CT Private Equity Trust PLC

As at 30 September 2024 | December 2024

Fund manager
Hamish Mair

Manager Commentary

As at 30 September 2024, the net assets of the Company were £486.2m, giving a Net Asset Value ('NAV') per share of 680.03p, which taking into account the dividend of 7.01p per share paid on 31 July 2024, gives a total NAV return for the third quarter of -1.0%. The total NAV return for the year to date is -0.2%. The share price total return for the third quarter was 6.6%. At 30 September the Company had outstanding undrawn commitments of £192.0m, including £21.5m to funds where the investment period has expired.

There was only one new investment in the quarter with £5m committed to Inflexion Enterprise Fund VI, the latest in a series of Inflexion funds focusing on lower mid-market buyouts in the UK and Western Europe.

There were some small follow-on investments in our co-investment portfolio which occurred just after the quarter end. £0.9m was added to the digital payments merchant acquirer Aurora Payment Solutions and £0.5m was added to police and local offence processing software provider Polaris Software (formerly StarTraq).

The funds in the portfolio made a few notable new investments this quarter. HG Saturn 3 called £1.7m for three investments - Visma (£0.8m, European and LatAm mission-critical cloud software), Iris (£0.7m, tax and accounting software) and GGW (£0.1m, German insurance brokerage and managing general agent platform). Med Platform II invested £0.8m in two companies - Jeisys (South Korean based producer of energy based medical devices) and Irrimax Corporation (US based wound irrigation and anti-microbial solutions provider). Volpi invested £0.8m in Yaveon (ERP software and consulting provider) and Xalient (software and cybersecurity services provider) and Summa III called £0.5m for Axion (bioelectronic array and live-cell imaging instruments). Inflexion called £0.5m for a carve-out of the healthcare division from AIM-listed GlobalData and £0.7m for DwF (global legal and professional services firm).

In total the third quarter was fairly quiet for new investments with drawdowns totalling just £9.3m. Total new investment so far this year amounts to £45.2m which is down on last year by more than 50%.

There were several good exits in the quarter. The largest exit was the sale of the Kester led co-investment in ATEC (insurance broker and managing general agent covering caravans, small boats and beach huts). The combined proceeds from both the co-investment, the proportion held in the GCP Europe II fund and the proportion held through The Aurora Fund position was £18.5m. This represented an excellent return over the seven-year hold. The Buckthorn-led energy services company Coretrax was fully realised during the quarter with the shares with which its acquirer, Expro, bought the company being sold down successfully realising £10.3m. This brings the total consideration to £13.7m, which at 1.7x cost and 11% IRR is a fair result given the volatile conditions in its sector since the investment was made nearly six years ago. Summa II sold Olink (developer of a technology for analysing proteins which is used in human protein biomarker research) to Thermo Fisher raising £3.6m (10x cost, 67% IRR). Italian fund Nem Imprese made its final exit with the sale

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.

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:	£584 million
Share price:	455.00p
NAV:	680.03p
Discount/Premium(-/+):	-33.1%[2]
Dividend payment dates[#]:	Jan, Apr, Jul and Oct
Net dividend yield[†]:	6.2%
Net gearing/Net cash[*]:	12.6%
Management fee rate[**]:	0.9%
Ongoing charges[***]:	1.1%
Year end:	31 December
Sector:	Private Equity
Currency:	Sterling
Website:	ctprivateequitytrust.com

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of business processing and outsourcing company Kauri yielding £2.1m. UK fund RJD Fund III exited veterinary education company Improve International returning £1.4m (3.3x cost, 49% IRR). Inflexion Enterprise Fund IV sold pet supplements company Lintbells yielding £1.0m (5.5x cost, 34% IRR). Astorg VI has made the exits of two companies returning a combined £0.9m – Acturis, provider of software for the insurance sector (2.6x cost, 21% IRR) and Audiotonix, designer and manufacturer of premium professional audio equipment and software (2.6x cost, 25% IRR). Vaaka II has achieved the exit of Cloudpermit, a software company serving building permit and land management functions mainly for municipalities, with £0.7m returned (8.7x cost, 53% IRR).

Total realisations in the quarter were £42.2m which brings the year-to-date total to £94.5m, which compares with £61.8m for the whole of 2023.

The overall valuation movement this quarter is slightly negative. Before taking account of currency movements the underlying portfolio is up by 1.2%. The weakness of both the euro (-1.9%) and the dollar (-5.8%) has resulted in a FX movement in the portfolio of -£10.7m over the quarter, which has more than offset the gains.

The most notable positive movements in the quarter are as follows. ATEC (+£1.8m) reflecting its sale at above the latest valuation, Weird Fish (+£1.8m) due to improved trading, Educa Edtech (+£1.6m) also trading well and Ambio (+£1.0m) based on an improved sales multiple. Several of the funds are also up, led by GCP Europe II which holds ATEC (+£0.7m). Avallon III is up (+£0.6m) due to pet food company MPPK trading well. RJD III (+£0.6m) is up reflecting the sale of Improve International above the holding value.

On the negative side there were a few downgrades of note. Breeze Group (formerly Contained Air Solutions) was down (-£1.0m) and Bulgarian bike assembler Leader96 was down (-£1.5m). Breeze is in reasonable shape having just completed some useful new additions, with the UK add-on Amercare trading very well in the year to date. Leader96 faces a challenging market which is destocking; however, an agreement with the banks has been reached, part of the old factory has been sold and reinforcement of management is under way.

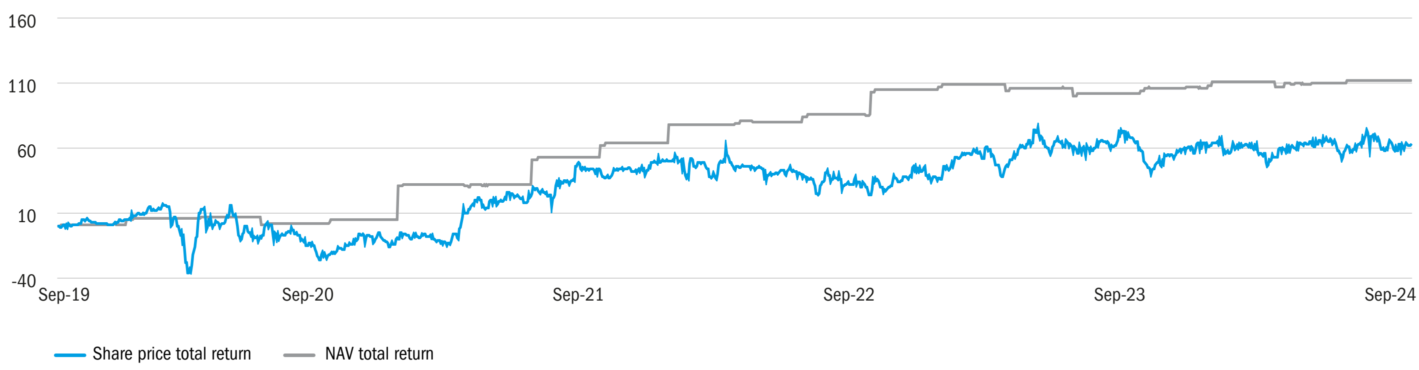
Most of the fund positions were slightly up or slightly down, cancelling out one another.

The Company had net debt at the end of September of £70.3m, which is well down from £91.3m at June. This represents gearing of 12.6%. Approximately half of the Company's borrowing facilities are unused with plenty of headroom.

The private equity market internationally has been going through a period of adjustment for most of the last two years. Much higher interest rates and external pressures such as inflation and world events have impacted the dealmaking environment in 2023 and the first half of 2024. The latest trend is more clearly upwards and growth in deal volume and value over 2023 is expected for 2024 as a whole. The clear upswing in realisations across our portfolio confirms this trend. As always business and consumer confidence is an important factor. In many markets, including the US and the UK, 2024 has been an election year and with each of these behind us there is clear scope for a better trend to take root.

Private equity is the most interventionist of asset classes where managers can make adjustments as the world around them changes and there is a very strong record of making good returns over the long term irrespective of the background conditions. As we approach the end of 2024, the mood of our investment partners is considerably better than it was earlier in the year and both statistical and anecdotal evidence suggests good grounds for optimism as we finish 2024 and enter 2025. We remain confident that we will continue to build value for Shareholders over the short and longer term.

5 year Fund performance



Source: Columbia Threadneedle Investment Business Limited

Cumulative performance as at 30.09.24 (%)

	3 Months	Year to date	1 Year	3 Years	5 Years
NAV	-1.0	-0.2	1.7	29.2	108.6
Share price	6.6	1.8	3.4	13.9	63.4

Standardised annual performance year to 30 September (%)

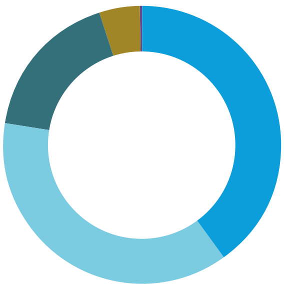
	2024	2023	2022	2021	2020
NAV	1.7	1.6	25.1	56.1	3.4
Share price	3.4	27.4	-13.5	83.5	-21.8

Past performance is not a guide to future performance. Source: Datastream and Columbia Threadneedle Investments. Basis: Percentage growth, total return, bid to bid price with net income reinvested in Sterling as at 30 September 2024.

Trust codes

Stock Exchange Code	Sedol
CTPE	3073827

Geographical breakdown as at 30.09.24 (%)



UK	40.1%
Europe	37.5%
USA	17.5%
RoW	4.7%
Emerging	0.2%

Top 10 holdings (%)[∞]

Inflexion Strategic Partners	3.4
Sigma	3.1
August Equity Partners V	2.3
Weird Fish	2.3
Aliante Equity 3	2.3
TWMA	2.2
San Siro	2.1
Axiom 1	2.0
Stirling Square Capital II	1.9
SEP V	1.9
Total	**23.5**

Case Study – AccountsIQ

Background

Headquartered in Dublin, Ireland, AccountsIQ (‘AIQ’) delivers award-winning financial management software that enables mid-sized businesses across the UK and Ireland to grow faster and more efficiently through automated, data-driven features and insights. Trusted by over 20,000 users in 80 countries, the cloud-based platform offers core accounting processes around the general ledger including easy consolidations, bespoke reporting and real-time seamless integration. AccountsIQ’s offering sits between small SME solutions that lack scalability and functionality, and the large complex Enterprise Resource Plannings (‘ERPs’) that can be complicated and expensive.

AccountsIQ’s solutions integrate with a wide range of third-party business software and its products are also ‘white labelled’ and sold by other Independent Software Vendors (‘ISVs’). AccountsIQ was founded in 2008 and expanded rapidly to the full-time equivalent of 85 staff today which serve a diverse, blue-chip customer base, covering over 20,000 users worldwide.

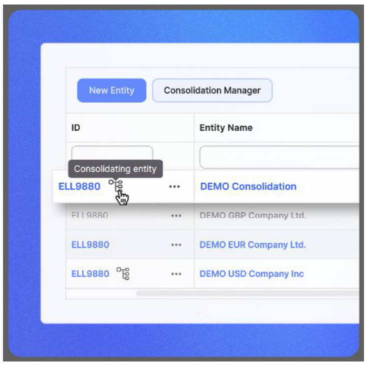
The investment was completed alongside Axiom Equity (‘Axiom’), a technology growth investor in the UK, where CT Private Equity Trust was a cornerstone investor in the GP’s debut fund in March 2023.

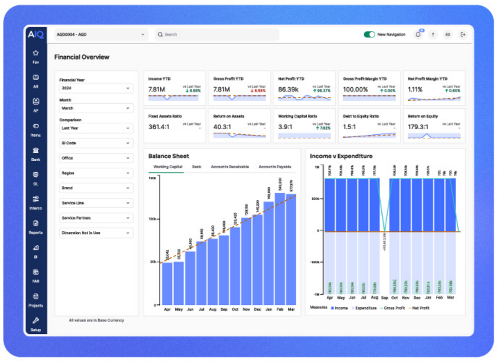
Investment Rationale and Performance

- **Attractive financial profile and growth fundamentals** – ‘Rule-of-40’, high growth player with strong Software as a Service (‘SaaS’) KPIs
- **Large market opportunity** – significant global market where AIQ has a strong ‘right-to-win’ as the leading mid-market player
- **Strong barriers to entry** – supported by sophisticated tech IP, high upfront costs, a large R&D team
- **SaaS value creation plan** – accelerated investment to drive innovation, including AI-powered features

Entry

Axiom Equity and co-investors invested in AccountsIQ in June 2024. Finch Capital, a venture capital fund, also re-invested in the company.





AccountsIQ

To find out more visit **columbiathreadneedle.com**

All data as at 30.09.2024 unless otherwise stated.

All information is sourced from Columbia Threadneedle Investments, unless otherwise stated. All percentages are based on gross assets unless otherwise stated. [#]The Company pays quarterly dividends in January, April, July and October. [†]The yield is calculated with reference to the current quarterly dividend declared and the previous three quarterly dividends paid. [1]The Company was launched in March 1999 and the current ordinary shares were created as a share class (continuation shares) in 2001. [2]Calculated using share price and net asset value at the period ended 30 September 2024. [*]Borrowings less cash/total assets less current liabilities (excluding borrowings and cash). [**]Please refer to the latest Annual Report as to how the fee is structured. [***]Ongoing charges as at 31 December 2023. Please refer to the latest Annual Report as to how the figure is calculated. [∞]As a percentage of net assets at the period ended 30 June 2024. 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.