

As at 31 December 2023

April 2024

Fund manager
Hamish Mair



Manager Commentary

As at 31 December 2023, the net assets of the Company were £511m, giving a Net Asset Value ('NAV') per share of 702.50p, reflecting a 2.8% NAV total return for 2023. The share price total return for the same period was 17.6%. At year end the Company had outstanding undrawn commitments of £209m, including £26m to funds where the investment period has expired.

During the year commitments to 12 funds were made. These are diverse by manager and geography. They have different investment styles and sector preferences; but they are all mid-market funds. We maintain our belief that investing in the mid-market of the UK and Europe, and selectively in North America, allows us and our investment partners to buy companies in an innately inefficient market which offers superior returns compared with buying larger, better known companies which are usually offered in heavily intermediated processes.

Our dealflow of co-investments remains strong with 10 new co-investments made during the year. The last co-investment made in 2023 was a €4m commitment to Educa Edtech, a Spanish e-learning business, which provides self-paced courses including master's degrees. The business is international with a major presence in Spanish speaking countries. The company has an unrivalled portfolio of course content in an accessible online format and is expected to benefit from the growth in the e-learning market.

The funds element of the portfolio has been active throughout the year making new investments. Some of the larger individual investments were: US financial services and technology focused fund Corsair Capital VI called £2.2m for HungerRush, the all in one point of sale and restaurant management platform; Volpi III called £2.0m mainly for investment in Cyclomedia, the Netherlands-based geospatial data company, in which we are also a co-investor; Magnesium Capital I (the UK-based manager, pan-European fund) called £1.7m immediately following closing to invest in Embriq, the software and IT managed services provider for utilities and data intensive industries; Hg Saturn 3 drew £1.5m for Access, the provider of enterprise resource planning software and £1.1m across the year for IFS/Workwave, the provider of field service management software; SEP VI called £1.1m for its first two investments; Cresset, the software business focussed on the design of small molecules for drug discovery, and Pelion, an internet of things connectivity business.

Total new investment for 2023 was £110.9m.

There were several realisations in the portfolio in 2023. For example, the sell down of energy services company Ashtead Technology, led by Buckthorn, has completed and realised £12.9m during the year. This brings total proceeds to £19.9 million representing 2.5x cost and an IRR of 19%. While in Spain, Corpin IV returned £2.5m from the sale of care company Grupo 5 (6.1x, 51% IRR) and £3.7m for Kids&Us (5.4x, 50%), the English language school for children.

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 Date¹:	2001
Total assets:	£616 million
Share price:	468.00p
NAV – per IFRS:	702.50p
Discount/Premium(-/+):	-33.4% ²
Dividend payment dates[#]:	Jan, Apr, Jul and Oct
Net dividend yield¹:	6.0%
Net gearing/Net cash¹:	14.6%
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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Total realisations in 2023 were £61.8m - approximately half of the amount realised in 2022 and 62% down on the peak year of 2021.

There have been many valuation movements during the year in both directions with a modest net positive trend. This is very much in line with the feeling expressed by our investment partners about the business environment – i.e. one of modest but definite improvement. The large movements are provided by our co-investment portfolio which now accounts for 44.6% of the portfolio.

The largest positive movement this year was the £9.2m uplift in the Kester led pet shop chain Jollyes which, after the year end, agreed a sale to TDR Capital. The proceeds of the exit are expected to be received imminently and amount to c.£18.9m. This is an excellent outcome and depending on the timing of the proceeds, represents c.3.9x cost and a net IRR of c.29%. EBITDA has doubled since the company was acquired in 2018 with the number of its large format pet retail stores growing from 60 at the time of acquisition to over 100.

The largest write-down was from Ambio, the producer of active pharmaceutical ingredient for peptide-based pharmaceuticals, which has been written down by £4.7m over the year, due to a sharp reduction reflecting recent poor performance partially resulting from a serious fire.

In private equity investment there are clear benefits of maintaining a well-diversified portfolio, like the Company's, which tends to cushion the inevitable shocks.

The principal development relating to the Company's financing is that the borrowing facility, which was due to expire on 24 June 2024, has been renewed and expanded giving valuable additional headroom and increasing the borrowing capacity to reflect the increase in the asset base since the facility was agreed nearly five years ago. The term loan element of the facility has been increased from €25m to €60m and the revolving credit facility remains at £95m. This gives an increase of around a quarter in the borrowing capacity. The term loan is provided by RBSI and the revolving credit facility is split £55 million from RBSI and £40 million from State Street. Although the margins are slightly higher, we have negotiated an improvement in the covenants. The new arrangements will last until February 2027 – i.e. three years.

At the end of 2023 the net debt of the Company was £87.2m which was comfortably within the limits of the borrowing capacity and represented gearing of 14.6%.

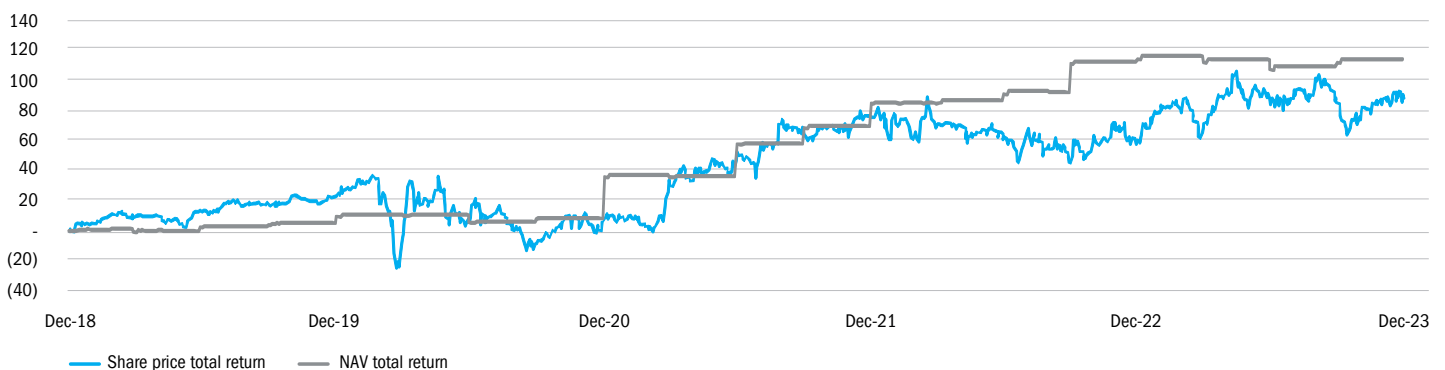
Having been established on 22 March 1999, the Company has recently celebrated its 25th anniversary. Over its life, the Company has delivered to Shareholders an excellent return. The gains accumulated since the start of the Company equate to 11.6x. By comparison the stock market, as represented by the FTSE All Share index, would have provided a total gain over the same period of only approximately 2.4x.

2023 has been a year of adjustment where the natural progress of the portfolio has been tempered by pressures across the portfolio arising from higher interest rates and the return of high inflation. These factors have created varying degrees of pressure for portfolio companies whose management teams, guided and supported by their private equity partners, have generally coped well. Most of the investee companies have long term growth characteristics underpinning their individual investment theses, which remain largely intact.

Following three very strong years of gains considerably aided by a large flow of exits, 2023 has been characterised, unsurprisingly, by lower volumes of exits. Exits require the buyers to have adequate risk equity, debt and confidence as well as an incentive to deal promptly. Whilst there is no shortage of equity available, debt has been harder to come by and is much higher in price. Business and investor confidence has been more subdued, especially from around mid-year – as we have seen at many times during the Company's 25-year history, caution tends to slowdown deal doing. The combination of these factors has manifested themselves as a reduction in deal activity with exits proving harder to achieve, pricing being moderated and delays pushing out exits or indeed cancelling them.

In recent months there appears to have been some signs of improvement with many of our investment partners and the underlying companies expressing confidence about the year ahead. Our own pipeline of funds and co-investments dealflow remains very robust with no shortage of attractive opportunities to invest shareholders' capital. These factors all bode well as the Company celebrates 25 years of delivering strongly for shareholders and embarks on its next quarter century.

5 year Fund performance



Cumulative performance as at 31.12.23 (%)

	3 Months	Year to date	1 Year	3 Years	5 Years
NAV	1.9	2.8	2.8	60.3	117.6
Share price	1.6	17.6	17.6	78.1	88.9

Standardised annual performance year to 31 December (%)

	2023	2022	2021	2020	2019
NAV	2.8	14.8	35.8	22.7	10.6
Share price	17.6	-8.9	66.2	-14.2	23.6

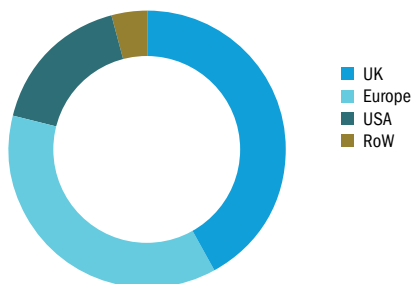
Past performance is not a guide to future performance. Source: Datastream and Columbia Threadneedle Investments. Basis: Percentage growth, total return, bid to bid price with net income reinvested in Sterling as at 31 December 2023.

Trust codes

Stock Exchange Code	Sedol
CTPE	3073827

Top 10 holdings (%)[≈]

Jollyes	3.7
Sigma	3.1
Inflexion Strategic Partners	2.9
Coretrax	2.7
Aliante Equity 3	2.3
TWMA	2.2
Bencis V	2.1
ATEC (CETA)	2.1
August Equity Partners V	2.0
San Siro	2.0
Total	25.1

Geographical breakdown as at 31.12.23 (%)

Co-investment Exit – Jollyes

Background

Founded in 1935 and headquartered in Essex, Jollyes is the second largest pet retailer in the UK. Jollyes was acquired by Kester Capital in May 2018 in a primary buy-out from the retiring owner-manager at an attractive entry multiple of 5.2x LTM EBITDA.

At entry, Jollyes operated 60 large pet retail stores across the UK, with a geographic focus on southern and central England and Northern Ireland. Stores are generally located on retail parks with high footfall, good transport links and large car parks. Jollyes differentiates itself from competitors with a focus on value and customer service.

Investment Rationale and Performance

Resilient and growing market - The pet product and services market in the UK is large (over £7 billion in 2017), growing at c.5% and has proven to be highly resilient through the economic cycles. CT Private Equity trust PLC has good sector experience, having achieved a strong exit from Pet Network at 4.2x cost and 54% IRR in 2021.

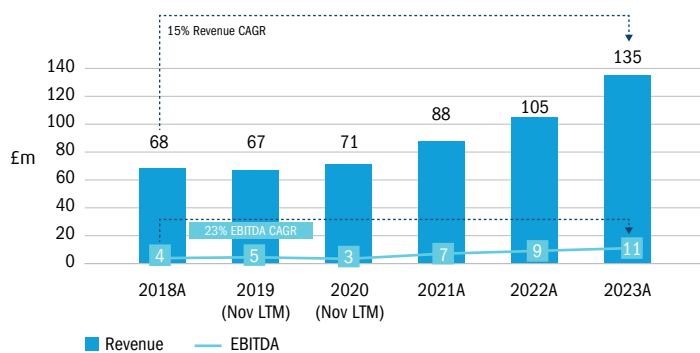
Operational improvements - The incoming team identified a number of operational improvements, which were successfully implemented over the investment period, to transform Jollyes into one of the fastest growing physical retailers in the UK.

New store roll-out – The team implemented a successful new store rollout plan, expanding from 60 stores to 100 stores over the investment period.

Recruitment of high quality management team - During its investment period Kester Capital recruited a high calibre management team, led by CEO Joe Wykes and Chairman Richard Cotter. Over the investment period total employees doubled to 1,200.

Exit

In March 2024, Kester Capital announced the sale of Jollyes to UK private equity firm TDR Capital. The sale is expected to result in net proceeds of £18.9m, and a return of c.3.9x TVPI and c.29% IRR for CT Private Equity Trust PLC.



To find out more visit columbiathreadneedle.com



All data as at 31.12.2023 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. [‡]The Company was launched in March 1999 and the current ordinary shares were created as a share class (continuation shares) in 2001. ^²Calculated using share price and net asset value at the period ended 31 December 2023. ^{*}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. ^⁴As a percentage of net assets at the period ended 31 December 2023. 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.

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