F&C Private Equity Trust PLC

‘Ordinary’ Shares (as at 31 March 2017)

F&C Investments

June 2017

Manager Commentary
Hamish Mair

At 31 March 2017 the net asset value (‘NAV’) of the Company was £259.5m, giving a fully diluted NAV per ordinary share of 350.99p, virtually unchanged over the quarter. At that time the Company had net cash of £32.0m. Outstanding undrawn commitments stood at £120.4m at the end of the period. Of this £17.2m is to funds where the investment period has expired and hence only a small proportion of this amount is expected to be drawn.

During the quarter we made two new fund commitments and after the quarter end we made a further two fund commitments. $6.0m was committed to US based manager Graycliff Private Equity Partners III which is focused on US businesses with enterprise values between $20m and $100m. After the quarter end, we committed $4.0m to Stellex Capital Partners, a primarily US focused fund investing into mid-market distressed and special opportunities. The management team previously worked together for many years within the Carlyle Group.

In Europe we have reinforced our exposure to the Nordic region by committing €6.0m to Finnish fund Vaaka III. This is the second time we have invested with Vaaka into the distinctive, but promising, Finnish private equity market. After the quarter end, we committed €6.0m to Paris-based leading mid-market specialist Chequers for their fund XVII.

We have added to the co-investment portfolio in accord with our objective of gradually raising the proportion of the portfolio in this type of direct investment. We invested $5.0m for 6% of Sigma Electric Manufacturing, a North Carolina based leading manufacturer of metal castings, precision machined components and sub-assemblies for the US low voltage electrical products market. The company’s distribution is largely US and its factories are in India. The investment is led by US mid-market manager Argand. The investment has started well with trading comfortably ahead of budget.

After the quarter end, two further co-investments have been added. We have invested £6.2m for 62.7% of Weird Fish, a UK premium life-style clothing brand, positioned in the growing active lifestyle segment. The investment is led by Total Capital Partners. Previously owned by Piper Private Equity through its Fund IV, in which we are an investor, the company is well positioned for growth. Also after the quarter end, we invested £5.0m for 15.9% of TWMA an offshore oil services company involved in drilling waste management solutions. The company, which is based in Aberdeen, operates internationally both offshore and onshore and is focused on further geographic expansion. The investment is led by Buckthorn, who are specialists in the energy sector.

The funds in our portfolio have been active with a total of £6.7m drawn for investment. This went into around 15 companies across a range of sectors and geographies. Agilitas 2015 called £0.7m for Exemplar, a north of England based, high acuity nursing care provider. Lyceum Capital III called £0.5m for Timico, a provider of IT hosting, network connectivity and mobile solutions with a particular focus on medium sized companies. Piper Private Equity VI called £0.5m for Flat Iron Steak Ltd, a restaurant chain. In Germany Capvis IV called £0.3m for Fels, a manufacturer of cold form metal processing machines used in the automotive sector. In Italy Capvis IV called £0.3m for Gotha, a developer and manufacturer of cosmetics products. In the Nordic region Summa I called £0.4m for its first two investments; e-Gain, a climate controlled

Continued overleaf

Key facts

Trust aims: The Ordinary shares’ objective is to achieve long-term capital growth through investment in private equity assets.

Trust highlights: Anticipated superior returns relative to the quoted markets. Access to a well diversified portfolio. Manager’s understanding and access to ‘up and coming’ funds.

Fund type: Investment Trust

Launch date[1]: 2001

Total assets: £290 million

Share price: 319p

NAV (diluted) – per IFRS: 350.99p

Discount/Premium(-/+): -9.1%

Dividend payment dates: May, Nov

Net dividend yield[†]: 4.1%

Net gearing/Net cash*: -11.1%

Management fee rate**: 0.9%

Ongoing charges***: 1.29%

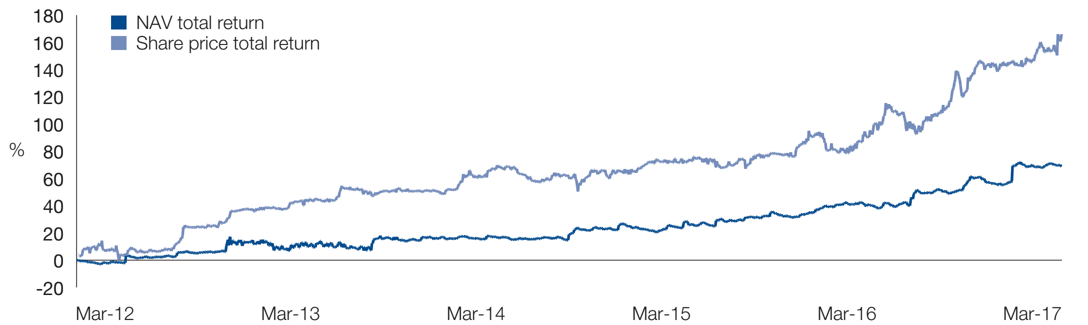
Year end: 31 December

Sector: Private Equity

Currency: Sterling

Website: www.fcpet.co.uk

5 year Fund performance



Cumulative performance (%) as at 31.03.17

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	N/A	0.0	20.2	47.1	73.1
Share price	5.3	8.0	36.7	60.7	166.0

Standardised annual performance (%) as at 31.03.17

	2017	2016	2015	2014	2013
NAV	20.2	14.1	7.3	5.9	11.2
Share price	36.7	12.1	4.8	19.2	38.9

What Investment
Best Alternative Investment Trust
2016

Source: Datastream and F&C. Basis: Percentage growth, total return, bid to bid price with net income reinvested in sterling. Basis in accordance with the regulations of the Financial Conduct Authority. Past performance is not a guide to future performance. Stock market movements may cause the value of investments and the income from them to fall as well as rise and investors may not get back the amount originally invested. Changes in rates of exchange may have an adverse effect on the value, price or income of investments. Smaller companies carry a higher degree of risk and their value can be more sensitive to market movement; their shares may be less liquid and performance may be more volatile. The fund may invest in private equity funds which are not normally available to individual investors, exposing the fund to the performance, liquidity and valuation issues of these funds. Such funds typically have high minimum investment levels and may restrict or suspend redemptions or repayment to investors. The asset value of these shares and its prospects may be more difficult to assess. If markets fall, financial leverage can magnify the negative impact on performance.

F&C Investments

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heating systems for buildings specialist and Sortera, a building waste collection and sorting provider of containers and building bags.

The total realisations for the quarter amounted to £20.0m including £0.3m of income. The largest exit was £7.6m from the sale of Park Holidays UK, which completed in February. This Caledonia-led co-investment was highly successful with the company increasing profits by over 50% during the holding period of less than three years. Including previously received distributions this investment delivered an excellent 2.8x cost and an IRR of 48%. Another of our co-investments, Ticketscript, the cloud based event ticketing Saas company, had a partial exit when it was sold to larger competitor Eventbrite. £0.5m has been returned on the merger at a valuation of 2.0x cost. We now have Eventbrite stock and there is excellent scope for a further attractive return from here.

There was a healthy flow of exits from funds as well. Stirling Square Capital Partners II exited Netherlands-based waste container company ESE through its sale to UK listed company RPC. Our proceeds were £3.3m, representing 2.8x cost and an IRR of 17%. In France, Chequers Capital XV has sold Accelya, provider of IT services to the air transport industry, to strategic buyer Mercator. Our proceeds of the final stage of the sale following a recapitalisation in 2014 are £1.5m. Altogether the investment returned 11.7x cost and an IRR of 36%. Chequers Capital XVI exited hairdressing chain Provalliance through its sale to the founding Provost family. Proceeds were £0.5m representing 2.1x cost and an IRR of 19%. Also in France, Ciclad 4 sold topographical software company Geomedia, returning £0.4m, representing a return of 3.4x cost and an IRR of 17%. In Italy Progressio II sold Duplomatic, maker of hydraulic valves, pumps and oil pressure activated systems returning £0.8m representing 2.3x and a 25% IRR. These and several other smaller realisations made for a strong quarter for realisations.

There were a limited number of significant valuation changes over the quarter. Our co-investment in funeral plans business Avalon, is trading very well and has been uplifted by £0.8m. The new co-investment in Sigma has also been uplifted in line with the manager's valuation. The investment had been held by Argand for six months before the syndication to us and during that period it has made good fundamental progress, sufficient to justify an uplift of £0.8m. The collection of funds acquired as a secondary, which we term the Italian portfolio, has performed well with the exit of Duplomatic noted above, but there were also trading related uplifts for Italian travel business Alpitour, which is held in ILP III and chemicals company Industrie Chimiche Forestali, which is held in Progressio II. Collectively these contributed to an uplift of £0.7m.

There have been a few downward valuations. Amongst these is a downgrade of £0.2m for Hutton Collins III, in large part reflecting continuing challenges at Byron Burgers. Our co-investment in Norwegian software company Safran, is down by £0.1m due to pressure on consulting revenues, many of which are oil and oil services related.

The start of 2017 has seen healthy levels of activity in both new investments and realisations in the Company's portfolio and across the wider market. We expect to add to our stock of co-investments steadily over the year and to invest selectively in both secondary and primary funds. Over recent months the private equity sector has displayed considerable resilience against an economic and political background which has proved unusually unpredictable. Despite this, confidence is high amongst private equity investors and together with company management teams they routinely plan for a range of outcomes which may affect their respective industries and businesses in different ways. With a number of important elections in Europe taking place during 2017 and with the Brexit negotiations now in train, such planning, both long term and contingent is as important as ever. In the private equity sector the close relationship between investors and management and the inherent flexibility and freedom of action which this brings means that companies can evolve and adapt in ways that would challenge public companies. The indications from our investment partners are that they are facing the remainder of 2017 in a positive frame of mind and this in turn gives us confidence that the Company will make further good progress for shareholders.

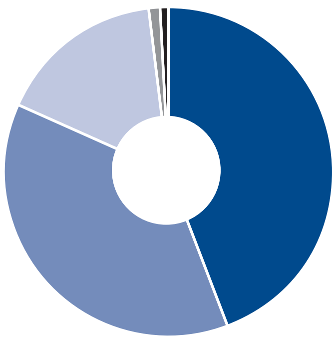
Trust codes

Sedol	
F&CPET - GBP	3073827

Top 10 holdings (%) ∞

Argan Capital	2.9%
TDR Capital II	2.8%
Ambio Holdings	2.8%
Italian Portfolio	2.7%
Stirling Square Capital Partners II	2.6%
Avalon	2.5%
Camden Partners IV	2.5%
August Equity Partners II	2.3%
DBAG V	2.2%
3SI	2.0%
Total	25.2%

Geographical breakdown (%)



Europe	44.4
UK	37.4
US	16.3
Emerging	1.2
Global	0.7

All data as at 31.03.2017 unless otherwise stated.
All information is sourced from F&C, unless otherwise stated. All percentages are based on gross assets. [†]The yield is calculated by annualising dividends declared for the Company's current financial year and the closing share price and exchange rate as at the end of the relevant month. [1]The Ordinary Shares of F&C Private Equity Trust were created as a share class in 2001. *Borrowings/shareholders' funds. **Management fee information as at end of December 2016 and expressed as a percentage of average shareholders funds. ***Ongoing charges are total expenses (both revenue and capital) incurred by the Company (excluding finance costs and any performance fee) divided by the average net assets for the year ended 31 December 2016. Ongoing charges of the Company's underlying investments have not been included in this calculation. ∞ As a percentage of net assets at the period ended 31 March 2017. The share price may either be below (at a discount) or above (at a premium) the NAV. Discounts and premiums vary continuously. Performance information excludes any product charges which can be found in the 'Key Features' document for the relevant product. The fact sheet is issued and approved by F&C Management Limited. Authorised and regulated in the UK by the Financial Conduct Authority. Registered office: Exchange House, Primrose Street, London EC2A 2NY. Registered in England & Wales No 517895. CM13195

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