

## Closed-Ended Investment Funds



Source: Refinitiv

## Market data

|                 |  |
|-----------------|--|
| EPIC/TKR        | ICGT                                   |
| Price (p)       | 780                                    |
| 12m High (p)    | 1,015.0                                |
| 12m Low (p)     | 460.0                                  |
| Shares (m)      | 68.88                                  |
| Mkt Cap (£m)    | 536                                    |
| NAV p/sh (p)    | 1,114                                  |
| Discount to NAV | 32%                                    |
| Market          | Premium equity closed-ended inv. funds |

## Description

ICG Enterprise Trust (ICGT) is a listed private equity (PE) investor providing shareholders with access to a portfolio of European and US investments in profitable, cash-generative unquoted companies. It invests in companies managed by ICG and other leading PE managers, directly and through funds. It strikes a balance between concentration and diversification, risk and reward.

## Company information

|                 |  |
|-----------------|--|
| Chair           | Jane Tufnell   |
| Audit Cte. Chr. | Alastair Bruce   |
| NED             | Lucinda Riches   |
|                 | Sandra Pajarola  |
|                 | Gerhard Fusenig  |
| Inv. Mgr.       | Oliver Gardey,   |
|                 | Colm Walsh   |
| Contact         | James Caddy  |
|                 | +44 203 545 2000   |
|                 | <a href="http://www.icg-enterprise.co.uk">www.icg-enterprise.co.uk</a> |

## Key shareholders (pre-placement)

None over 3%

## Diary

|        |                 |
|--------|-----------------|
| Oct'20 | Interim results |
|--------|-----------------|

## Analyst

|             |  |
|-------------|--|
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## ICG ENTERPRISE TRUST PLC

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Our 6 July initiation, *Outperformance through every stage of cycle*, highlighted how investors got liquid access to the attractive PE market with incremental manager synergies. ICGT has delivered a total NAV return of 178% over 10 years (FTSE All Share return 61%). Since Intermediate Capital became the manager in 2016, ICGT has earned mid-teen underlying returns every year. It has a concentrated portfolio of "high-conviction" investments (19% p.a. average returns over five years, 42% of portfolio, defensive growth focus) and a diversified third-party PE funds book. The 32% discount to NAV is above peers.

- **Value added:** ICGT invests in the attractive PE market, where operational improvements, well-funded strategic development, valuation opportunities and good corporate governance create superior returns. It adds value in its strategic focus, investment process, and fund manager relationships and selection.
- **Outperformance amid COVID-19:** In January to April, the portfolio return was -3.8% (-7% local currency). The high-conviction portfolio fell less than 3% (local currency). The third-party funds fell 10%. ICGT's defensive growth investment strategy is very evident, as the declines were well below those of indices.
- **Valuation:** Valuations are conservative (uplifts on realisations averaging 33% to the latest book value in the medium term). Ratings are undemanding, and the carry value against cost modest. The discount to NAV is 32% (ca.3x recent levels) and is anomalous with defensive long-term, market-beating returns.
- **Risks:** PE is an above-average cost model, but post-expense returns are market-beating. Even though actual experience has been continued NAV outperformance in economic downturns, sentiment is likely to be adverse. ICGT's permanent capital structure is right for unquoted and illiquid assets.
- **Investment summary:** ICGT has consistently generated superior returns, by adding value in an attractive market, with a defensive growth investment policy and exploiting synergies from being part of the ICG family. The valuations and governance appear conservative. It has an appropriate balance between risks and opportunities. Risks are primarily sentiment-driven on costs and cyclicality, as well as the underlying assets' liquidity. It seems anomalous that a business with a consistent record of outperformance is trading at a 32% discount to NAV.

## Financial summary and valuation

| Year-end Jan (£000)      | 2017    | 2018    | 2019   | 2020E  | 2021E  | 2022E   |
|--------------------------|---------|---------|--------|--------|--------|---------|
| Total income             | 10,151  | 22,386  | 5,969  | 7,441  | 12,057 | 12,283  |
| Realised gains           | 844     | -31,257 | 9,329  | 14,686 | 15,568 | 15,869  |
| Unrealised gains         | 104,350 | 91,381  | 76,440 | 70,974 | 0      | 95,213  |
| Investment mgr. fees     | -6,209  | -7,165  | -7,984 | -9,572 | -8,691 | -9,431  |
| Other expenses           | -2,783  | -2,734  | -2,903 | -3,232 | -3,319 | -3,428  |
| Rtn. on ord. act pre-tax | 109,346 | 73,437  | 81,789 | 80,505 | 16,116 | 110,505 |
| NAV per share (p)        | 871     | 959     | 1,057  | 1,152  | 1,152  | 1,288   |
| S/P prem./disc. to NAV   | -10%    | -19%    | -26%   | -32%   | -32%   | -39%    |
| Investments (£m)         | 572     | 576     | 670    | 778    | 793    | 880     |
| Dividend per share (p)   | 20      | 21      | 22     | 23     | 24     | 25      |

Source: Hardman &amp; Co Research