F&C Private Equity Trust PLC

(as at 31 March 2018)

F&C Investments

June 2018

Manager Commentary
Hamish Mair

As at 31 March 2018, the net assets of the Company were £258.2 million, giving a Net Asset Value (NAV) per share of 349.24p, which taking into account the dividend of 3.55p per share paid on 31 January gives a decrease in total return over the quarter of 1.2%, mostly due to currency movements. At 31 March, the Company had net cash of £1.9 million. Outstanding undrawn commitments were £140.6 million with approximately £17.0 million to funds where the investment period has expired.

In line with the Company's policy to pay dividends on a quarterly basis, a dividend of 3.57p per share was paid on 30 April 2018 and a further dividend of 3.57p will be paid on 31 July 2018 to shareholders on the register on 6 July 2018.

During the first quarter and immediately afterwards there were three new primary fund commitments, one secondary and three new co-investments.

SEK 50 million (£4.3 million) was committed to Verdane Edda, a Nordic based fund focusing on technology and technology enabled companies. £5 million was committed to Apiary Capital Partners I, a new fund specialising in the lower mid-market buyout sector of the UK. €7.0 million (£6.2 million) was committed to Volpi, a Northern Europe focused technology enabled growth fund which starts life with three investments already in place.

During the quarter the secondary purchase of a portfolio of private equity investments from Banco Populare de Vicenza was completed. This involved the demerger of the bank's private equity business along with the extraction, via a secondary sale to a new fund, of the portfolio of nine Italian companies. A new independent private equity management company NEM SGR has been set up and the fund is termed NEM Imprese III. The overall transaction was for €33 million and was funded by a number of BMO Global Asset Management managed funds and another private equity specialist firm. The purchase price for the Company was €4.3 million (£3.8 million), which represents a discount to fair market value of over 30%. The Company, along with the other investors, has undertaken to make additional capital available for new and follow-on investments on a deal by deal basis. This amounts to an additional commitment of €2.6 million (£2.3 million). Pending receipt of the first valuation post deal the investment is initially valued at cost.

Two new co-investments have been added during the quarter and one new co-investment since the quarter end.

€2.5 million (£2.2 million) has been invested in Croatia based Pet Centar, the market leader in South East Europe in large format pet stores. This deal was led by Central and Eastern Europe specialists The Rohatyn Group. The investment thesis is based on continued expansion of the chain into neighbouring territories such as Slovenia and Romania. There will be a follow-on investment of an additional €2.0 million (£1.8 million) and the Company will have just over 10% of the equity of Pet Centar. $5.0 million (£3.7 million) was also invested in US based Mexican restaurant chain Rosa Mexicana. This investment is led by Trispan, a specialist private equity firm concentrating on the hospitality sector. Very recently we have co-invested alongside Inflexion in the North Wales based builders' merchant Huws Gray. This is a minority investment in one of the leading regional builders' merchant chains in the UK. The Company's investment is £6 million.

The funds in the portfolio have been active in making new investments across many different geographies and sectors. Apposite Healthcare II made a follow-on investment for supported living business Swanton and invested in Ortho D, a company making medical devices for the Orthopaedic sector (£0.9 million). There was an additional follow-on for our co-investment in Swanton of £0.5 million. Also in the healthcare sector Archimed called £0.3 million for Provepharm, a company specialising in the reformulation of

Continued overleaf

Key facts

Trust aims: The 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: £288 million

Share price: 356.00p

NAV – per IFRS: 349.24p

Discount/Premium(-/+): 1.9%

Dividend payment dates[#] : Jan, Apr, Jul and Oct

Net dividend yield[†]: 4.0%

Net gearing/Net cash[*]: 0.7%

Management fee rate[**]: 0.9%

Ongoing charges[***]: 1.27%

Year end: 31 December

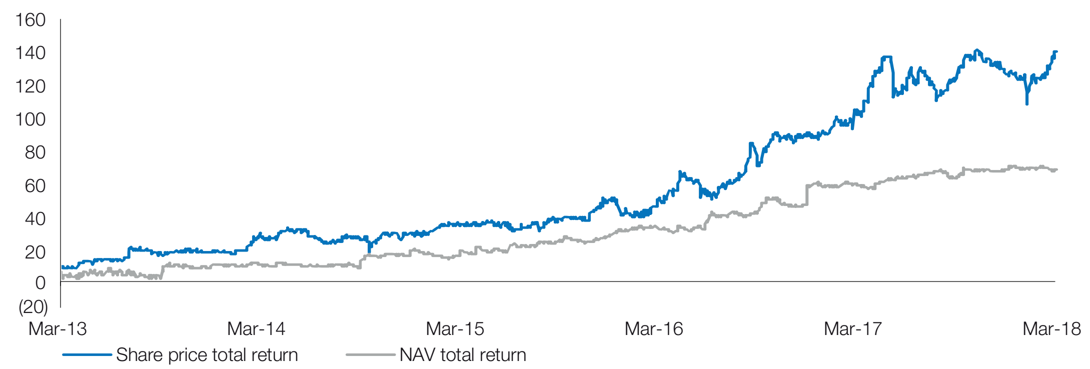
Sector: Private Equity

Currency: Sterling

Website: www.fcpet.co.uk

What Investment
Best Alternative Investment Trust
2016

5 year Fund performance



Cumulative performance (%) as at 31.03.18

	1 Month	Year to date	1 Year	3 Years	5 Years
NAV	N/A	-1.2	4.3	43.1	62.4
Share price	7.6	6.1	17.2	79.6	124.4

Standardised annual performance (%) as at 31.03.18

	2018	2017	2016	2015	2014
NAV	4.3	20.2	14.1	7.3	5.9
Share price	17.2	36.7	12.1	4.8	19.2

Key risks

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.

Past performance is not a guide to future performance.
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.

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existing pharmaceuticals. FPE II called £0.3 million for IWSR, a provider of data to the global beverage industry.

Inflexion Buyout IV has completed its portfolio calling £0.5 million for two investments; Calco, a Dutch based IT recruitment and training company and Chambers, the UK based global publisher of legal rankings and directories.

There has been some notable activity in German speaking Europe. Bencis Buyout V called £0.7 million for Halex Holdings, a Germany based but Pan-European engineering company that makes dies for aluminium extrusion. Capvis IV called £0.5 million for process machinery business ProXES and high temperature insulation for engines business Thermamax. DBAG VII called £0.3 million for duagon, a Swiss based developer and manufacturer of components for train communication networks.

There was also considerable new deal activity in the Nordic element of the portfolio. Procuritas Capital VI called £0.3 million for two deals; Urkund (anti-plagiarism education software) and Byens Bilpleje (cosmetic car repairs and valeting). Summa I called £0.4 million for another two companies; Ecoline (chemical inventory management) and Milarex (seafood processing). Vaaka Partners Buyout III invested £0.8 million in Famery, the global leader in prefabricated silent working and negotiation spaces (booths) for open offices.

Total drawdowns for the first quarter were £11.9 million.

There was a diverse range of exits achieved over the quarter.

The largest realisation of £3.1 million was August Equity Partners II's sale of healthcare company Active Assistance to a financial buyer achieving an excellent return of 4.7x cost and an IRR of 28%. Argan Capital sold fruit juice company Hortex to Mid Europa yielding £2.1 million (2.0x cost and an IRR of 9%). Procuritas Capital IV exited GRAM (Green Magnum), the ice cream machine manufacturer, returning £2.2 million (6.5x cost, IRR 44%). There was a general partner led secondary exit of almost all of our remaining position in Camden Partners III. This returned £1.8 million which was just below the latest NAV but which brought forward liquidity by more than two years. We had been in this reasonably performing fund since 2005 and this exit locks in a net return of 2.5x and an IRR of 13.5%. Not included in this exit was the sale of Camden Partners III's holding in Planet Payment, a multi-currency digital payment processing company which was acquired by Fintrax returning £0.4 million (2.9x cost, 11.2% IRR). TDR Capital II and its associated Annex Fund have successfully exited enhanced annuity company Retirement Advantage through its sale to a Canadian trade buyer. This returned a combined £0.8 million (1.6x, 13% IRR) which was creditable given that shortly post investment the government announced surprise changes to the accessibility and taxation of pensions which had a severe impact on all annuity businesses in the UK. Hutton Collins III has returned £1.0 million through the sale of 50% of its remaining portfolio in a secondary. PM & Partners II has sold Italian bakery Monviso returning £0.2 million (1.7x, IRR 10%). Chequers Capital XV sold SES-Imagotag to BOE Technology returning £0.6 million (2.3x, 10% IRR). In the US Blue Point Capital II exited Linestar Holdings, the pipeline services company, returning £0.4 million (1.3x, 5% IRR). Lastly the Aurora Fund, our own secondaries fund distributed £0.8 million during the quarter.

The total of realisations in the quarter was £16.1 million, including £0.4 million of income.

There were relatively few substantial changes in the first quarter when there is a relatively short period of time between published valuations. The largest influence on the valuation this quarter was currency movements with sterling having strengthened somewhat against the Euro and more noticeably against the Dollar. The net effect of this is approximately a 1% reduction in NAV. The largest movement of an individual investment was a downgrade of £1.2 million for superfoods business Nutrisure which has been put into administration by the debt provider part way through a sale process. This company has had some traction in its key markets but it has come too late to avoid loss of control by the equity syndicate.

Our co-investment in Sigma, the US based electrical components company, has made good progress with strong growth in revenue and new customer wins and this is uplifted by £0.5 million. Blue Point Capital II is up by £0.6 million and Inflexion 2010 is up by £0.3 million. Both funds have made good progress with their respective portfolios. Chequers Capital XV and XVI are up by a combined £0.4 million.

At the quarter end the Company is effectively ungeared. With the additional co-investments taking place after the quarter end it is anticipated that the balance sheet will become modestly geared over the next few months. The flow of realisations remains healthy so we would expect only a gradual increase in gearing. The revolving credit facility is available should it be necessary to fund investments once the existing cash balance is utilised. Discussions with the bank and other lenders will begin later this year with a view to renewing the facility.

The private equity market internationally continues to expand both in absolute terms and as a proportion of investable assets. Current levels of fund raising and accumulated capacity to invest, often termed 'dry powder', are at or near record levels. The price of new deals across all markets is approaching all-time highs. This is something to be monitored closely and it is possible that there could be some slowdown in new deal activity from recent very active levels. The private equity sector is innately long term in its investment outlook and for mature investors there should be no pressure to invest if prices and prospective returns do not fully justify it. Our investment partners are chosen for their ability to identify and create value across a broad swathe of sectors and geographies. The lower mid-market, particularly, continues to present diligent investors with a myriad of opportunities. We have a broadly diversified portfolio which is the result of each of these investment partners taking a few of these opportunities over a period of years. Our portfolio remains well placed to grow value for shareholders over the long term.

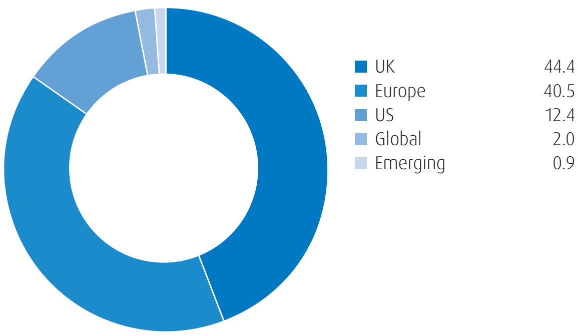
Trust codes

Sedol	
F&CPET - GBP	3073827

Top 10 holdings (%) ∞

Ambio Holdings	6.2%
Avalon	3.6%
Algeco Scotsman	3.0%
Collingwood	2.3%
Weird Fish	2.1%
TWMA	1.9%
Sigma	1.9%
Ashtead Technologies	1.9%
Recover Nordic	1.7%
Dotmatics	1.5%
Total	26.1%

Geographical breakdown (%)



All data as at 31.03.18 unless otherwise stated.
All information is sourced from F&C, unless otherwise stated. All percentages are based on gross assets unless otherwise stated. [#] With effect from January 2018 the Company pays quarterly dividends in January, April, July and October. [†]The yield is calculated by annualising dividends declared for the Company's current financial year. [1]The Ordinary Shares of F&C Private Equity Trust were created as a share class in 2001. [*]Net debt/shareholders' funds. [**] Please refer to the latest annual report as to how the fee is structured. [***]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 2017. 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 2018.
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 Investor Document ("KID") 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. (06/18)

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