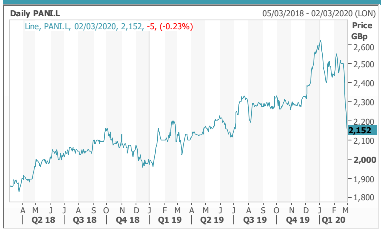
Closed-Ended Investments



Source: Refinitiv

Market data

EPIC/TKR	PIN
Price (p)	2,180
12m High (p)	2,330
12m Low (p)	1,960
Shares (m)	54.089
Mkt Cap (£m)	1,179
NAV p/sh. (p)	2,769
Discount	22%
Market	Premium equity closed-ended inv. funds

Description

The investment objective of Pantheon International Plc (PIP) is to maximise capital growth by investing in a diversified portfolio of private equity (PE) funds and directly in private companies.

Company information

Chairman	Sir Laurie Magnus
Aud. Cte. Chr.	Ian Barby
Sen Ind. Dir.	Susannah Nicklin
Inv. Mgr.	Pantheon
Manager	Helen Steers
Contact	Vicki Bradley
	+44 20 3356 1800
	www.piplc.com

Key shareholders, 31 May 2019

USS	8.15%
Old Mutual	7.03%
Esperides SA SICAV- SIF	5.75%
East Riding of Yorkshire	4.70%
APG Asset Mgt.	4.44%
Investec Wealth	4.37%
Private Syndicate pty	3.76%
Brewin Dolphin	3.45%

Diary

Mid-March	February NAV

Analysts

Mark Thomas 020 7194 7622
mt@hardmanandco.com

PANTHEON INTERNATIONAL PLC

2020 interim results: consistency in delivery

The key results message was "more of the same", including: i) market-beating core NAV growth (known given previous disclosures); ii) strong EBITDA growth in underlying companies; iii) good cash generation; iv) strong uplift to carry cost from realisations (giving valuation confidence); and iv) a conservative over-commitment policy. In our initiation *11.9% average annual NAV growth since 1987*, we noted: i) PE funds outperform quoted companies; ii) PIP is in the right parts of the PE market; iii) the Pantheon family benefits; and iv) a value-added fund selection process. PIP gives access to the whole PE market, with strong corporate governance.

- **Interim results summary:** While valuation gains and income (+5.2% NAV) and expenses (-0.8%) were consistent with 2013-19 averages, the period saw an adverse forex effect (-3.4%) reducing NAV growth to 1%. We believe the consistent underlying delivery by the business bodes well for the future.
- **Detail:** PIP's underlying companies are delivering annual revenue and EBITDA growth of 18% and 22%, both well ahead of market averages. Net cash generation in the period was £64m and the group remains much less over-committed than peers. Realisations were 3.6x cost and had an average 34 % uplift to book values.
- **Valuation:** PIP's discount has reduced in recent months, but it still trades at a 22% discount to NAV, despite its long-term outperformance. We believe the "real" NAV is likely to be above the book value, making the discount even higher. PIP re-invests returns for superior capital growth and does not pay a dividend.
- **Risks:** Sentiment to the economic cycle is material (PIP's NAV rose every year in the early 1990s' recession). Even though PIP has permanent capital and proven uplifts on exit, market sentiment to investments with illiquid and unquoted shares is adverse. Sentiment to the sustained discount may be an issue and there could be short-term, forex-exchange-related volatility.
- **Investment summary:** PIP is in an attractive market, can pick the best part of that market and has competitive operational advantages. Its manager selection and portfolio structuring have added value. Corporate governance appears strong, and the "real" value of the assets is, we believe, above their accounting value. Investors are getting liquid access to the whole PE market. There are risks around the cycle, and illiquid and unquoted underlying assets, but comparing these with the historical returns makes the current discount an anomaly.

Financial summary and valuation

Year-end May (£000)	2017	2018	2019	2020E	2021E
Gains on investments	201,198	149,778	204,473	119,607	181,169
Investment income	17,436	15,504	13,222	14,496	15,484
Investment Manager's fee	-12,659	-15,020	-16,584	-18,000	-20,000
Other expenses	-1,783	-3,270	-573	-4,710	-4,751
Interest payable/similar expenses	-1,791	-1,950	-2,386	-2,386	-2,386
Return before taxation	204,790	131,947	194,918	102,008	163,516
NAV per share (p)	2,190	2,415	2,771	2,954	3,252
Share price discount to NAV	0%	-10%	-21%	-26%	-33%
Investments	1,224	1,275	1,450	1,548	1,709
Equity issued in year	-26	-3,546	-500	0	0

Source: Hardman & Co Research

IMPORTANT INFORMATION

Due to legal restrictions, the information in this document is not available to any person who is an 'restricted person' (as defined below) or to any person who is physically present in 'restricted countries' (as defined below) and it is available only to persons who are "relevant persons" (as defined below) for U.K. regulatory purposes.

An 'restricted person' is:

- any natural person resident in 'restricted countries';
- any partnership or corporation organized or incorporated under the laws of 'restricted countries';
- any estate of which any executor or administrator is an 'restricted person';
- any trust of which any trustee is an 'restricted person';
- any agency or branch of a foreign entity located in 'restricted countries';
- any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of an 'restricted country';
- any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in 'restricted countries'; and
- any partnership or corporation if:

  1. organized or incorporated under the laws of any foreign jurisdiction; and

  2. formed by an 'restricted person' principally for the purpose of investing in securities not registered under the U.S. Securities Act, unless it is organized or incorporated, and owned, by accredited investors (as defined in the rules of the U.S. Securities and Exchange Commission) who are not natural persons, estates or trusts.

'Restricted countries' are in or into any member state of the European Economic Area ("eea") (other than the United Kingdom, or to professional investors in Denmark, Finland, Germany, Spain or Sweden), the United States, Canada, Australia (other than to persons who are both wholesale client and professional or sophisticated investors), the Republic of South Africa or Japan or any other jurisdiction where its release, publication or distribution is or may be unlawful.

"Relevant persons" are (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2) (a) to (d) of the Order. The securities of the Company are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not access, or seek to act or rely on, this website or any of its contents.

This document should not be taken, transmitted or distributed, directly or indirectly, to 'restricted persons' as defined above nor to parties that qualify as 'Relevant persons' as defined above. In reading this document the readers also acknowledge that they have read and understood the notices set forth above and the disclaimers contained in the document.

Summary of key attractions/risks

PIP delivered ca.1.5x post-cost market returns since inception in 1987

Since inception in 1987, to end-January 2020, PIP has delivered 11.6% average annual NAV growth. This is a ca.4% annual outperformance compared with benchmark indices over this period and ca.1.5x the market level of returns (FTSE All Share Total Return 7.7%) after all costs. It has not come about by accident, but reflects:

Returns generated from being in attractive market, picking best bits of that market, being part of bigger Pantheon family, and a structured, proven manager selection process

- The PE process adds value, with multiple operational, strategic, financial, cultural and expertise levers to generate superior returns.
- In this attractive market, PIP's flexible, global mandate means it can exploit whichever sub-segments offer the most value. *Inter alia*, it actively manages the size of deals, the vintage and nature of investment, and the economic sector of the portfolio to optimise returns.
- Pantheon, the manager, controls risk tightly. While the mandate is flexible, the portfolio is diversified, moderating extreme return volatility.
- Being part of the Pantheon family brings multiple benefits, including economies of scale, access to deals, a broad network of relationships, experience and expertise. It also brings strong corporate governance, with not only the Pantheon/PIP relationship but also a visibly independent board.
- As a fund investor, manager selection is key. We outlined in our initiation note the sophisticated process by which PIP's underlying managers are chosen.

Accounting NAV likely to be conservative

We also detailed in our initiation why the accounting NAV is conservative, noting that there is no incentive for the PE fund managers (General Partners ~~,~~ or "GPs") or PIP to inflate valuations, the checks and balances that are in place (including multiple reviews), the fact that the valuation ratings are in line with peers and, finally, that there has been a consistent uplift to book value on exit.

Gives investors liquid access to illiquid market, capital growth, controlled downside

PIP's model gives access to the entire illiquid PE market via liquid shares. Other investment attractions include: i) the capital growth story, with no tax leakage; ii) professional management of PE exposure; and iii) the KID (Key Information Document) stress-test shows lower downside risk than peers.

No financial read-across from Woodford, and appropriate gearing and liquidity

We see no financial read-across from the Woodford situation, although it could affect sentiment. The level of gearing in PIP, and in its funds and underlying companies appears appropriate. Liquidity is managed, and PIP has lower over-commitment than its peers. PE is a resource-intensive business, but this is more than compensated for by higher returns. PIP's costs are around one tenth of the returns earned by investors.

Business sensitive to economic cycle but still grew NAV every year throughout early 1990s' recession. NAV based off premium ratings for premium growth. Assets illiquid and unquoted but PIP unlikely to be forced seller.

An economic downturn will affect the operating performance of underlying companies and PIP itself, is likely to reduce valuation ratings, and sentiment will be affected by perceived gearing. However, despite these challenges, PIP grew its NAV every year through the hard, early 1990s' recession. We note that the valuation rating on underlying companies is at a premium to the market (as are their revenue and EBITDA growth expectations) and the industry-accounting convention has elements that are unhelpful, and not timely. While PIP has illiquid, unquoted assets, its permanent capital and liquidity management mean it is unlikely to be a forced seller at distressed prices.

Discount narrowed but anomalous with company-specific factors and historical performance

PIP's discount has narrowed to slightly lower than that of its peers noting it has seen above-average volatility recently. However, the absolute level of 22% appears anomalous with market-beating returns generated over the long run. In 58% of years since 1988, PIP has delivered a return of 10%-25%, and more than three quarters of years have seen a performance in excess of 5%.

Interim results: consistency of delivery

NAV waterfall chart

Valuation gains and expenses in 1HFY'20 consistent with 2013-19 averages. Adverse forex effect reduced NAV growth to below average, but this is likely to be short-term noise.

The table below shows the percentage increase in NAV over the financial periods going back to FY'13. The core message is one of consistency in core returns (1H'20 valuation gains plus investment income of 5.2% vs. 11.2% average over period, expenses and taxes -0.8% in 1H'20 against annual average of 1.5%). Overlaid with this consistent core is noise from forex, which at -3.4% in the period, dragged down the NAV return to well below historical levels. We believe forex is short-term noise and the key message in considering if PIP can deliver long-term value is that PIP's business is performing as it has for many years.

NAV bridge (% NAV)

Financial period	Valuation gain	Investment income	FX	Buybacks	Provision for asset sale	Expenses and taxes	Total
FY'13	7.0	0.0	3.6	1.2	0.0	-0.2	11.6
FY'14	11.9	1.5	-10.1	0.5	0	-1.4	2.4
FY'15	8.0	1.7	4.0	0.3	0	-1.7	12.3
FY'16	5.2	1.2	17.2	1.1	-0.7	-1.7	22.3
FY'17	13.9	1.5	3.2	0	0	-1.7	16.9
FY'18	13.5	1.2	-2.2	0.1	0	-2.3	10.3
FY'19	11.0	0.8	4.5	0	0	-1.6	14.7
Average	10.1	1.1	2.9	0.5	-0.1	-1.5	12.9
1H'20	4.9	0.3	-3.4	0	0	-0.8	1.0

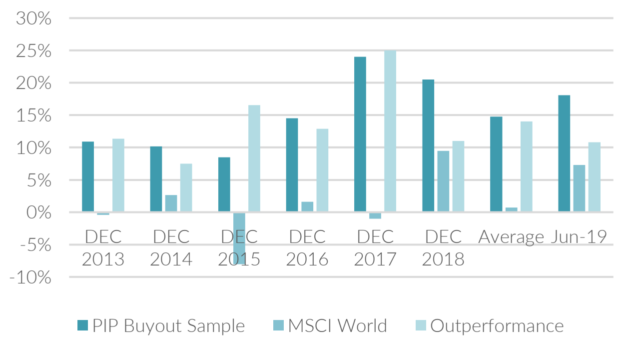
Source: PIP Report and Accounts, Hardman & Co Research

Growth multiples in underlying businesses

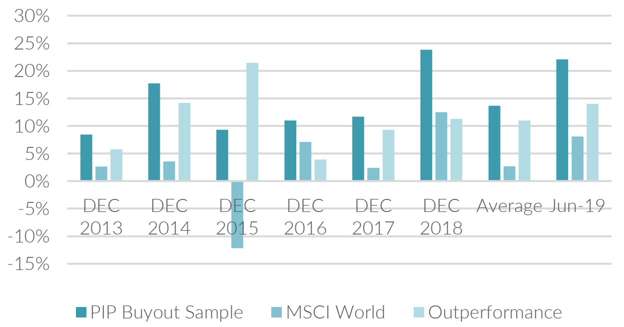
PE and PIP add value as evidenced by consistent superior revenue and EBITDA growth. 1HFY'20 continued this trend.

The key driver to sustained outperformance is that PE, and PIP's activities in PE, adds value to the underlying companies. One metric for this is the growth in both revenue and EBITDA. The charts below show the medium-term trend for both versus the MSCI Index. Outperformance has continued in 1HFY'20 with revenue growth of 18% (for the year to June 2019 against MSCI of 7%). The EBITDA growth shows a similar trend of outperformance (in year to June 2019, 22% against market 8%). The gap between revenue growth and EBITDA growth was 4% as it was at end-2018. Compared with the MSCI, PIP's revenue outperformance has fallen slightly (from 14% to 11%) but the EBITDA outperformance has accelerated to 14% (from 11%). The business message is that PIP's underlying companies are delivering faster growth than the market.

Revenue growth in underlying companies (%)



EBITDA growth in underlying companies (%)



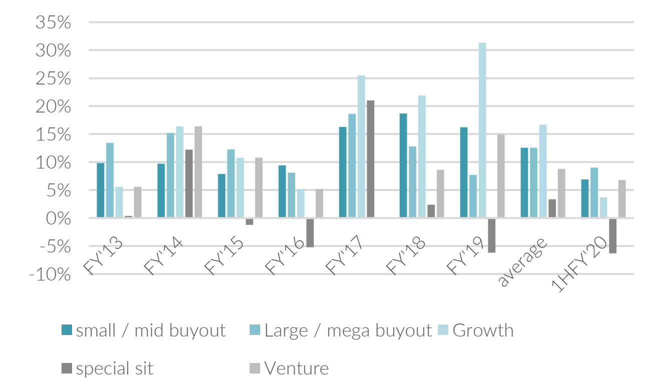
Source: PIP Report and Accounts and interim results 1HFY'20, Hardman & Co Research

Valuation gains consistent with long-run averages. As always, some areas better than average and some worse. 1HFY'20 dragged down by a limited number of special-situation writedowns.

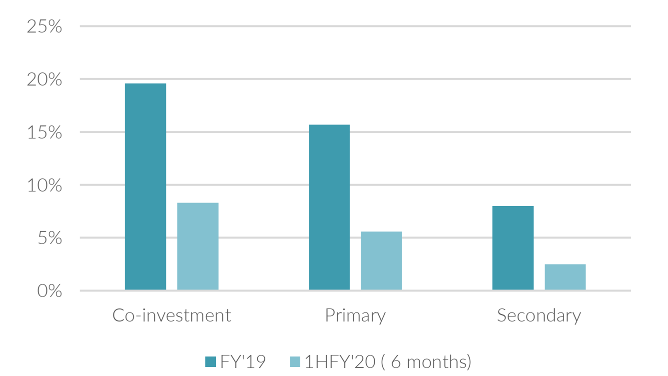
Valuation gains well spread

The charts below look at valuation gains by stage and by the type of investment (disclosure on the latter has only been made relatively recently). The messages from 1HFY'20 are: i) better-than-average valuation gains in large and/mega buyouts (9.0% in six months against long-run annual average 12.6%), in small and medium buyouts (six-month performance 6.9% against long-run annual average 12.6%) and in venture (6.8% for six months against annual 8.8%); ii) underperformance in growth segments (3.7% against annual 16.7%) and especially special situations (negative 6.3% in 1HFY'20). The latter was driven by a small number of markdowns in the energy sector. Special situations account for ca.10% of the portfolio and energy is one of the larger sectors within this segment. We understand the writedowns have been company specific and only in a small number of situations. Valuation gains have shown their usual mix effect with co-investment being the best performing type.

Valuation gains by stage (% LHS)



Valuation gains by type (%)



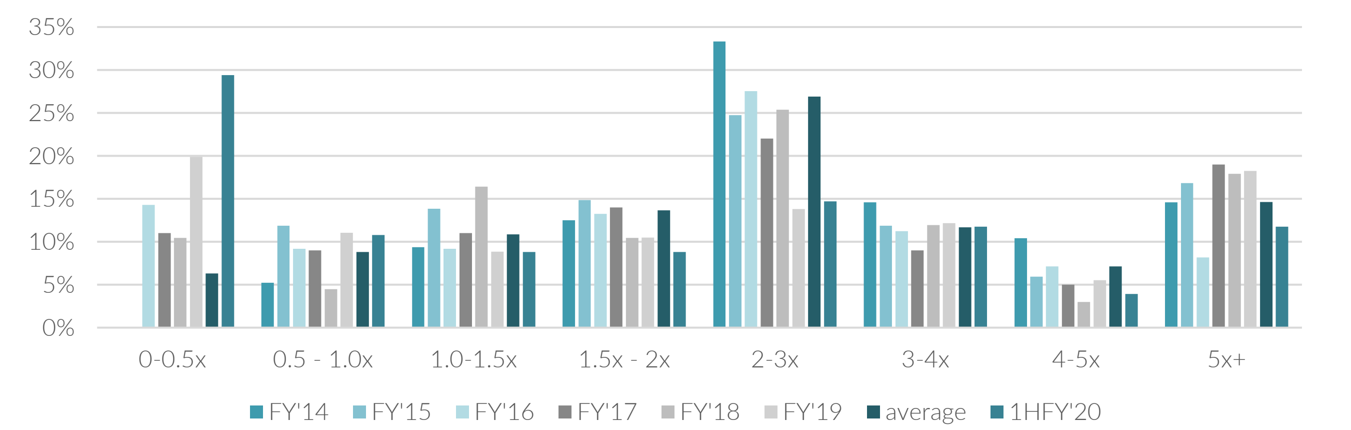
Source: PIP Report and Accounts and interim results 1HFY'20, Hardman & Co Research

Average exit multiple 3.6x costs consistent with past. Distribution of exit multiples also stable as is the uplift to the carry value of the book.

Exit multiples and realisation proceeds to cost multiple

The charts below look at the long-term track record of cost multiple on exit. As can be seen in any given period, there will be elements of volatility. However, taking the portfolio as a whole, there has been a remarkable stability in both. In 1HFY'20, we saw the same again with an average multiple of 3.6x cost.

Exit realisation as multiple of cost (% by number)



Note: Carry value approach changed in FY'19 from Source: PIP Report and Accounts and interim results 1HFY'20, Hardman & Co Research

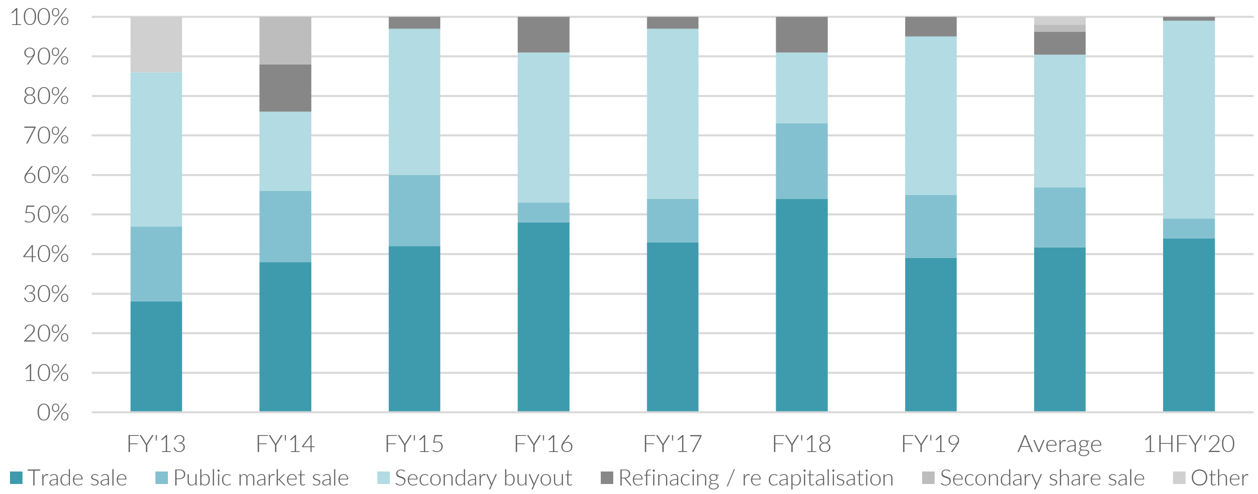
The average uplift to the book value (12 months prior to exit to eliminate any exit premium built in) was 34%. As we detailed in our initiation note, taking account of the expected EBITDA growth over the period, this scale of uplift gives some comfort that the underlying valuation is a realistic view of the companies.

Exit by type of realisation

IPOs make up only a small proportion of exits (5% in 1HFY'20)

The chart below shows the method of realisation over time. The key messages are that trade sales and secondary buyouts (i.e. sale to other PE houses) are each more than twice as important as public market sale. What we saw in 1HFY'20 was a further extension of this trend with secondary buyouts accounting for 50% of disposals (long-run average 34%) and trade sales 44% (42%) and IPOs just 5% (average 15%).

Exit realisation by type (%)



Source: PIP Report and Accounts and interim results 1HFY'20Hardman & Co Research

Debt/valuation analysis

Debt-to-EBITDA multiples rising in large deals, but these are a reducing part of PIP book and cov-lite documentation reduces probability of default. Debt gearing more stable for smaller deals.

PIP provides the data based off a sample covering just over half of its buyout book. From these, we can establish both debt and valuation multiples. The key messages are:

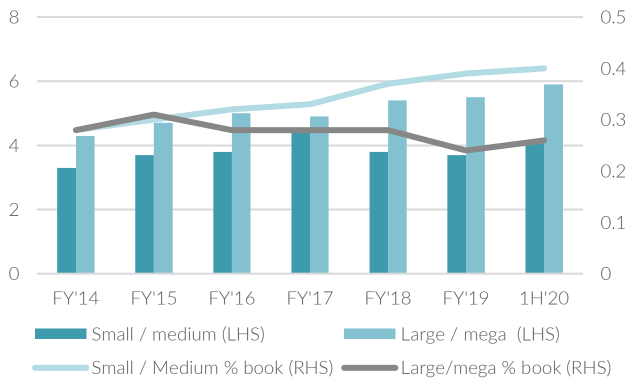
- In terms of debt, there has been a long-term rising trend in the large/mega buyout books. However, these have been a falling proportion of the book. We also note that the cov-lite documentation prevalent in this part of the market means that the probability of default should be lower. In 1HFY'20, we saw a further increase in these ratios to 5.9x from 5.5x at end-FY'19.

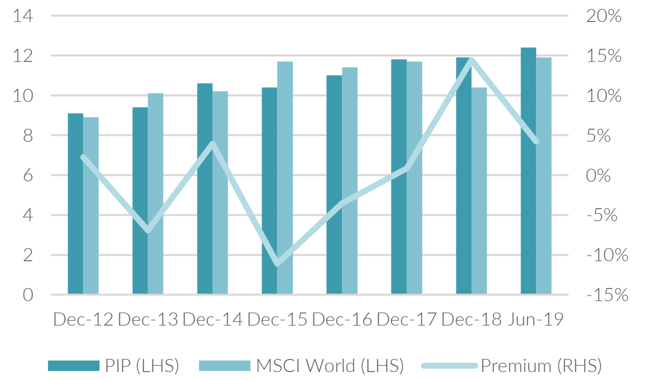
- The debt multiples in the small/medium buyout books have been broadly stable, a trend which has continued in 1HFY'20 (at debt to EBITDA of 4.1x) and remains below the 2017 level.

Rise in EBITDA valuation multiples reflects mix changes

- In terms of valuation, there has been a trend of steadily rising average multiples of PIP's underlying companies (June 2019 at EV 12.4x EBITDA, up from 11.9x at end-2018) driven primarily by mix with little change on a like-for-like basis for individual companies/sectors. The chart in the portfolio section shows the rise in some higher-rated sectors such as healthcare and a reduction in industrials. The rating applied to PIP's companies moved to a premium to the MSCI World index at the end of 2017, but this premium has reduced to 4% as at June 2019.

Debt/EBITDA multiples (x, LHS; % book, RHS)	Valuation multiple (x EBITDA, LHS) & premium to MSCI (RHS)





Source: PIP Report and Accounts and interim results 1HFY'20, Hardman & Co Research

Liquidity management

PIP much less over-committed than peers

Managing cash is hugely important and PIP has given the usual disclosures on distributions (cash in), drawn commitments (cash out) and outstanding commitments. It is market-wide practice to over-commit to funds (i.e. agree to commitments which will be drawn over many years in excess of existing cash/credit lines in the expectation that future realisations will be available to pay for some future draw-downs). As can be seen in the table below, PIP is more conservative than average in this regard. We believe this is due to: i) conservatism, especially given the manager's experience through the financial crisis; and ii) business mix – where peers have a greater degree of primary exposure, it is likely they would have more over-commitment than a business with a large weighting to co-investments (almost fully drawn) or secondaries (substantially drawn).

Breakdown of components of over-commitment for PIP and peers (£m)

Year to	ICGT Oct'19	BPET Sep'19	HVPE Dec'19 ($m)	PIP Dec'19	SLPE Dec'19
Total undrawn commitments	**494**	**124**	**1,845**	**493**	**395**
Cash	33	n/a	166	133	43
Undrawn credit line	152	66	600	174	100
Available funding	**185**	**66**	**766**	**307**	**143**
Over-commitment	**309**	**58**	**1079**	**186**	**252**
As % NAV	39%	20%	50%	13%	37%

Source: Company Report and Accounts and factsheets, Hardman & Co Research

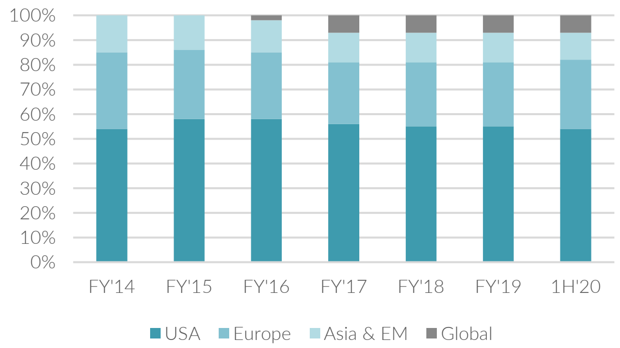
More than 20% of undrawn commitments are likely to see very modest drawdowns as the underlying fund out of investment phase.

Investors should also note that ca.22% (£100m) of PIP's undrawn commitments are in vintage 2013 or older funds, where drawdowns may naturally occur at a slower pace as the funds are largely out of their investment phase. Allowing for such funds, which are unlikely to be drawn, PIP's over-commitment is down to less than 7% of NAV.

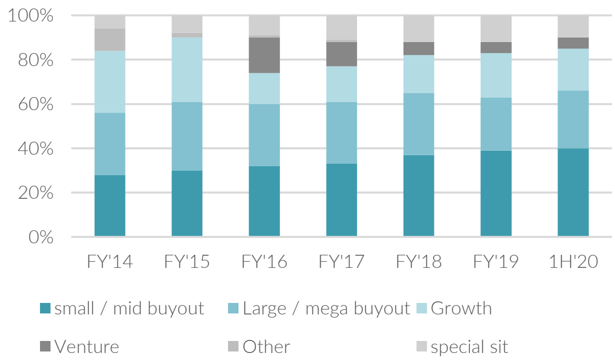
Portfolio summary

The charts below show some of the trends in the portfolio. In 1HFY'20, there have been no material changes, which is not surprising given the long-term nature of PIP's investments.

Geographic mix of assets (% LHS)

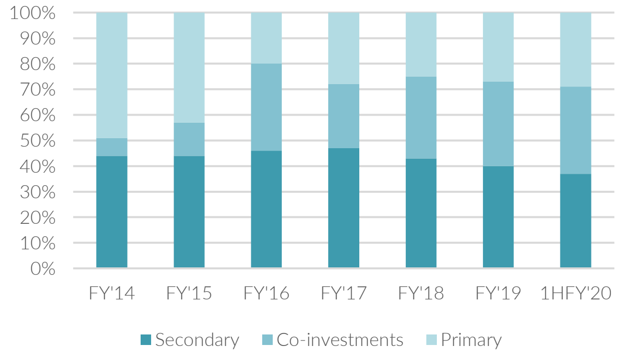


Mix by fund stage of investment (%)

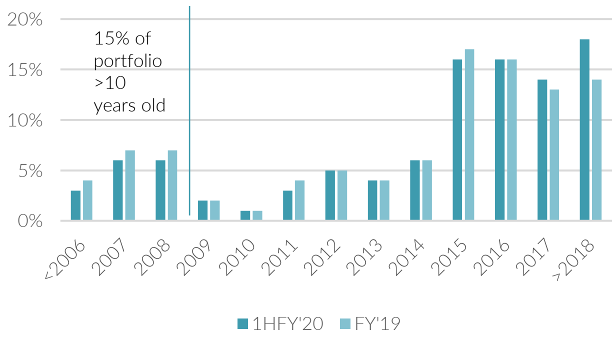


Source: PIP Report and Accounts and interim results 1HFY'20, Hardman & Co Research

Mix of investments by type (% LHS)

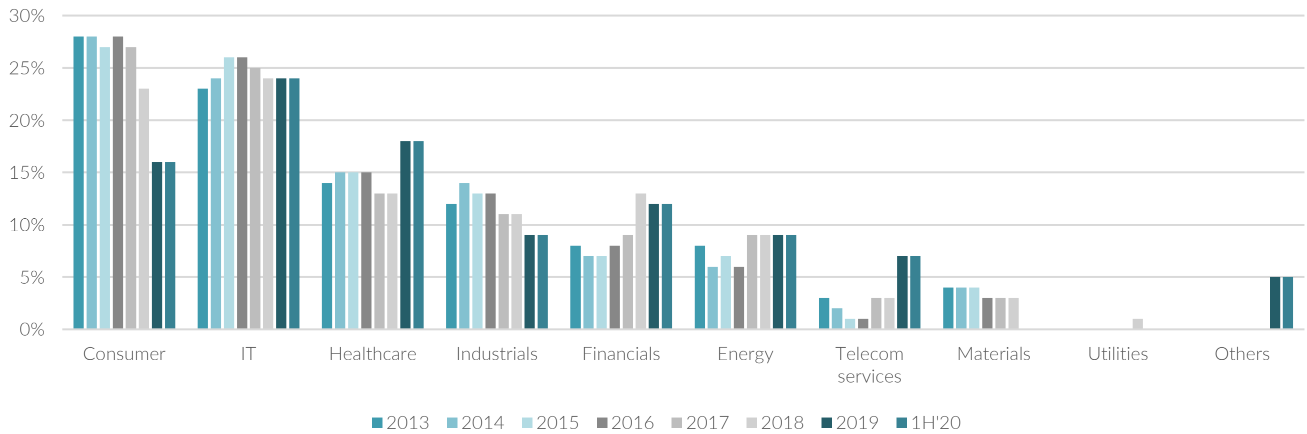


Mix by fund maturity of investment (%)



Source: PIP Report and Accounts and interim results 1HFY'20, Hardman & Co Research

Sectoral mix of investments (%)



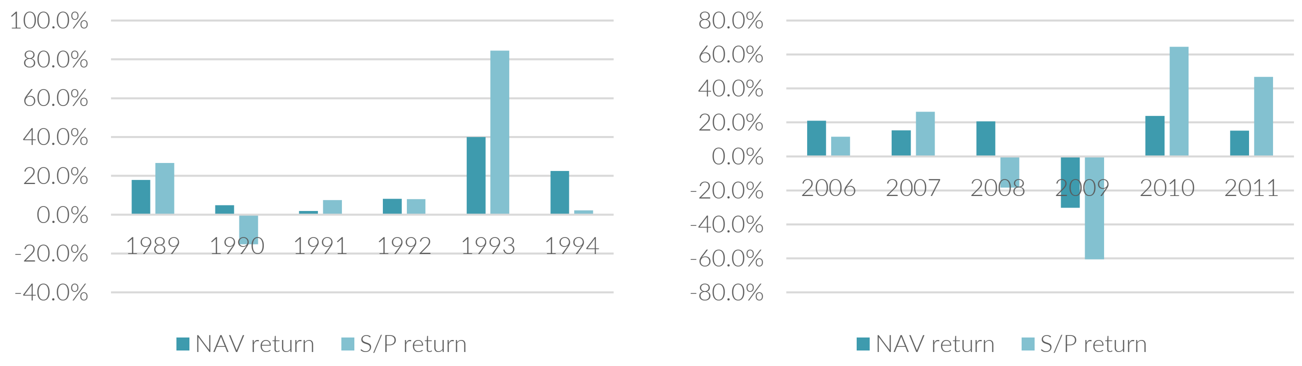
Source: PIP Report and Accounts and interim results 1HFY'20Hardman & Co Research

Macroeconomic downside scenarios

NAV grew every year in early 1990s' recession

Given recent market turmoil, we thought it may be helpful to summarise our comments on pages 42-45 of our _initiation report_, where we looked at how PIP had performed in various downside scenarios. We note that, in the early 1990s' recession, PIP reported NAV accretion every year. Compared with the financial crisis, PIP is now much more liquid and so much less likely to be a forced seller of assets at distressed prices. We also highlighted the academic research, which not only showed that PE-backed companies continued to outperform quoted ones in a recession, but also explained this outperformance. The better management and, especially having committed financial backing, meant PE-backed businesses could take advantage of such conditions.

Annual NAV and share price performance (%) in early 1990s' recession (left-hand graph) and financial crisis (right-hand)



Source: PIP Report and accounts, Hardman & Co Research

Economic cycle affects operational performance of underlying companies, and PIP is affected by greater leverage and reduced valuation ratings. On the upside, cov-lite reduces risk of default being triggered (especially at larger end of market), underlying company EBITDA grew through the financial crisis, and re-investment opportunities arise.

A downturn has several potential impacts, including: i) weaker operational performance in the underlying companies – we note that, in 2009, revenue growth was significantly ahead of benchmark averages and the underlying companies still produced, on average, a 7% increase in EBITDA – and while these rates were slower than pre-crisis, they were still positive growth performances; ii) it would affect PIP's own operational parameters – the distribution rate fell by three quarters (from 39% of opening portfolio in FY'07 to 11% in FY'09/10), and the call rate nearly halved (from 37% of outstanding calls in FY'07 to 16% in FY'10); iii) there is a higher risk of default where companies have more leverage. For PIP, we note that mid-market gearing levels are stable – in the larger buyout space, higher leverage is partially offset by increased cov-lite documentation, reducing the probability of default; iv) the EBITDA rating applied to underlying companies is likely to fall with market falls, reducing the NAV; and v) there are likely to be many more attractively priced re-investment opportunities.

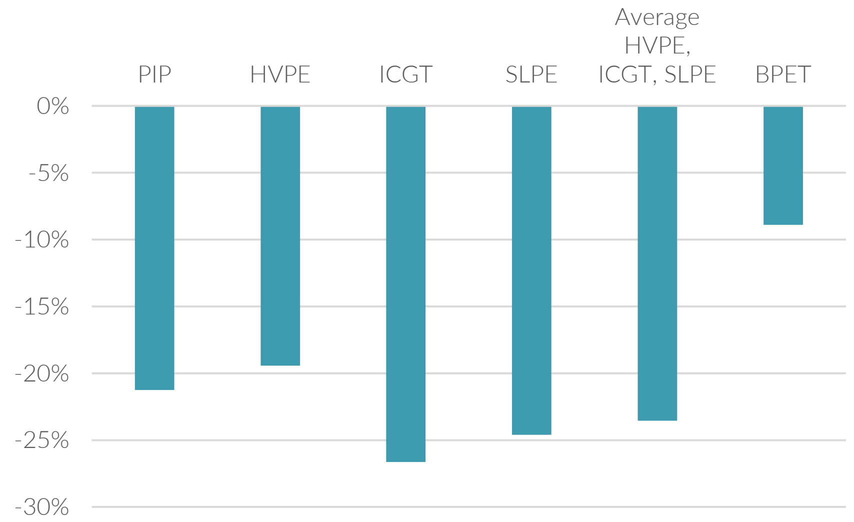
As may be expected, Pantheon employs a rigorous set of internal stress-tests across the portfolio, reviewing multiple scenarios to ensure appropriate management of the portfolio in the event of a downturn, while at the same time positioning it to maximise capital growth. Pantheon also pursues a holistic approach in the due diligence of a manager, reviewing a host of quantitative and qualitative measures that provide a well-researched view of the prospects for a manager's next fund. These help Pantheon assess how well placed the manager is to generate consistent returns through the cycle.

Valuation

Absolute and relative discount improved over past couple of months, but recent high volatility

Until the most recent market dislocation, PIP's absolute and relative discount rating had improved. There has been considerable volatility over the past few days, but as the chart below shows the discount for PIP is ca.3.5% below peers, excluding BPET (we explored the reasons for that company's valuation in our initiation note). Investors may consider the current discount anomalous with the long-term outperformance delivered by the group.

Discount to NAV (%)



Source: Latest company factsheets on websites, Priced at 28 February 2020 Hardman & Co Research

Triggers for a re-rating

Key triggers for a re-rating include continued performance, better market understanding of the risk and rewards in the model and more comfort that the impact on NAV of any economic downside scenario will not be as adverse as feared

PIP and its peers have traded at discounts to NAV for a considerable time. While investors have been rewarded by market-beating strong NAV growth driving the share price, it is also worth noting that there are a number of potential triggers that could deliver incremental returns by closing the 22% discount. These include:

- Market concerns about illiquid/unquoted stocks moderating as the Woodford effect becomes more historical. We do not believe this issue will go away quickly – not least as there may be regulatory changes to fund holdings of illiquid assets. However, we do expect a steady moderation in its intensity from here.
- We stated that the discount appears anomalous. In this case, one key consideration will be communication. We note that PIP has become increasingly active in its investor engagement, *inter alia* paying for sponsored research, hosting a capital markets day to better inform the market, and building a new and engaging website.
- Further delivery of consistently strong performance, in line with historical experience, through an economic downturn.
- The discount to NAV has widened in the recent turmoil. Part of this is because it will take a little time for the NAV to reflect the falling market ratings, but we believe part is also due to worse-than-average sentiment to PE in such conditions. A normalisation of sentiment may lead to a discount reduction.

Financials

We have reduced our forecast NAV and 2021 earnings by £50m for the forex hit in 1HFY'20. While these may reverse in due course, we have re-based for this effect.

Profit and loss (£m)

Year-end May	2019			2020E			2021E		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Gains on investments at FV through P/L		204,473	204,473		119,607	119,607		181,169	181,169
ALN losses on Fin. Liab. at FV through P/L	-1,229	-8,815	-10,044	-1,000	-6,000	-7,000	-1,000	-5,000	-6,000
Currency (losses)/gains on cash & debt		6,810	6,810	0	0	0	0	0	0
Investment income	13,222		13,222	14,496	-5,044	9,452	15,484	0	15,484
Investment Manager's fee	-16,584		-16,584	-18,000		-18,000	-20,000		-20,000
Other expenses	-5	-568	-573	-3,960	-750	-4,710	-4,001	-750	-4,751
Return before finance costs and taxation	-4,596	201,900	197,304	-8,464	107,813	99,350	-9,517	175,419	165,902
Interest payable and similar expenses	-2,386		-2,386	-2,386	0	-2,386	-2,386	0	-2,386
Return on ordinary activities before taxation	-6,982	201,900	194,918	-10,850	107,813	96,964	-11,903	175,419	163,516
Taxation	-2,594		-2,594	-2,594		-2,594	-2,594		-2,594
Return on ordinary activities after tax	-9,576	201,900	192,324	-13,444	107,813	94,370	-14,497	175,419	160,922

Source: PIP Report and Accounts, Hardman & Co Research

Balance sheet (£m)

Financial year (as @ end-May)	2015	2016	2017	2018	2019	2020E	2021E
Investments at fair value through P/L	862,029	1,071,876	1,224,142	1,274,737	1,449,634	1,548,449	1,708,826
Current assets							
Debtors	1,805	3,654	1,661	3,891	3,222	3,222	3,222
Cash and cash equivalents	137,483	115,522	167,252	162,292	142,773	123,328	108,873
Total assets	1,001,317	1,191,052	1,393,055	1,440,920	1,595,629	1,674,998	1,820,921
Current liabilities							
Creditors	1,253	3,938	5,522	19,046	4,682	4,682	4,682
Long-term liabilities							
Asset Linked Loan (ALN)				115,110	92,359	77,359	62,359
Net assets	1,000,064	1,187,114	1,387,533	1,306,764	1,498,588	1,592,958	1,753,880
NAV per share (p)	1,532	1,874	2,190	2,415	2,771	2,945	3,243

Source: PIP Report and Accounts, Hardman & Co Research

Cashflow (£m)

Financial year	2015	2016	2017	2018	2019	2020E	2021E
Investment income received	14,855	11,664	17,105	13,619	12,818	14,496	15,484
Deposits and other income	60	159	343	830	1,359	1,000	1,000
Investment management fees paid	-9,876	-11,011	-12,506	-14,969	-16,401	-18,000	-20,000
Other fees/cash payments	-1,727	-2,155	-1,867	-6,309	-17	-3,710	-3,751
Withholding tax deducted	-1,437	-1,985	-4,257	-10,483	-3,407	-2,594	-2,594
Net cash inflow/(outflow) from operating activities	1,875	-3,328	-1,182	-17,312	-5,648	-8,807	-9,861
Cashflow from investing activities							
Purchase of investments	-171,799	-263,203	-251,181	-254,426	-285,326	-336,143	-373,030
Disposals of investments	225,971	244,540	303,131	351,335	313,330	356,143	393,030
Net cash outflow from investing activities	54,172	-18,663	51,950	96,909	28,004	20,000	20,000
Cashflows from financing activities							
ALN repayments	0	0	0	-77,152	-44,909	-22,000	-21,000
Share buy-backs	-6,872	0	0	-3,546	-500	0	0
Redeemable share buy-backs	-4,389	-22,022	-26	0	0	0	0
Loan commitment and arrangement fees paid	-1,953	-992	-1,378	-1,577	-3,286	-3,594	-3,594
Finance costs paid for deferred payment transaction	0	0	-182	0	0	0	0
Net cash inflow from financing activities	-13,214	-23,014	-1,586	-82,275	-48,695	-25,594	-24,594
						0	0
Net increase in cash and cash equivalents	42,833	-45,005	49,182	-2,678	-26,339	-14,401	-14,455
Opening cash and cash equivalents	88,346	137,483	115,522	167,252	162,292	142,773	123,328
FX effects	6,304	23,044	2,548	-2,282	6,820	-5,044	0
Closing cash and cash equivalents	137,483	115,522	167,252	162,292	142,773	123,328	108,873

Source: PIP Report and Accounts, Hardman & Co Research

Notes

Notes

Notes

Disclaimer

Hardman & Co provides professional independent research services and all information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. However, no guarantee, warranty or representation, express or implied, can be given by Hardman & Co as to the accuracy, adequacy or completeness of the information contained in this research and they are not responsible for any errors or omissions or results obtained from use of such information. Neither Hardman & Co, nor any affiliates, officers, directors or employees accept any liability or responsibility in respect of the information which is subject to change without notice and may only be correct at the stated date of their issue, except in the case of gross negligence, fraud or wilful misconduct. In no event will Hardman & Co, its affiliates or any such parties be liable to you for any direct, special, indirect, consequential, incidental damages or any other damages of any kind even if Hardman & Co has been advised of the possibility thereof.

This research has been prepared purely for information purposes, and nothing in this report should be construed as an offer, or the solicitation of an offer, to buy or sell any security, product, service or investment. The research reflects the objective views of the analyst(s) named on the front page and does not constitute investment advice. However, the companies or legal entities covered in this research may pay us a fixed fee in order for this research to be made available. A full list of companies or legal entities that have paid us for coverage within the past 12 months can be viewed at http://www.hardmanandco.com/legals/research-disclosures. Hardman may provide other investment banking services to the companies or legal entities mentioned in this report.

Hardman & Co has a personal dealing policy which restricts staff and consultants' dealing in shares, bonds or other related instruments of companies or legal entities which pay Hardman & Co for any services, including research. No Hardman & Co staff, consultants or officers are employed or engaged by the companies or legal entities covered by this document in any capacity other than through Hardman & Co.

Hardman & Co does not buy or sell shares, either for their own account or for other parties and neither do they undertake investment business. We may provide investment banking services to corporate clients. Hardman & Co does not make recommendations. Accordingly, they do not publish records of their past recommendations. Where a Fair Value price is given in a research note, such as a DCF or peer comparison, this is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. Hardman & Co may publish further notes on these securities, companies and legal entities but has no scheduled commitment and may cease to follow these securities, companies and legal entities without notice.

The information provided in this document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Hardman & Co or its affiliates to any registration requirement within such jurisdiction or country.

Some or all alternative investments may not be suitable for certain investors. Investments in small and mid-cap corporations and foreign entities are speculative and involve a high degree of risk. An investor could lose all or a substantial amount of his or her investment. Investments may be leveraged and performance may be volatile; they may have high fees and expenses that reduce returns. Securities or legal entities mentioned in this document may not be suitable or appropriate for all investors. Where this document refers to a particular tax treatment, the tax treatment will depend on each investor's particular circumstances and may be subject to future change. Each investor's particular needs, investment objectives and financial situation were not taken into account in the preparation of this document and the material contained herein. Each investor must make his or her own independent decisions and obtain their own independent advice regarding any information, projects, securities, tax treatment or financial instruments mentioned herein. The fact that Hardman & Co has made available through this document various information constitutes neither a recommendation to enter into a particular transaction nor a representation that any financial instrument is suitable or appropriate for you. Each investor should consider whether an investment strategy of the purchase or sale of any product or security is appropriate for them in the light of their investment needs, objectives and financial circumstances.

This document constitutes a 'financial promotion' for the purposes of section 21 Financial Services and Markets Act 2000 (United Kingdom) ('FSMA') and accordingly has been approved by Capital Markets Strategy Ltd which is authorised and regulated by the Financial Conduct Authority (FCA).

(Disclaimer Version 8 – Effective from August 2018)

Status of Hardman & Co's research under MiFID II

Some professional investors, who are subject to the new MiFID II rules from 3rd January, may be unclear about the status of Hardman & Co research and, specifically, whether it can be accepted without a commercial arrangement. Hardman & Co's research is paid for by the companies, legal entities and issuers about which we write and, as such, falls within the scope of 'minor non-monetary benefits', as defined in the Markets in Financial Instruments Directive II.

In particular, Article 12(3) of the Directive states: 'The following benefits shall qualify as acceptable minor non-monetary benefits only if they are: (b) 'written material from a third party that is commissioned and paid for by a corporate issuer or potential issuer to promote a new issuance by the company, or where the third party firm is contractually engaged and paid by the issuer to produce such material on an ongoing basis, provided that the relationship is clearly disclosed in the material and that the material is made available at the same time to any investment firms wishing to receive it or to the general public…'

The fact that Hardman & Co is commissioned to write the research is disclosed in the disclaimer, and the research is widely available.

The full detail is on page 26 of the full directive, which can be accessed here: http://ec.europa.eu/finance/docs/level-2-measures/mifid-delegated-regulation-2016-2031.pdf

In addition, it should be noted that MiFID II's main aim is to ensure transparency in the relationship between fund managers and brokers/suppliers, and eliminate what is termed 'inducement', whereby free research is provided to fund managers to encourage them to deal with the broker. Hardman & Co is not inducing the reader of our research to trade through us, since we do not deal in any security or legal entity.

research@hardmanandco.com

35 New Broad Street
London
EC2M 1NH

+44(0)20 7194 7622

www.hardmanandco.com