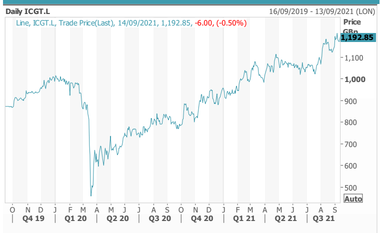
Closed End Investment Funds



Source: Refinitiv

Market data

EPIC/TKR	**ICGT**
Price (p)	**1,190**
12m High (p)	1,198
12m Low (p)	762
Shares (m)	68.52
Mkt Cap (£m)	815
NAV p/sh (Apr'21 adj, p)	1,422
Disc. to NAV	16%
Country of Listing	UK
Market	Premium equity closed end investment 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
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Key shareholders

None over 3%

Diary

Oct'21	Interim results

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ICG ENTERPRISE TRUST PLC

ICGT in personal pensions: do as the professionals do

With UK Pensions Awareness Day taking place on 15 September 2021, in this note, we explore the reasons why PE, and ICGT in particular, may be suitable for personal pensions. In summary, ICGT gives investors a liquid, managed option to replicate what professional pension fund managers and long-term investors do. It accesses above-market compounding returns, and diversifies risk. ICGT has strong corporate governance, good disclosure, and a simple structure. Its defensive growth strategy has consistently delivered superior returns across cycles. In our view, the discount to NAV (16%) offers additional value to compounding NAV growth.

- **PE matches assets to goals:** Unless close to retirement, pension saving is to generate the maximum investment pot to then earn income over the long term. PE invests in assets for the long term, and has delivered compounding returns above markets, inflation and gilts. The assets match the goal in pension saving.
- **Why ICGT?** Most PE investments are illiquid and available only to large investors. ICGT offers all investors liquid access to that asset class. Being listed, it has board supervision and regulated disclosure. Its access to ICG's expertise generates unique opportunities. It has a proven defensive growth strategy.
- **Valuation:** NAV valuations are conservative (uplifts on realisations averaging 35% long term). The ratings are undemanding, and the carry value against cost modest. The 16% discount to NAV is anomalous, we believe, with defensive market-beating returns, and is above the levels seen pre-COVID-19. The yield is 1.9%.
- **Risks:** PE is an above-average cost model, but post-expense returns are market-beating. Even though actual experience has been of 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, having a defensive growth investment policy and exploiting synergies from being part of ICG since 2016. Valuations and governance appear conservative. It has an appropriate balance between risks and opportunities. The risks are primarily sentiment-driven on costs and cyclicality, and the underlying assets' liquidity. As noted, it seems anomalous to have a consistent record of outperformance and to trade at a 16% discount to NAV.

Financial summary and valuation

Year-end Jan (£000)	2018	2019	2020	2021	2022E	2023E
Total income	22,386	5,969	7,441	6,594	13,684	14,948
Realised gains	-31,257	9,329	14,686	n/d	18,151	19,836
Unrealised gains	91,381	76,440	70,974	184,071	108,907	119,018
Investment mgr. fees	-7,165	-7,984	-9,572	-10,728	-10,116	-11,396
Other expenses	-2,734	-2,903	-3,232	-4,070	-4,198	-4,333
Rtn. on ord. act. pre-tax	73,437	81,789	80,505	175,068	126,430	138,073
NAV per share (p)	959	1,057	1,152	1,384	1,543	1,717
NAV total return	12%	12%	11%	22%	14%	14%
S/P discount to NAV	-15%	-22%	-16%	-31%	-23%	-31%
Investments (£m)	576	670	778	908	992	1,110
Dividend per share (p)	21	22	23	24	27	28

Source: Hardman & Co Research

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- high net worth companies, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2) of the Order, provided that in each case the report and any materials in it are only directed at persons who are "qualified investors" as defined in article 2(1)(e) of Directive 2003/71/EC (as amended) (the "Prospectus Directive") ("Relevant Persons"). Accordingly, this report does not constitute, and does not contain the information required to be contained in, a prospectus as required under the Prospectus Directive.

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Why listed PE (and ICGT) make sense for a personal pension

Reason (1): matching assets with investment goals

Most pension saving is long-term, with goal of maximising investment pot

Most people save into a pension because they do not believe that the state pension will be enough to fund what they want to do in retirement. There are a range of other reasons (such as tax efficiency, inheritance planning, company contributions, etc.), but the bottom line is that most pension savers want the largest pot of money available at some stage in the potentially distant future. It is thus a long-term goal, aiming for maximised compounding returns, which can afford a degree of risk. PE is managed for the long term, with most investments held for three to five years, and PE funds having a total lifespan of 10 or more years. ICGT retains most returns for compounding capital growth, with only a modest proportion distributed as dividend (2022E yield 2.2%). This means not only that it is managed through cycles (providing proven downside resilience), but that it can also earn premia for holding illiquid assets.

Reason (2): it is what the long-term investing professionals do

We note from Exhibit 14 (p20) of the *McKinsey Global Private Market Review 2021* that institutional investors increased their PE asset allocation by nearly a third between 2008 and 2019. Most have access directly to PE funds and some the resource to analyse this market in detail. This is not an option for most retail investors whose portfolios are not large enough to meet PE funds' minimum investment requirements. ICGT provides a solution to this problem in that it is a listed, liquid LSE share with professional managers to do the hard work, giving investors the desired PE exposure.

Professionally run pension funds have allocation to PE (in mature US market 15%). Other long-term investors, like sovereign wealth managers and some high-profile market advisers, do likewise.

We have considered what long-term investing professionals do in a number of ways:

- **Pension funds:** We note, from the Pantheon report, *Asset allocation: Private markets in global multi-asset portfolios,* Exhibit 2, that, in the US, the most mature PE market, US public pensions allocate 15% of AUM to private markets, while the Canadian public pensions allocate 35%. The less mature UK local government schemes still allocate 8%. The report noted that a neutral allocation within private markets was 73% PE, 14% private debt, 10% infrastructure and 3% natural resources, which implies ca.12% PE allocation in the US.
- **Long-term, non-pension investors:** We consider below the allocation for the Singapore-based sovereign wealth fund GIC, which has the stated objective of "*We manage most of the Government's financial assets, investing for the long term with an aim to preserve and enhance the international purchasing power of the funds placed in our care*" and which monitors its performance on a 20-year rolling basis.[1] The fund's stated asset allocation is 11%-15% in PE[2] and, as at March 2021, was at the top end of this range.[3] Similarly, the Abu Dhabi Investment Authority

[1] https://www.gic.com.sg/who-we-are/
[2] https://www.gic.com.sg/how-we-invest/our-policy-portfolio/
[3] https://www.gic.com.sg/our-portfolio/

allocates up to 8% of its funds in PE.[4] Norges, the Norwegian sovereign wealth fund, owns 2.6% of 3i.[5]

- **Vanguard report**: We also note the February 2021 Vanguard report, A new approach to private equity allocation, which states that "*Vanguard Strategic Asset Allocation Committee (SAAC) has developed a series of enhancements to our proprietary Vanguard Asset Allocation Model (VAAM) to account for these characteristics. The enhancements allow investment advisors to determine an empirical and defendable allocation to private equity*." In addition, "*Vanguard believes exposure to private equity has the potential to enhance the long-term returns achieved through public investments in a strategic, multiasset portfolio*." The derived PE allocation in this report reaches up to 36% of the total portfolio for low-risk aversion (23% for medium-risk and 3% for very-high-risk aversion). The website[6] also has a series of papers written by Vanguard on PE allocation for a range of portfolios.

Reason (3): enhanced portfolio returns

Enhanced retrains are not by accident but reflect value added by PE to underlying companies, including areas like ESG

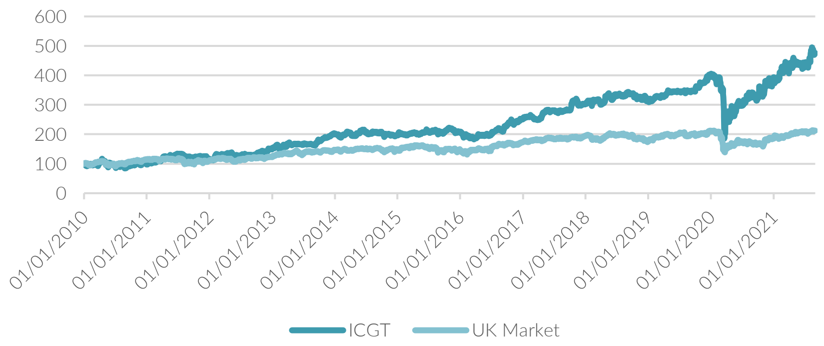
We believe PE further adds value for shareholders in four key areas: i) strategic development of investee companies; ii) performance enhancement – operational improvements from adopting sector-wide best practice, the active management of capital structures/finances and the strengthening of management teams; iii) valuation opportunity – PE can buy low (in private markets) and sell high (post operational improvements, with increased scale and potentially into public markets); and iv) corporate governance – PE has the resources to consider ESG issues, when a standalone company may not. PE thus generates superior returns (we detail in the section below how ICGT specifically has performed relative to other investment classes) and has a long-term focus, matching exactly the reasons why people save in a personal pension.

ICGT has beaten stock market returns, well ahead of gilts and CPI. Since 2010, ICGT's total return increased nearly fivefold, against UK market's nearly doubling

ICGT specifically has delivered superior returns to both UK stock markets and inflation, and it is now delivering a dividend yield above 10-year gilts with materially greater capital upside. The chart below shows the track record of ICGT's share price and the UK stock market total return indexed to January 2010. As can be seen, there has been a significant outperformance over this period, with ICGT's total return increasing nearly fivefold against the UK market's nearly doubling. The performance since ICG became the manager has been nearly 3x the total return seen by the UK market. In the chart, we have focused on share price return as, at any given time, if pension investors wanted to liquidate their positions, it is the share price they would achieve. The long-term NAV outperformance is similar (10-year ICGT NAV total return 208% to FY'21, against FTSE All Share +71%) and, as we detail in the section below, the NAV, which is more under the influence of management, has been materially less volatile than the share price.

[4] https://www.adia.ae/en/investments
[5] https://www.nbim.no/en/the-fund/investments/#/2020/investments/equities/440/3i%20Group%20PLC
[6] https://institutional.vanguard.com/VGApp/iip/site/institutional/researchcommentary/article/InvResPrivateEquityAllocation

ICGT share, and UK market, total return indexed to January 2010 at 100



Source: Refinitiv, Hardman & Co Research

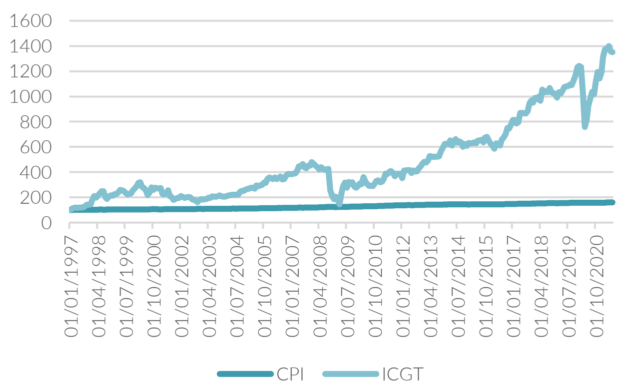
Consistent, superior returns

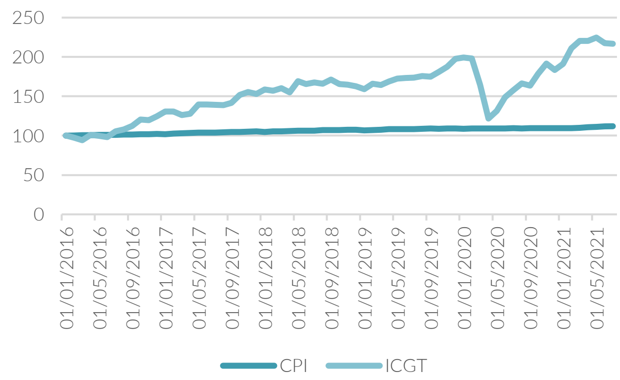
Not only is the level of outperformance an important issue, but so is its consistency. As ICGT's website notes[7] "*An investment in ICG Enterprise Trust made on the period end date **in any of the last 20 years** would have outperformed the FTSE All-Share Index (Total Return) if still held on 30 April 2021*." Such a feat is a remarkable reflection of consistently delivering superior performance.

Massively ahead of inflation, more than preserving real purchasing power

One key consideration for pensions is preserving the real purchasing power of the fund. The next charts consider the total return from the ICGT shares against inflation (in this case using CPI). The outperformance here is even more dramatic, with long-term inflation sub 3% (and even less in the more recent past).

ICGT share price return compared with CPI, indexed to 100 at January 1997 (LHS) and 100 at January 2016 (RHS)





Source: Refinitiv, Hardman & Co Research

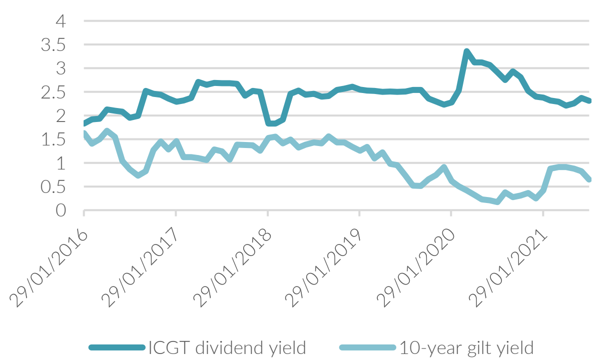
ICGT now yielding over 3.5x 10-year gilt, with further upside from expected rising dividends and capital gains

The next chart considers the returns against gilts. While ICGT is managed primarily for compounding, long-term capital growth, it still pays a modest dividend. Its yield of 1.9% is over 3.5x the level of the benchmark 10-year gilt, giving investors a materially higher income stream. The right-hand chart shows that the ICGT ordinary dividend has been on a rising trend, with the January 2021 level more than 10x the January 2011 level. Rising dividends are expected to continue. The 21 June 2021 announcement commented that "*In the absence of any unforeseen circumstances, it is therefore the Board's current intention to declare total dividends of at least 27p per share for the financial year ended 31 January 2022. This would represent an increase of 3p (12.5%) per share compared to the financial year ended 31 January 2021*." In addition to increasing income, our forecasts assume capital gains with a rising NAV. The

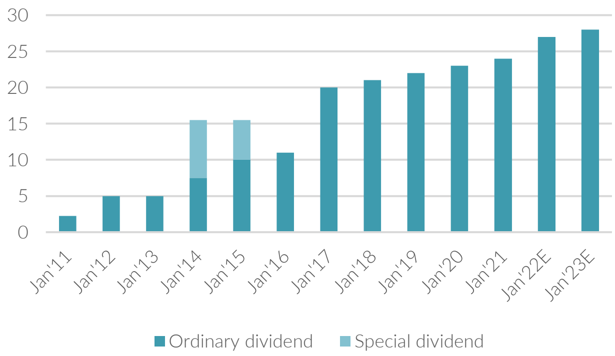
[7] Accessed 31 August 2021

outlook for gilt capital gains is far from clear – if gilt yields were to rise with rising inflation expectations, then capital losses would appear likely.

ICGT dividend yield and 10-year UK gilt yield (%) (LHS)



ICGT dividend history (p)



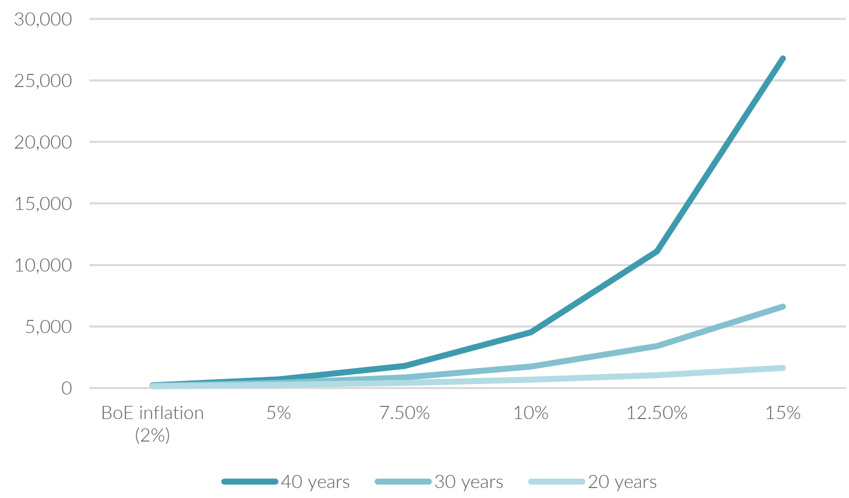
Source: ICGT, Refinitiv, Bank of England, Hardman & Co Research

Reason (4): benefit from compounding and low volatility returns

Compounding higher returns over long term have dramatic impact on eventual pot

The advantage of superior returns increases dramatically with the compounding effect over time. The chart below shows how the gap accelerates because of this compounding effect. For 20-year-olds, assuming 40 years of compounding, a 5% return would see their fund grow sevenfold. A 10% return p.a. sees this grow to 45x, while a 15% return would see the fund double every five years, and see a 267x return over 40 years.

Value of £100 fund compounded over 20, 30 and 40 years at different returns



Source: Hardman & Co Research

Reason (5): diversification of risk

Correlation of returns

Higher correlation to inflation than equities

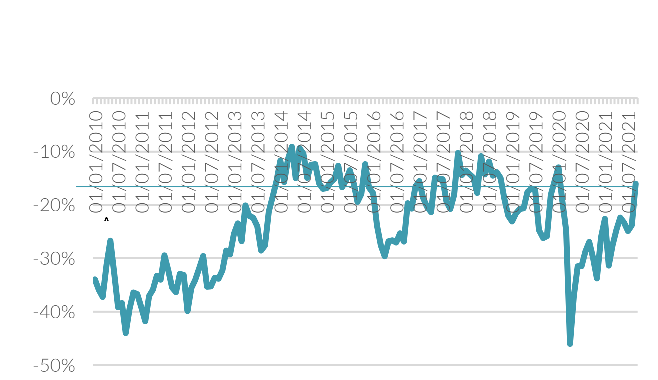
We believe that, for a pension, it is appealing to have an asset that is more correlated to inflation than to equity markets. Taking the data in the charts above, this is exactly what ICGT delivers, with a monthly correlation to CPI since January 2016 of 0.89, against a daily share price correlation against UK markets of 0.82. ICGT's portfolio has become increasingly geographically diversified, and its share price correlation with UK markets has reduced (since January 2019, 0.75). Pension investors thus have an asset that reflects inflation risk but is diversified away from equities.

NAV less volatile than share price

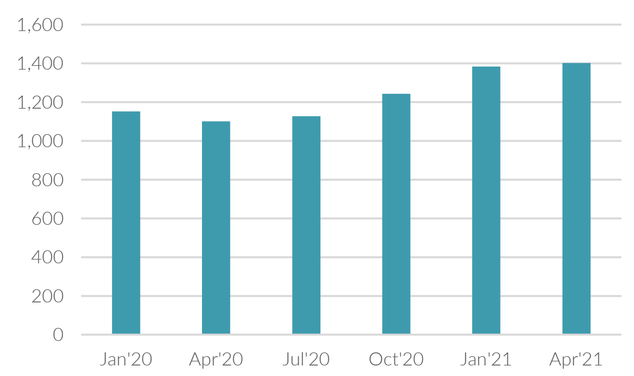
NAV, which reflects management's long-term performance, much less volatile than share price. NAV only fallen in two quarters out of 21 since January 2016, when manager took over. Fall at depth of COVID-19 was only 4%.

ICGT has limited control on the daily share price, which can be sensitive to sentiment – as shown in the left-hand chart below. In 2020, market concerns saw this rise from the low teens to nearly 50%, while the reported NAV through the period was: January 2020 £11.52; April 2020 £11.00; July 2020 £11.27; and October 2020 £12.43. Over the long term, sentiment swings are likely to broadly cancel each other out and should be less of a factor on returns than the underlying performance. The NAV reflects what management is doing to add value, and it is therefore fair to consider the NAV volatility as also reflective of shareholder returns. The right-hand chart below shows how stable the NAV was through the COVID-19 pandemic, a performance consistent with previous periods of challenging market conditions. Compared with peers, we believe ICGT has one of the lowest levels of NAV volatility

ICGT share price discount to NAV (%)



ICGT quarterly NAV through COVID-19 crisis (%)



Source: ICGT, Refinitiv, Hardman & Co Research

Resilience reflects PE outperformance but also ICGT risk reduction strategies

We have explored why ICGT's NAV outperforms quoted markets in several notes during the past 12 months, including *Defensive growth: explaining downside resilience* (8 September 2020), *ICGT's steps to value-adding portfolio construction* (22 February 2021), *FY'21 results: blew the roof off, not just the doors* (20 May 2021) and *Outperformance through every stage of cycle* (6 July 2020). In summary, the critical factors, for PE generally, are i) access to committed capital, ii) strategic optionality, iii) operational, financial and market expertise provided by the PE manager that the company would not have on a standalone basis, iv) for managers to earn performance fees, or launch new funds, they must prepare for and manage through the cycle (PE is a long-term business, which straddles economic cycles), and v) multi-year sector changes, with more IT and healthcare, enhance resilience. Additionally, ICGT incrementally reduces risk by its "defensive growth" strategy. In practice, this means focusing on well-established businesses with strong competitive positions in a structural growth market, recurring revenues, high margins, strong cashflows and low customer concentration.

Why ICGT?

Superior returns with lower downside risk

We have already identified that i) ICGT has delivered superior returns and, critically, an investment in ICG Enterprise Trust made on the period-end date ***in any of the past 20 years*** would have outperformed the FTSE All-Share Index (total return) if still held on 30 April 2021, and ii) ICGT has a "defensive growth" strategy, which has seen outperformance in downturns, thus reducing the real downside risk. We have also highlighted the benefits of compounding returns and the relatively low NAV volatility.

We also note that:

Focused portfolio selection

- ICGT has a focused, multi-stage approach with a stringent filtering process, which starts with the whole PE market but then narrows down investments to buyouts, in developed markets, mainly in the mid-market/larger deals and through leading PE managers. Individual opportunities must then meet ICGT's defensive growth strategy.

Resilient sector exposure

- The resulting sector exposure adds to resilience, with 26% in Healthcare and Education and 17% in TMT, as at April 2021. Within other sectors, such as consumer, the sub-sector focus is on more defensive sectors, such as digital, not physical, retail.

Balanced high-conviction, high-return portfolio with diversified funds. Overall, delivering market-beating revenue and EBITDA growth.

- ICGT balances a high-conviction portfolio (HCP 48% of April 2021 investments), where the investment decision is directly under the control of ICG/ICGT. The HCP consists of direct investments (through either ICG-originated business or PE fund manager partners), commitments to five ICG strategies and a small portfolio of fund investments bought in the secondary market. Over the five years to April 2021, the average local currency return has been ca.25%. It also balances a highly diversified portfolio of third-party PE funds (52% of book). The diversified fund portfolio's value-added comes from the careful selection of managers, where ICGT adds value in this area, given its 39-year history, the long experience of its managers and synergies from the ICG group, including a deep understanding of private capital markets. The relationships built through this process are important for generating co-investments, which are included in the HCP. The result of this careful selection is that ICGT's portfolio is delivering strong revenue and EBITDA growth – 12% and 14%, respectively, as at December 2020.

Book value looks conservative. Five-year average 35% uplift on carrying value on realisation. Undemanding valuation ratings on underlying companies. No incentive for PE managers to inflate valuation, and ICGT has appropriate controls in place.

- We believe the NAV is not only low relative to volatility, and benefits from compounding, but it also is a fair reflection of the real value of underlying assets, bearing in mind that i) realisations have, on average over the five years to April 2021, been at a 35% uplift to the latest book value (42% in latest quarter) – even allowing for a sale premium, this gives considerable comfort that the underlying valuations are fair, ii) the underlying company valuation ratings, on which ICGT's NAV is based, are not demanding in absolute or relative terms, with the December 2020 EV/EBITDA of 14x, iii) there is limited incentive for PE managers to inflate accounting valuations, as their performance fees are based off realised, not accounting, values, and iv) ICGT's experience and breadth give it the opportunity to carry out a sense check, and there are the usual external accountants' reviews.

Benefits from ICG synergies

- Being part of the ICG family sees benefits, including market knowledge and experience, fee savings, access to investment opportunities, a range of specialist skills and economies of scale. The benefit has been especially valuable in rolling out the geographical diversity of the portfolio with the UK, accounting for 25% of the April 2021 portfolio, against 41% when the manager took over.

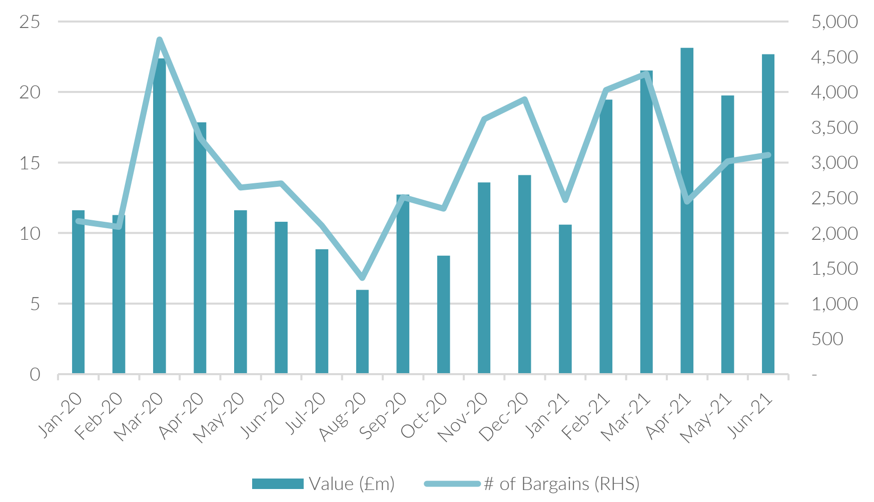
Which PE "risks" are not relevant for ICGT?

Opponents of investment in PE cite a number of issues, which do not apply to ICGT.

ICGT gives investors liquid access to the illiquid superior-returns PE market

- As a listed equity, ICGT is liquid. Investors are not tied into ICGT shares in the same way as investors into a PE fund are locked in, nor do they face the illiquidity of investing directly in private companies. The underlying companies earn the superior returns from being long-term, illiquid investments, but an investor in ICGT has a liquid, readily realisable asset. The chart below shows the value and number of shares traded each month since January 2020. In 2021, the average value has been £19m per month, with an average 3,108 trades.

ICGT share traded value (£m, LHS) and number of trades (RHS)



Source: LSE, Hardman & Co Research

Good corporate governance, with independent board and listed company reporting requirements

- ICGT has good corporate governance, with an independent board[8] with broad experience. Critically, this gives it the ability to challenge the manager – a key aspect of corporate governance. Additionally, ICGT has to meet all the reporting requirements of being a listed vehicle, and actively engages in investor relations to get shareholder feedback.

ICGT professional managers understand complexities in PE structures

- Most PE vehicles have complex organisational holdings and structures. ICGT's professional managers have a long experience in the market, as well as significant resource, and so can understand these complexities in a way that is simply unavailable to most investors. Its own structure is simple and straightforward.

- Many SIPP administrators charge incremental fees for investing in private companies, but, as a listed share, this does not apply to holdings in ICGT.

[8] https://www.icg-enterprise.co.uk/about-us/board-and-investment-team/

Investment risk

PE a high-cost business, and market-beating returns are after all costs

There is a market sensitivity to costs, especially as some of the nominal PE performance fees can be large. However, investors should note that the investment generates market-beating returns after costs. PE requires significant resources to assess deals, and to invest in management and improve performance once positions have been taken. Due diligence, investment and manager alignment are all necessary to deliver to the value-adding proposition.

ICGT fees in line

Relative to the PE sector, using the AIC definition, ICGT has ongoing costs of 142bps, ca.14bps above average; however, it does have a significant holding in direct investments and, relative to direct PE investment trusts, it is broadly in line. There are no management fees at the ICGT level for its primary or secondary investments managed by ICG (23% of portfolio). Where direct investments have been made (a further 14%), there is only the ICGT manager fee and no underlying manager charges.

Sentiment is that PE is cyclical, but evidence shows continued outperformance, even in downturns. ICGT's largest annual falls in NAV were 3% in early 1990s' recession and 14% in financial crisis. Through COVID-19, NAV fall was only 4%.

We believe a further investor concern can be sentiment to how ICGT will perform in the event of an economic downturn. The historical perception that PE is all about gearing (with which we do not concur) means that some investors see more risk in PE in downturns. We note that, in the early 1990s' recession, ICGT reported a 3% fall in NAV for one year only, and a rapid accretion every year thereafter. Even in the financial crisis, the only annual fall in NAV was 14% (FY'08), which was well below stock market declines. Including intra-year numbers, the peak-to-trough drop was closer to 25% – again still below the market. As our most recent note reports, the outperformance through COVID-19 was even more dramatic.

We do not say there is no risk. A downturn, after all, has several potential impacts: i) a weaker trading outlook for the underlying companies; ii) ICGT's realisation rate is likely to fall (by seven-eighths 2009 on 2007), as will investment drawdowns; iii) there is a higher risk of default where companies have more leverage; iv) the valuation rating applied to underlying companies is likely to decline with market falls; and v) there are likely to be more re-investment opportunities at lower prices. The bottom line, though, has been outperformance through all economic cycles.

Right vehicle for illiquid and unquoted investments. Can take advantage of illiquidity premiums.

While ICGT's investments are largely unquoted and potentially illiquid, investors can take comfort from i) the fact that the permanent structure of the closed end vehicle reduces the chances it will ever be a forced seller at distressed prices, due to redemptions from shareholders, ii) appropriate gearing and liquidity, and iii) the relatively conservative commitment policy. Indeed, illiquidity discounts in the underlying companies often generate a valuation opportunity for ICGT to exploit, and are a core part of the business.

Other issues include:

- Inherent subjectivity in valuations – we believe the valuation is conservative, but there is an element of interpretation by the underlying managers. We also note that there has been a rising valuation rating and that there is a short delay in the timing of valuation.
- The discount has been a feature for a long time – noting that there are examples where such a discount has been reversed, there is a danger that it could be seen to always trade at a discount. We note that the current level of discount is approximately one year's worth of performance, and so any discount closing is really the icing on the cake, rather than the reason to buy.
- There can be short-term noise around currency movements.

Financials

Income statement

Year-end Jan (£000)	2021			2022E			2023E		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
UK investment income & dividends	6,523		6,523	4,538		4,538	4,959		4,959
Overseas interest & dividends	tbc		0	9,076		9,076	9,918		9,918
Deposit interest & other	71		71	71		71	71		71
Realised gains on investments		tbc	0		18,151	18,151		19,836	19,836
Unrealised gains on investments		184,071	184,071		108,907	108,907		119,018	119,018
FX gains & losses		-799	-799			0			0
Investment manager fees	-2,682	-8,046	-10,728	-2,529	-7,587	-10,116	-2,849	-8,547	-11,396
Other expenses	-2,129	-1,941	-4,070	-2,257	-1,941	-4,198	-2,392	-1,941	-4,333
Return before finance costs & taxation	**1,783**	**173,285**	**175,068**	**8,899**	**117,531**	**126,430**	**9,707**	**128,366**	**138,073**
Interest payable & similar expenses	0	0	0	0	0	0	0	0	0
Return on ord. activities before taxation	1,783	173,285	175,068	8,899	117,531	126,430	9,707	128,366	138,073
Taxation	0	0	0	-1,513	1,513	0	-1,650	1,650	0
Return on ord. activities after taxation	1,783	173,285	175,068	7,386	119,044	126,430	8,057	130,016	138,073

Source: ICGT Report and Accounts, Hardman & Co Research

Balance sheet

@31 Jan (£000)	2015	2016	2017	2018	2019	2020	2021	2022E	2023E
Non-current assets									
Unquoted investments	357,830	356,939	491,099	478,362	519,806	571,143	604,306	676,232	741,164
Quoted investments	4,962	0	364	1,733	1,655	1,231	35,702	1,410	1,410
Subsidiary investments	56,217	57,168	80,718	96,392	148,611	206,042	267,554	314,173	367,785
Total non-current assets	419,009	414,107	572,181	576,487	670,072	778,416	907,562	991,815	1,110,359
Current assets									
Cash & cash equiv.	90,137	103,831	38,522	78,389	60,626	14,470	45,143	33,219	23,270
Receivables	4,177	4,038	2,384	10,410	548	1,142	162	33,087	43,379
Total assets	**513,323**	**521,976**	**613,087**	**665,286**	**731,246**	**794,028**	**952,867**	**1,058,121**	**1,177,008**
Creditors	6,459	634	354	963	386	483	851	851	851
Net assets	**506,864**	**521,342**	**612,733**	**664,323**	**730,860**	**793,545**	**952,016**	**1,057,270**	**1,176,157**
NAV per share (p)	**695**	**731**	**871**	**959**	**1,057**	**1,152**	**1,384**	**1,543**	**1,717**

Source: ICGT Report and Accounts, Hardman & Co Research

Cashflow

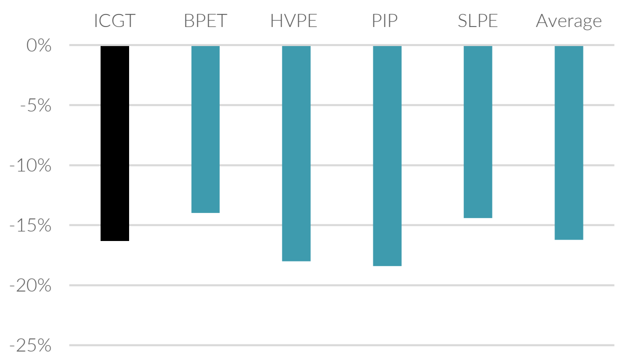
Year-end Jan (£000)	2015	2016	2017	2018	2019	2020	2021	2022E	2023E
Sale of portfolio invests.	132,953	89,941	50,338	160,712	135,461	107,179	147,545	90,000	90,000
Purch. of portfolio invests.	-102,185	-56,213	-102,621	-99,601	-101,790	-95,417	-86,134	-75,000	-75,000
Net cashflows to sub. invests.				-12,824	-32,427	-34,446	-6,486	-6,486	-6,486
Interest income	8,382	8,951	7,263	15,967	3,994	5,832	1,231	1,231	1,231
Dividend income	5,458	2,882	2,629	6,230	1,883	1,290	5,445	12,382	13,646
Other income	644	384	259	129	216	381	71	71	71
Invest. mgr. charges paid	-5,815	-5,840	-6,143	-7,090	-7,956	-9,499	-10,334	-10,116	-11,396
Other expenses	-983	-1,269	-1,380	-1,456	-1,749	-1,227	-1,419	-1,419	-1,419
Net cash inflow/(outflow) from op. activities	38,454	38,836	-49,655	62,067	-2,368	-25,907	49,919	10,664	10,647
Cashflows from fin. activities									
Bank facility fee	-1,651	-1,963	-1,089	-1,320	-1,081	-2,576	-1,410	-1,410	-1,410
Interest paid						-61	-440	0	0
Proceeds from borrowing							0	0	0
Purchase of shares into treasury	0	-9,110	-6,201	-7,810	-709	-2,628	-775	-2,675	0
Dividends	-11,302	-14,816	-11,357	-13,896	-14,543	-15,192	-15,822	-18,500	-19,186
Net cash inflow from fin. activities	-12,953	-25,889	-18,647	-23,026	-16,333	-20,457	-18,447	-22,585	-20,596
Net increase in cash & cash equiv.	25,501	12,947	-68,302	39,041	-18,701	-46,364	31,472	-11,922	-9,949
Opening cash & cash equiv.	65,390	90,137	103,831	38,522	78,389	60,626	14,470	45,142	33,219
FX effects	-754	747	2,993	826	938	208	-799	0	0
Closing cash & cash equiv.	90,137	103,831	38,522	78,389	60,626	14,470	45,142	33,219	23,270

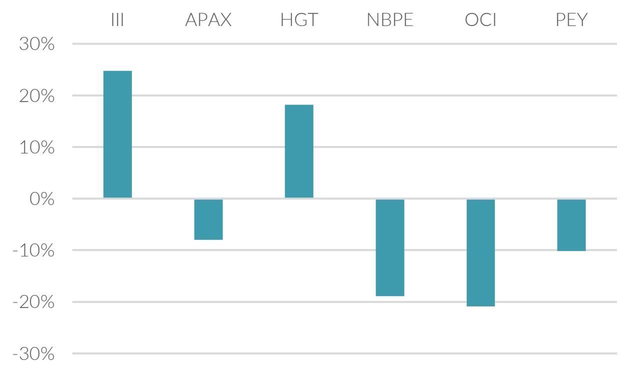
Source: ICGT Report and Accounts, Hardman & Co Research

Valuation

Despite its strong absolute performance and consistent uplift to carry value on exit, ICGT trades at a discount to NAV. This is not uncommon in the PE fund-of-fund space, and ICGT's discount is broadly in line with that of its immediate peers, noting that the NAVs for some peers are updated monthly, while others are updated quarterly. Since our initiation on 6 July 2020, ICGT's share price has increased by 59%, against its peers' average increase of 52%, bringing its discount closer in line with the average. As noted above, the discount to NAV has come down sharply from the peaks of the COVID-19 pandemic, but it is still above the levels seen before that crisis hit.

Current share price discount to January NAV (ICGT's latest reported NAV) for immediate peers (LHS) and wider peers (RHS)





Source: Company websites, factsheets and presentations, LSE, Hardman & Co Research; priced at 20 May 2021

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