CT Private Equity Trust PLC

Fund manager
Hamish Mair

Manager Commentary

As at 30 June 2024, the net assets of the Company were £496.4m, giving a Net Asset Value ('NAV') per share of 694.28p, reflecting a 0.8% NAV total return for the first half of 2024. The share price total return for the same period was -4.5%. At 30 June the Company had outstanding undrawn commitments of £206.9m, including £25.7m to funds where the investment period has expired.

Four new fund commitments were made during the first half of 2024. £6m was committed to Corran Environmental II, a UK lower mid-market growth fund focused on clean energy and environmental companies. €5m was committed to the Agilitas Human Investment Fund, with an investment objective of helping people that are disadvantaged or in need. €4m was committed to ARCHIMED MED Rise, which is targeting buyouts of small healthcare businesses operating within attractive niches. Lastly, £10m was committed to August Equity VI, the latest in a series of commitments to this accomplished lower mid-market UK buyout specialist.

There was one co-investment made during the first half of 2024. £4m was invested in Accounts IQ, a B2B cloud-based accounting software provider for mid-sized companies in the UK and Ireland. This co-investment (£2.6m) is led by Axiom I, which drew an additional £1.4m for investment in Accounts IQ.

There were five significant follow-on investments to existing investments. £4.2m was added to Breeze Group (Manchester based manufacturer of microbiological safety cabinets) to fund two complementary acquisitions. £2.2m was called by deal leader Persistence Capital for Medspa (Canada based chain of aesthetics clinics) to finance three acquisitions. £0.7m was added to Aurora Payments Solutions (US based digital payments solution provider), which is our share of a deferred consideration agreement and will be used to fund several add-on acquisitions. £0.7m was invested in Rosa Mexicano (US focussed Mexican restaurant chain) to provide required working capital. £0.5m was added to GT Medical (developer of the brain cancer treatment GammaTile) to contribute to the funding for a recent acquisition.

The funds in the portfolio were active over the period with a number of interesting new investments initiated internationally. SEP VI invested a combined £1.6m in Braincube (internet of industrial things software company) and Cora (software company). Kester Capital III called £0.7m mainly for GXP Exchange (provider of good clinical/pharmacovigilance practice audit and related consulting services). MVM IV called £1.4m for three healthcare companies. Corsair VI called £1.1m for MJM (independent commercial insurance broker). FPE III called £1.1m for refinancing the subscription facility and Vanda Research (provider of research and data to hedge funds and investment banks). August Equity V called £0.7m mainly for Polaris Software, formerly StarTraq (provider of compliance software to police and local authorities), which completed its second add-on acquisition. Avallon III called £0.6m for MPPK (dog and cat food company). Verdane Edda III called £0.6m for two companies; Hornet Security (B2B cloud-based email security products) and Verified

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:	£618 million
Share price:	433.50p
NAV – per IFRS:	694.28p
Discount/Premium(-/+):	-37.6%[2]
Dividend payment dates[#]:	Jan, Apr, Jul and Oct
Net dividend yield[†]:	6.5%
Net gearing/Net cash[*]:	15.5%
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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Global (B2B SaaS for digitising business processes around identification and authorisation). Vaaka IV called £0.9m to primarily invest in Tietokeskus (IT infrastructure provider) alongside a continuation vehicle. Wisequity VI called £1.1m for Serbios (biocontrols company) as well as £0.6m for Case Della Piada (producer of flatbreads). Inflexion Buyout Fund VI called £1.6m for two European investments - DSS+ (health and safety focussed management consultancy) and Nomentia (cash and treasury management software provider). Lastly, MidOcean VI called £0.5m for two companies; MPearlRock (consumer products) and Re-Sourcing (staffing and consulting for the finance, compliance and IT sectors).

Total new investment for the first half of 2024 was £35.9m.

Despite the market slowing down considerably at the start of the year volumes have picked up resulting in a number of realisations and associated distributions coming from a wide range of sectors and geographies. The largest realisation was the exit of large format pet retailer Jollyes, which was sold by Kester Capital to TDR Capital, with initial proceeds of £18.6m and a further £0.4m expected in final proceeds (4.2x cost, 27% IRR). The other substantial co-investment exit was the sale of wellbore plug and abandonment company Coretrax by Buckthorn Partners to listed energy services group Expro, with £13.7m received so far and around £0.5m of shares remaining in escrow (1.8x cost, 12% IRR). August Equity IV returned £3.5m through the sale of Agilio the healthcare compliance software company (9.2x cost, 72% IRR). Graycliff IV returned £2.4m through the sale of EMC, a switches and transformers manufacturer (8.2x cost, 146% IRR) and exited safety material handling equipment manufacturer Ballymore returning £1.0m (4.0x, 60% IRR). Graycliff III sold sweeteners manufacturer Ingredients Plus returning £2.1m (3.3x, 34% IRR). Bencis V returned £1.9m with the sale of Kooi, the mobile security systems company (13.9x cost, 61% IRR) and £1.1m following the sale of Tech Tribes, a digital transformation consultancy (7.2x cost, 34% IRR). Summa I returned £1.7m through the sale of Pagero, a procure to pay software as a service company (5.6x cost). Montefiore IV returned £2.5m with the sale to a continuation vehicle of two holdings; EDG (digital services for French companies) and Groupe Premium (life and pension insurance broker). Apiary exited TAG, the leading travel management company servicing the global live music and entertainment touring industry, returning £1.5m (4.0x cost, 29% IRR). Avallon MBO II Fund made a final distribution of £1.4m with the sale of ORE (consulting and IT solutions for purchasing managers) and escrows from Novotech (Polymer products). Corpfin IV exited Dimoldura, the doors, mouldings and accessories manufacturer, returning £1.1m (2.5x cost, 17% IRR).

Total realisations and associated income in the first half of 2024 was £52.3m.

There have been a number of valuation changes in the first half - net effect is not large.

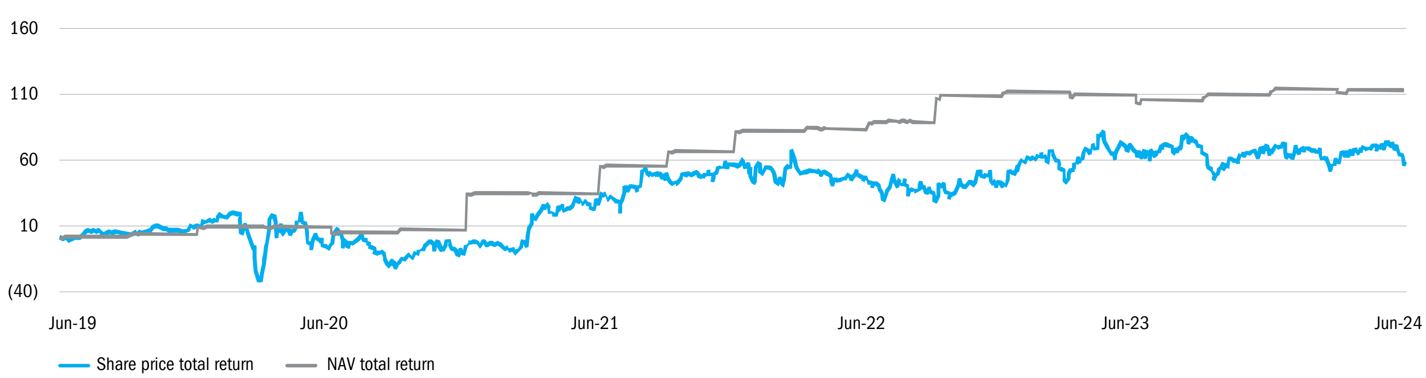
Co-investments that saw uplifts included ATEC (£4.1m), Habitus (£2.6m), CARDO Group (£1.2m) and Utimaco (£2.0m). Holding in Inflexion Strategic Partners is up £1.4m. There have been a number of fund upgrades including Axiom I (£2.6m), Apposite III (£1.2m), SEP V (£0.8m) and Graycliff IV (£0.8m). On the negative side, there were a few downgrades including Magnesium I (£1.6m), Agilico (£1.3m), Omlet (£1.2m), Leader (£0.9m), Rosa Mexicano (£1.4m) and Tier I CRM, now known as Alessa (£1.3m).

The Company's debt has reduced slightly during the quarter, with net debt at £91.3m - a perfectly manageable level.

In April, the Company bought back 1.25m shares at 460p per share which amounted to 1.7% of the issued share capital, excluding shares held in treasury, at a cost of £5.8m. The estimated enhancement for continuing shareholders is £2.8m or 0.6% of NAV.

The private equity market in most of our significant markets is showing signs of improvement. This is clearly the case in the UK where this has been underlined by our recent significant exits which have been completed at or above target valuations and within the expected timescales. Some of the Northern European geographies, such as Germany and the Nordics, are more cautious, but parts of Southern Europe are more overtly optimistic. For the last eighteen months the private equity market has been adjusting to a different economic environment with higher prevailing interest rates. This has resulted in a slowdown in M&A activity with some connected pricing and valuation multiple adjustments. The fundamentals of most of our investee companies have continued to make progress with revenue and profits growth continuing. As the underlying growth of the companies offsets the adjustment in valuation multiples, overall asset values will once again move back towards the longer-term positive trend. A key determinant in this will be business confidence which is difficult to measure in real time and is susceptible to external global events. Despite this, from our recent discussions with our investment partners, we can identify an improving trend and we expect that this will, in due course, lead to further good growth in shareholder value in the remainder of 2024 and beyond.

5 year Fund performance



Cumulative performance as at 30.06.24 (%)

	3 Months	Year to date	1 Year	3 Years	5 Years
NAV	2.3	0.8	6.2	40.0	114.4
Share price	0.1	-4.5	-2.6	22.2	58.5

Standardised annual performance year to 30 June (%)

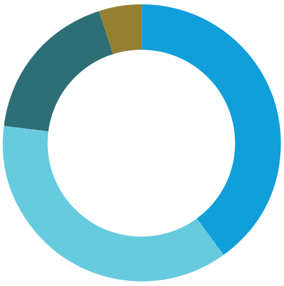
	2024	2023	2022	2021	2020
NAV	6.2	7.5	22.7	48.7	2.9
Share price	-2.6	14.5	9.5	38.1	-6.1

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 June 2024.

Trust codes

Stock Exchange Code	Sedol
CTPE	3073827

Geographical breakdown as at 30.06.24 (%)



UK	40
Europe	37
USA	18
RoW	5

Top 10 holdings (%)∞

Inflexion Strategic Partners	3.3
Sigma	3.2
ATEC (CETA)	2.9
Aliante Equity 3	2.3
August Equity Partners V	2.2
TWMA	2.2
Coretrax	2.2
Axiom 1	2.1
San Siro	2.1
Aurora Payment Solutions	2.0
Total	**24.6**

Co-investment Exit – ATEC

Background

ATEC Group is a tech-enabled distributor of personal and commercial insurance. Since inception, ATEC has been at the forefront of techenabled insurance distribution and niche product and channel development. ATEC has been successful at leveraging its online broking platform, diverse range of insurer relationships, strong digital marketing skills and deep data insights to develop market leading positions and recurring customer relationships in its core markets and channels. ATEC today consists of CETA Insurance, the digital insurance broker, and Arkel, the tech-enabled managing general agent (MGA). ATEC is headquartered in Chipping Norton, Oxfordshire, UK.

It was acquired by Kester Capital in September 2017 in a primary buyout for 7.0x EV/EBITDA. The total Kester led investment was £11.8 million with £7.3 million from the GCP Europe II fund (including £0.4 million from CT Private Equity Trust Plc) and a further £2.2 million was provided by CT Private Equity Trust Plc as a co-investor.

Investment Rationale and Performance

- ATEC has a differentiated, scalable platform and customer acquisition process and can acquire, convert and renew significant volumes of profitable, digitally transacted business.
- There is significant headroom for growth - across both its existing markets and new markets where its platform and insurer relationships can be leveraged.
- The business has a robust and diversified business model with good earnings visibility - ATEC has no material reliance on any single customer or supplier and is diversified by insurance class. With renewal rates of 70-80% by class, ATEC has significant embedded lifetime value.
- Under Kester's leadership and building on the foundation the business already has in place, ATEC should be able to grow significantly and be repositioned as a high growth, data and tech led platform, driving a premium exit valuation.

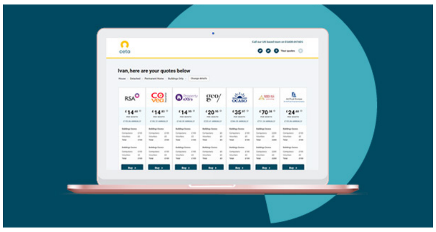
Over a period of 7 years, Kester has successfully grown ATEC into a leading data-driven digital insurance platform that designs, distributes and underwrites a range of specialist insurance products within the UK personal lines market.

Exit

Kester refinanced the business twice in 2021 and 2023, as well as using cash on balance sheet to return £3 million of funds to investors in October 2023.

As the business prepared for a highly competitive exit process, a mid-market private equity house made a pre-emptive offer to acquire the business, and in June 2024, Kester signed the sale of the business at an EV of £120 million.

This sale is expected to produce a return for CT Private Equity Trust's co-investment of 5.0x cost and c.28% IRR.



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

All data as at 30.06.2024 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 by annualising dividends declared for the Company's current financial year. [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 June 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.