Regulatory News". The current share price is also published on the website.

### **Valuation Policy**

The Company's valuation policy in respect of its investments and derivatives is contained within the Accounting Policies note in the Annual Report and Accounts published on the Company's website which can be accessed at [www.fcpet.co.uk](http://www.fcpet.co.uk).

### **Historical performance of the Company**

Details of the Company's historical financial performance are provided in the Company's Annual Reports and Accounts and quarterly factsheets, which are available at [www.fcpet.co.uk](http://www.fcpet.co.uk).

Investors should note that past performance of the Company is not necessarily indicative of future performance. Investors may not get back the amount invested.

### **Purchases and sales of shares by investors**

The Company's shares are admitted to the Official List of the UKLA and to trading on the main market of the London Stock Exchange. Accordingly, the Company's shares may be purchased and sold on the main market of the London Stock Exchange. The value at which shares trade on the London Stock Exchange may be below (at a "discount" to) or above (at a "premium" to) the net asset value per share of the Company.

The Company's shares are not redeemable. While the Company intends at each Annual General Meeting to obtain shareholder authority to issue and to buy back shares, shareholders do not have the right to have their shares re-purchased by the Company.

The AIFM with the approval of the Company maintains a series of savings plans operated by F&C Management Limited anyone else as plan manager through which investors located in the United Kingdom can make regular or lump sum payments to purchase and subsequently hold or sell shares in the Company in a savings plan account. The savings plans are administered





on behalf of the AIFM by International Financial Data Services (IFDS) and details are contained in the Annual Report and Accounts and at [www.fcpet.co.uk](http://www.fcpet.co.uk).

### **Legal implications of contractual relationship**

The rights, obligations and relationships of the members of the Company shall be governed by the law of Scotland and subject to exclusive jurisdiction of the courts of Scotland.

The Scottish courts generally recognise judgements obtained in the courts of another jurisdiction (subject to, inter alia, the legislation on the recognition of judgements referred to below, the rules of the Scottish courts in relation to the recognition and/or enforcement of foreign judgements and such judgements not being contrary to public policy in Scotland). The exact rules, on the recognition and enforcement of foreign judgements, depend on the jurisdiction in which such judgements are obtained. Legislation providing for the reciprocal recognition of foreign judgements in Scotland includes: Civil Jurisdiction and Judgements Act 1982/EU Council Regulation EC no. 44/2001 ("CJJA") in respect of all EU countries other than Denmark (with equivalent provisions applying to Denmark, Iceland, Norway and Switzerland as signatories to the Brussels and Lugano Conventions, both of which Conventions are covered by the CJJA reciprocal enforcement provisions); Foreign Judgements (Reciprocal Enforcement) Act 1933 in respect of those jurisdictions covered by the CJJA, Israel, Suriname and Tonga and to judgements of the recognised courts of the Commonwealth countries of Australia, the Federal Court of Canada and any courts in most of the provinces of Canada as well as Guernsey, the Isle of Man, the Bailiwick of Jersey, certain territories of the Republic of India and Pakistan; and the Administration of Justice Act 1920 in respect of the superior courts of Commonwealth countries and British Overseas Territories within 12 months from the date of the relevant judgement.

In respect of all other jurisdictions (including the United States), judgements are not automatically enforceable in Scotland and would be required to be enforced in Scotland under common law.

### **Fees and expenses**

The fees and expenses which will be borne by the Company and investors are limited as set out above, but there is no formal cap on their level.

Accordingly, the maximum amount of fees and expenses which could theoretically be indirectly borne by the investors is equal to the value of their investment in the Company, including, in relation to indemnities, any distributions made to them by the Company.

### **Fair treatment of investors**

The legal and regulatory regime to which the Company and the Directors are subject ensures the fair treatment of investors. The FCA Listing Rules require that the Company treats all shareholders of the same class of shares equally.

In particular, each Director has statutory duties under the Companies Act 2006 with which he or she must comply, including a duty to act in the way he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

No investor has a right to obtain preferential treatment in relation to their investment in the Company and the Company does not give preferential treatment to any investors. Furthermore, the AIFM does not give preferential treatment to any investors who open savings plan accounts for the purpose of investing in the shares of the Company and it is obliged under the rules of the FCA to ensure that all investors in the savings plans are treated fairly. Oversight of its compliance with the aforementioned rules and the achievement of fair outcomes for investors is



undertaken by the F&C Group Treating Customers Fairly Committee and through the operation of an embedded complaints handling procedure.

## **RISK FACTORS AND RISK MANAGEMENT**

### **Risk profile**

The Company's key risks and the procedures in place for the management of those risks are set out in the Annual Report and Accounts on the website under the heading "Principal Risks and Uncertainties and Risk Management" within the Business Model and Strategy and within the Report of the Audit Committee.

The Company reports in its Interim Report and Accounts, which can be found at [www.fcpet.co.uk](http://www.fcpet.co.uk), whether the key risks have changed since the year end.

### **Liquidity risk management**

The Company's investment portfolio includes unlisted private equity investments which are not traded in an organised public market and which generally may be illiquid. As a result, the Company may not be able to liquidate quickly some of its investments at an amount close to their fair value in order to meet its liquidity requirements.

The AIFM and the Directors have in place a liquidity management policy in relation to the Company which is intended to ensure that the Company's investment portfolio maintains a level of liquidity which is appropriate to the Company's obligations in respect of private equity commitments, share buybacks, loan repayments, dividend payments and other operating costs.

Details of the Company's investment portfolio are contained within the Annual Report and Accounts.

A list of pre-approved counterparties, selected on strict criteria, is maintained by the AIFM. Cash and deposits must be held with approved banks with a minimum rating as set by the Company from time to time.

Investors will be notified by way of a disclosure on the website in the event of any material changes being made to the liquidity management systems and procedures, or where any new arrangements for managing the Company's liquidity are introduced.

### **Professional negligence liability risks**

The AIFM is covered under professional indemnity insurance.