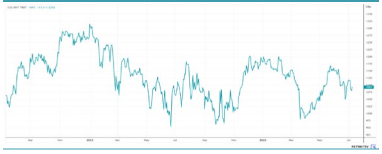
Closed End Investment Funds



Source: Refinitiv

Market data

EPIC/TKR	**ICGT**
Price (p)	**1,098**
12m high (p)	1,223
12m low (p)	928
Shares (m)	67.8
Mkt cap (£m)	744
NAV p/sh (Apr'23, p)	1,876
Discount to NAV	-41%
Country/Ccy	UK/GBP
Market	Premium equity closed-ended investment funds

Description

ICG Enterprise Trust (ICGT) is a listed private equity (PE) investor providing shareholders with access to an attractive portfolio of profitable, cash-generative, private-market investments, with the added benefit of daily liquidity. 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
Aud. Cttee. Chr.	Alastair Bruce
NEDs	David Warnock, Adiba Ighodaro, Janine Nicholls, Gerhard Fusenig
Inv. Mgrs.	Oliver Gardey, Colm Walsh
Contact	Christopher Hunt +44 (0)203 545 2000 www.icg-enterprise.co.uk

Key shareholders

None over 3%

Diary

Early Oct	Interim results

Analyst

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Disclosure: The relevant analyst is a shareholder in ICGT Enterprise Trust.

ICG ENTERPRISE TRUST PLC

Investor Day: defensive growth in practice

ICGT hosted an *Investor Day* on 13 June 2023. The key takeaways were i) a clear, defensive-growth investment strategy, targeting superior risk-adjusted returns over the long term, ii) a differentiated portfolio with exposure to profitable, cash-generative businesses with downside resilience, iii) the benefits of having a dedicated investment team focused exclusively on the trust, but leveraging Intermediate Capital (ICG) as the manager, and iv) a disciplined approach to capital allocation with shareholder distributions through dividends and buybacks. The 1Q trading update noted a small fall in NAV (forex-driven), with the underlying portfolio value growing 10.2% over the past 12 months in constant currency.

- **ICGT's investment approach:** We believe investors get a good understanding of the differentiated approach from slides 26-40 of the Investor Day presentation. They detailed the benefits of Intermediate Capital as the manager, how ICGT accesses the market, and why it is in mid-large, developed-market buyouts with top-tier managers.

- **Results:** In our note, *FY results: proving the market-beating model again*, we reviewed ICGT's latest results. The NAV total return was 14.5% (local currency portfolio return 10.5%, the 14th consecutive year of 10%+ growth). On exit, it saw 24% uplifts. Realisations/investments were in line with historical averages.

- **Valuation:** ICGT's NAV valuations are conservative, demonstrated by continued realisations above reported book values. The ratings are undemanding. The 41% discount to NAV is anomalous, we believe, with defensive, market-beating returns, and is above the levels seen pre-COVID-19. The 2024E yield is 3.0%.

- **Risks:** PE is an above-average cost model, but post-expense returns have consistently beaten public markets. Actual experience has been of continued NAV outperformance in economic downturns, but sentiment may be adverse. ICGT's permanent capital structure is right for unquoted/illiquid assets.

- **Investment summary:** ICGT has consistently generated superior returns, by adding value in an attractive market, having a strategic focus on defensive growth and leveraging synergies from being part of ICG since 2016. Valuations appear conservative, and governance is strong. ICGT focuses on delivering resilient, risk-adjusted returns, and balancing risk and reward. The risks are primarily sentiment-driven on costs, cyclicality and the underlying assets' liquidity. A 41% discount to NAV appears anomalous with ICGT's performance.

Financial summary and valuation

Year-end Jan (£000)	2021	2022	2023	2024E	2025E
Total income	6,594	5,503	2,271	6,792	8,034
Realised gains	(17,088)	1,968	9,311	33,727	39,935
Unrealised gains	201,159	238,062	175,890	202,361	239,611
Investment manager fees	(10,728)	(13,417)	(17,013)	(14,837)	(17,679)
Other expenses	(4,070)	(4,646)	(1,956)	(1,762)	(1,588)
Rtn. on ord. act. pre-tax	175,068	226,490	164,525	222,775	264,808
NAV per share (p)	1,384	1,690	1,903	2,204	2,550
NAV total return	22%	25%	15%	19%	19%
S/P prem./disc. (-) to NAV	31%	26%	-43%	-50%	-57%.
Investments (£m)	908	1,124	1,349	1,597	1,889
Dividend per share (p)	24	27	30	33	36

Source: Hardman & Co Research

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Theme 1: what ICGT gives investors (slides 56-68)

Medium-term, mid-teen NAV per share total returns, with resilience through different economic conditions

We detail, in later sections, how ICGT delivers incremental value in the very attractive PE market. In this section, we consider what it means in terms of outcomes for investors. The value added by ICGT, and its chosen GPs and investments, results in strong NAV per share total returns (20.4% CAGR over three years, 16.9% over five years and 13.8% over 10 years). Critically, the NAV return is driven by the operating performance of the underlying companies, whose portfolio return on a constant currency basis, on average, has been 17% over the past 10 years (see left-hand chart below), driven by their strong EBITDA growth (average 15.3% over the period).

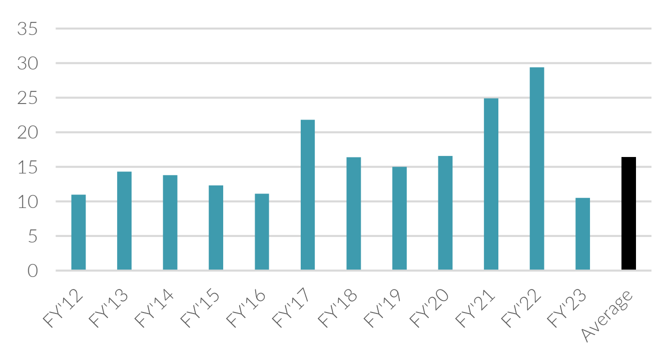
ICGT, on average, delivered annual growth >3x EBITDA of UK benchmark

If we compare a theoretical ICGT company (theoretical, as it would be an average-growth company held for a whole period) with a UK benchmark since FY'11:

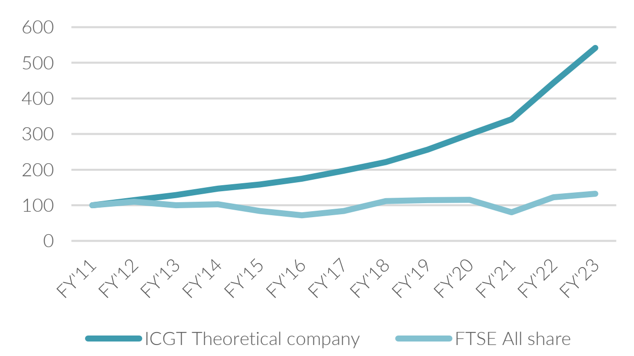
Compounding ICGT's performance accelerates the outperformance – so cumulative beat is even more

- The benchmark average growth rate has been 4.5%, less than a third of the theoretical ICGT company.
- The right-hand chart below shows the compounding benefit, with the theoretical ICGT company EBITDA 5.4x the FY'11 level, while the benchmark EBITDA is up just 32%.
- ICGT's consistent performance is an important factor in accelerating this outperformance. It had no down years, with the lowest annual EBITDA growth rate being 8%. For the benchmark, there were falls in EBITDA in four years: FY'13 (-9%), FY'15 (-19%), FY'16 (-14%) and FY'21 (-30%).

Portfolio return on constant currency basis (%)



Indexed EBITDA for theoretical average ICGT company and benchmark (FY'11 at 100)



Source: ICGT Investor presentation, slides 57-58, Hardman and Co Research

ICGT's EBITDA growth benefits from being in right sectors and companies, GPs adding value to investments, and M&A

In our view, the superior growth in EBITDA reflects several factors, including being in structural growth sectors, picking the right companies in those sectors, GPs adding value to the investee companies (which they could not do as standalone businesses), and M&A. Management confirmed that this was also its view at the meeting, but declined to attribute this to particular factors. Assuming ICGT follows a similar trend to other listed PE vehicles, in our view, organic growth is likely to account for two thirds to three quarters of EBITDA growth, more than twice the whole market growth rate.

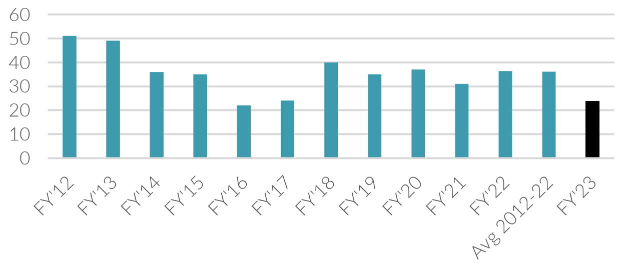
Uplifts on exit prove conservative NAV, with potential embedded value upside

The value added and conservatism in accounting for the portfolio are also evident in the uplifts on exit. There has been a broad consistency, with the lowest average annual uplift being 22% since FY'12 (see left-hand chart below). As we have outlined in previous notes, if buyers, after most of them have conducted extensive due diligence, are willing to pay a considerable premium to carrying value, this implies that there is likely to be a hidden embedded value within the valuation, and the NAV is conservative. We discussed the importance of this issue in our recent note, FY results: proving the market-beating model again.

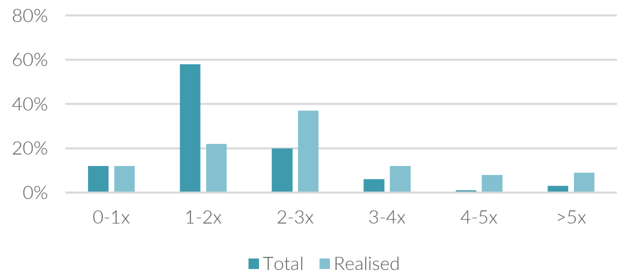
Consistency in returns is encouraging for sustainability going forward

The right-hand chart is important for showing i) that around half realised returns are 2-4x the money on invested capital (MOIC), ii) very few have a MOIC return below 1x, and iii) realised MOICs are mostly well-above unrealised ones, indicating that the unrealised book is valued prudently. The consistency in returns is encouraging, as it demonstrates a stable approach to investment, which, in turn, gives comfort in its sustainability.

Average uplift to carrying value on full exit (%)



Dispersion of MOIC returns, FY'16-23

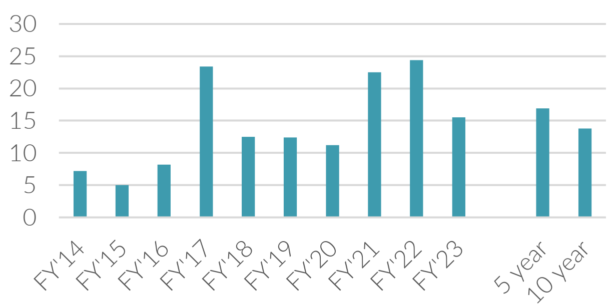


Source: ICGT Investor presentation, slides 59-60, Hardman and Co Research

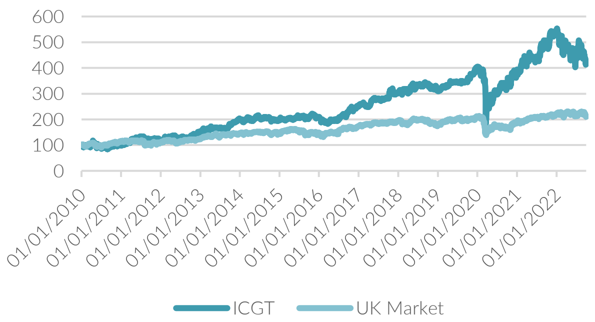
EBITDA growth NAV returns, which drive long-term share price outperformance

The superior and relatively consistent portfolio EBITDA growth drives the portfolio returns, which, in turn, drive strong NAV growth. The share price is subject to market sentiment, with the discount widening in periods of uncertainty and historically, and then closing again. Despite this effect, the share price total return has been well-above that of the UK whole market benchmark (see right-hand chart below).

NAV per share total return (%)



Total share return for ICGT and UK market (1/1/10 at 100)



Source: ICGT Investor presentation, slide 61, Refinitiv, Hardman and Co Research

Management action on discount, including both increasing awareness…

…and long-term capital returns by progressive dividend policy and buyback programme

Management is addressing the discount (slides 62-64) with enhanced portfolio disclosure, increasing awareness, with a refreshed website and digital presence, and broader investor engagement across a number of channels, together with optimising returns on capital with a progressive dividend policy, a long-term buyback programme and a recent management fee cap (see our latest note).

Theme 2: what differentiates ICGT from other listed PE companies

In slides 26-41, ICGT laid out what it felt is unique about ICGT's investment approach, while slides 44-54 describe its portfolio construction. It is the combination of these that gives investors a unique proposition in ICGT.

Investment approach

The key, unique proposition takeaways from the presentation were:

Unique access to ICG's platform and secondary/co-investment opportunities

- ICGT has unique access to ICG's platform with its scale (AUM $80m), insights, downside protection culture and relationships. ICGT also has preferential access to ICG's investment opportunities. ICG's managed funds and co-investments are structured for defensive growth, leveraging ICG's unique position in providing finance across the capital stack. The result is a much higher concentration of ICG European Corporate fund investments delivering returns in the range of 1.8x-2.2x MOIC (IRRs 18%-23%) than the market average and a commensurate smaller proportion in lower or higher returns. We reviewed the benefits in detail in our 2 December 2021 note, Intermediate Capital Group/ICGT: friends with benefits.

- Good risk-adjusted returns, with a balanced mix of primary commitments (target 50% portfolio), secondaries and direct investments (25% each).

Buyouts offer similar returns for less volatility compared with VC/Growth

- ICGT is focused on buyouts because, as the table below shows, the level of returns is similar to venture capital (VC), but the volatility of returns is significantly lower. The loss ratio for VC can be as high as 60%-70%, against an industry average in the buyout sector of 10%-15%.

Net IRR returns by investment strategy (%)

	Top quartile	Second quartile	Third quartile	Gap top to third quartile
Buyout	25	17	9	16
VC/Growth	27	14	3	24
Mezzanine	13	10	7	6

Source: ICGT Investor day presentation, slide 36, Hardman & Co Research

Developed markets offer better returns

- ICGT's defensive growth strategy is also focused in developed markets, where it again sees a better risk-adjusted return.

Net IRR returns by investment market (%)

	-Top quartile	Second quartile	Third quartile	Gap top to third quartile
US (target 50%)	26	17	10	16
Europe (target 50%)	23	15	8	15
Asia	20	13	6	14

Source: ICGT Investor day presentation, slide 37, Hardman & Co Research

Mid-market space offers greater returns for marginally more volatility

- As we have outlined in previous reports, we see the mid-market space as especially attractive, offering i) greater opportunities to add value with operational improvements, ii) bolt-on acquisitions, bringing incremental expertise and market knowledge, which the standalone entity may not be able to resource, iii) a large investment universe of potential companies to invest in, and iv) a greater range of exit options. ICGT's presentation also highlighted the large manager set available in this sector, and gave some statistics in favour of the argument that it offers better risk-adjusted returns.

Net IRR returns by fund size (%)

	Top quartile	Second quartile	Third quartile	Gap top to third quartile
Large Cap (>$10bn)	20	14	9	11
Mid-market ($750m -$10bn)	25	18	11	14
Out-performance by mid-market	5	4	2	n/a

Source: ICGT Investor day presentation, slide 38, Hardman & Co Research

Manager selection is key, and ICG offers unique access

- With global PE, there is a much wider dispersion of returns than in most public markets. Taking 2Q'09-2Q'19 data, the gap between top- and bottom-quartile returns was 18% p.a. for global PE, against 3% in global equities and 1.6% in global bonds (see slide 39). Accordingly, manager selection is critical, and ICGT believes that the ICG brand, network, relationships and platform give it a competitive advantage in picking the right manager.

Compounding accelerates outperformance when returns are consistent, rather than volatile

- A defensive growth approach is designed to deliver superior compounding benefits. We illustrate this with our own example below. We provide three scenarios, each of which delivers an average 10% annual return, but with different volatility. As can be seen, the cumulative effect over five years from a consistent return is nearly 20% above that from a highly volatile one.

Portfolio by calendar year of investment, compared with year of reporting (%)

Year	1	2	3	4	5	6	7
High volatility annual return		10%	-20%	20%	-10%	50%	10%
High volatility cumulative value	100	110	88	106	95	143	
Medium volatility annual return		7%	-8%	15%	0%	36%	10%
Medium volatility cumulative value	100	107	98	113	113	154	
Consistent annual return		10%	10%	10%	10%	10%	10%
Consistent cumulative value	100	110	121	133	146	161	

Source: Hardman & Co Research

Portfolio construction

The reasons why ICGT has chosen where to invest are given above. In terms of the end results and portfolio construction, we note that, at end-April 2023:

ICG managed 29.6% of portfolio

- ICGT's primary funds accounted for 6% of the portfolio, secondary 13% and co-investments 10%, with the ratio of co-investments to primary funds the highest of all ICGT's GPs.

Balance primary and secondary/direct

- Primary investments were 56% (target 50%), direct 26% (target 25%) and secondaries 19% (target 25%). The pace of co-investment and secondaries has accelerated, with the invested cost in the former 3.5x the level in 2016-22 against 2012-15, and the number of deals doubling over the periods. Recent commitments and the pipeline for secondaries are likely to bring the allocations to around their target levels in a relatively short period. The growth in secondaries was detailed in our note, *Spotlight on secondaries,* published on 2 March 2022.

85% mid-market

- Around 85% of the portfolio commitments are to mid-cap funds (just 17% of investments had an EV in excess of £1bn on entry), and they are exclusively focused in buyouts. The portfolio is more akin to the FTSE 250 than the FTSE 100.

US nearly half portfolio

- North America accounts for 42% of the portfolio and Europe 50%.

Very selective approach

- Between 2016 and 2022, ICGT had 20 opportunities from ICG, of which 18 converted (90% conversion rate). From other existing managers, the numbers were 92 and 18, respectively (20% conversion rate), while, for non-existing managers, there were 112 opportunities, of which just one converted.

Theme 3: why PE at all?

In previous notes, we have outlined why we believe PE return outperformance is due to adding value to investee companies

We have outlined, in multiple previous reports, our views on why we believe the incremental operational, strategic, financial and managerial and governance benefits, that a PE backer brings mean that PE-backed business should outperform the businesses as standalone entities. PE, on average, generates superior EBITDA growth, which is the driver to faster NAV appreciation/total returns for investors. We have also outlined why this value is greatest in periods of uncertainty.

PE has multiple attractions

In slides 16-24 of the presentation, ICGT management noted that PE is attractive because:

- It offers access to different segments of the economy, compared with public markets. Despite registering a 15% CAGR over 2021-22, the global PE market is \$7.7tr, just 6% of public equity valuations. Public markets have become increasingly focused on larger companies (average market capitalisation of US public companies has risen ca.16x-fold from 1990, to ca.\$7.9bn currently), while 87% of US companies generating annual revenues greater than \$100m are privately owned.

- It has historically outperformed public market equities. ICGT cited data to end-2022, which reported that Pooled LP returns over 20 years in the US were 14.6%, against 9.5% for the S&P 500 (Europe 15%, against 7.5% for the MSCI Europe). Outperformance was shown over three, five, 10 and 20 years, demonstrating superior returns through all economic conditions.

- It benefits from companies staying private for longer, as private markets have matured and become a viable alternative to public capital, without the constraints, costs and pressures that a listing brings.

- It is an area where individuals appear under-allocated compared with professional investors (ca.90% of private market AUM are held by institutional and ultra-high-net-worth individuals). The allocation of high-net-worth individuals to private markets was cited at 4%, against 14% for defined benefit schemes, 19% for sovereign wealth funds and 27% for endowment funds.

The investment trust structure incrementally adds further value

The investment trust structure has a number of attractions for investing in private companies, including:

- Duration: closed-ended vehicles are investing in long-duration assets.

- Liquidity: shares can be traded without requiring portfolio realisations. In the year to end-May 2023, average monthly trading in ICGT shares was £16m (annual turnover £192m), with nearly 3,000 trades per month.

- Low minimum trading value being the cost of a share.

- Portfolio maturity: acquiring a position in a mature portfolio with no J-curve or unknown long-term commitments.

- Good governance with an independent board.

PE is resilient

PE resilience to market uncertainty (slides 9-12) comes partially from being in sectors that face limited inflation risk and exposure to weakening demand (such as healthcare, technology and education), and avoiding the sectors most exposed to such risks (such as autos, luxury, real estate and steel). EBITDA growth of private companies is slowing, but it remains strong, and interest coverage is high.

Investor questions and answers

We have addressed a number of questions raised during the meeting in the sections above. Additional ones of note include:

What's driving new manager relationships

ICG follows managers all the time and is constantly scanning performance with a proprietary dataset to funnel potential new relationships. It takes time and effort, with a new relationship being like a marriage, and with commitments lasting as long as 12 years.

DD on new co-investments

The focus is on managers known well by the company and on understanding how they operate, their track record, expertise and experience of similar deals. Access to opportunities is via the managers. A proposition has a detailed investment memorandum, which is usually similar to the one the GP submits to its own investment committee. The reports consider the value creation plan and any relevant input ICG may have. It also considers external DD reports on things like ESG and financials, and usually has a one-on-one call with the company management.

Interest rate impact

Low interest rates have helped returns for a number of years. With rising rates, it is critical to be in defensive-growth companies, which are cash-generative and have good visibility on earnings and likely economic impacts. ICGT is very comfortable with the existing portfolio in this context. Looking forward, valuations will have to adjust, but the covenant and structure of financing remain very lenient. PE buyers are still able to do good deals with limited covenants but at a higher cost.

Manager's perception on outlook

The exit environment is healthy, albeit falling moderately. The value of deals is falling at a faster rate than the volumes, with the slowdown skewed to larger deals. In ICGT's core mid-market space, there has been less impact, especially for quality companies, although some managers may slow exits to optimise the price for their best assets.

Cash levels vs. commitments

ICGT has a low over-commitment ratio and a very prudent balance sheet. The pivot to 50% in co-investments and secondaries will further help manager over-commitments. The depth of the secondary market means PE is in a much better space than before the GFC.

Valuations today and relative to past

The average EV/EBITDA, at 14.5x, is modest and has seen only a small upwards trend over time, most notably not tracking up with the listed markets in 2021. It continues to achieve good premiums on exits, which underpins the integrity of the valuation. We discussed this is more detail in our most recent note.

Importance of dedicated management team

Shareholders are getting a different proposition from a direct investing listed vehicle, whose management also is involved in other funds. ICGT's management can pick specific funds, free from other influences, and can target co-investments in the areas it chooses.

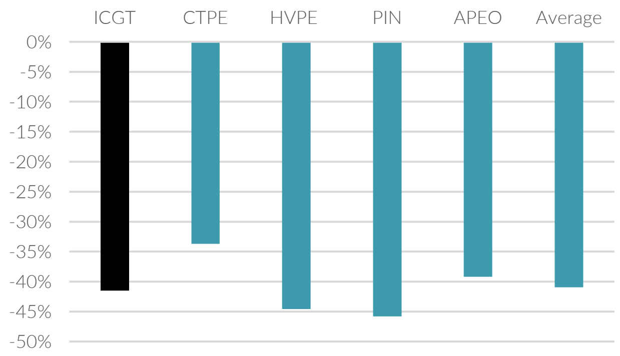
Discount management and buyback

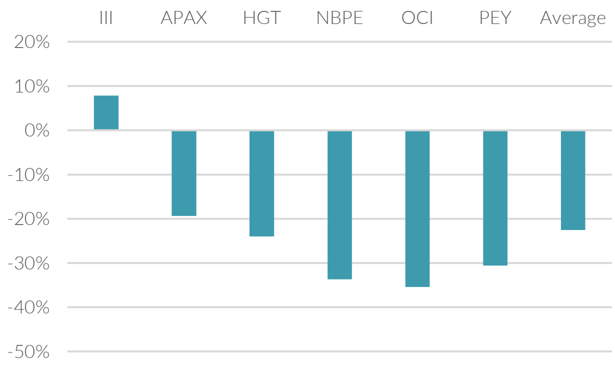
The board did consider whether the size of the discount is indicative that investors do not see the trust as fit for purpose. Having fully reviewed its operations, portfolio, and management team, the board concluded that it was. To address the discount, ICGT is eliminating the factors it can, including sentiment issues, through an enhanced communication programme. This allows for a real understanding of the business, as well as delivering on fundamentals. There is an active buyback programme as part of a long-term strategy, which shows a disciplined approach to capital allocation. While capital growth is expected to be the main source of shareholder value, the board recognises the importance and value of the progressive dividend policy.

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 in line with that of its immediate peers, noting that the NAVs for some peers are updated monthly, while, for others, the update is quarterly.

Current share price discount to NAV for immediate peers (LHS) & wider peers (RHS)





Source: Company websites, factsheets and presentations, LSE, Hardman & Co Research; priced at 01/06/2023

Technology writedown concerns appear misplaced

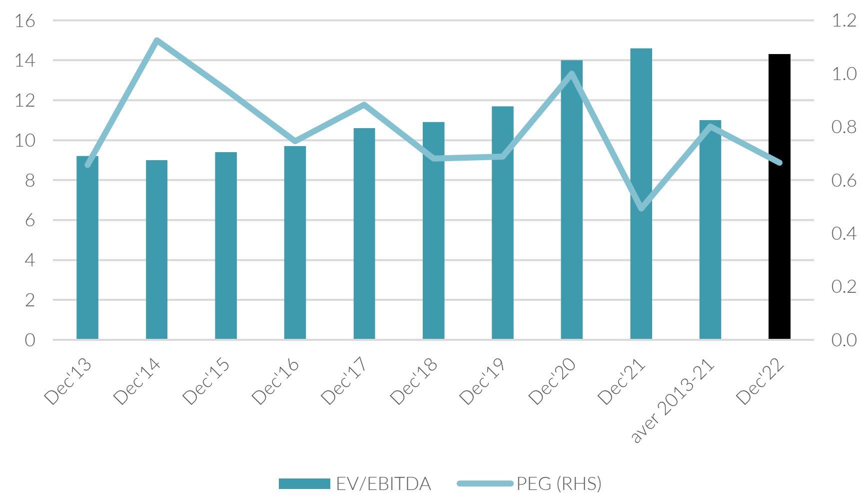
ICGT did not benefit from valuation uplifts, its business mix, other PE trends in this space or underlying company EBITDA growth

PEG ratio for underlying companies below average

And *defensive growth*

We believe that the widening of PE sector discounts may, in part, reflect concerns that the early-stage/VC businesses of PE companies will need to be written down to reflect falling listed market comparables. This is somewhat unfair, as it could be argued that most listed PE vehicles were never given the same credit for valuing their technology businesses on the way up (not that this ever formed part of ICGT's portfolio!) We highlight that the PEG ratio for the valuation applied to ICGT's underlying companies is very low, despite the proven resilience of the defensive growth strategy.

EV/EBITDA and PEG, Dec'13-Dec'22 (x)



Source: ICGT results presentations, Hardman & Co Research

Financials

Our forecasts are unchanged, other than for the detail of the 2023 results, which create a lower base effect.

Income statement (£000)

Year-end Jan	2023			2024E			2025E		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
UK investment income & dividends			-			-			-
Overseas interest & dividends	2,224		2,224	6,745		6,745	7,987		7,987
Deposit interest & other	47		47	47		47	47		47
Realised gains on investments		9,311	9,311		33,727	33,727		39,935	39,935
Unrealised gains on investments		175,890	175,890		202,361	202,361		239,611	239,611
FX gains & losses	0	337	337	0	0	0	0	0	0
Investment manager fees	(1,701)	(15,312)	(17,013)	(3,709)	(11,128)	(14,837)	(4,420)	(13,259)	(17,679)
Other expenses	(1,956)		(1,956)	(1,762)	-	(1,762)	(1,588)	-	(1,588)
Return before finance costs & taxation	**(1,386)**	**170,226**	**168,840**	**1,321**	**224,960**	**226,281**	**2,026**	**266,287**	**268,314**
Interest payable & similar expenses	(431)	(3,884)	(4,315)	(3,506)	0	(3,506)	(3,506)	0	(3,506)
Return on ord. activities before taxation	(1,817)	166,342	164,525	(2,185)	224,960	222,775	(1,479)	266,287	264,808
Taxation	345	(345)	-	371	(371)	-	252	(252)	-
Return on ord. activities after taxation	**(1,472)**	**165,997**	**164,525**	**(1,814)**	**224,589**	**222,775**	**(1,228)**	**266,036**	**264,808**

Source: ICGT Report and Accounts, Hardman & Co Research

Balance sheet (£000)

@ 31 Jan	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Non-current assets									
Unquoted investments	491,099	478,362	519,806	571,143	604,306	202,009	269,178	335,527	418,036
Quoted investments	364	1,733	1,655	1,231	35,702	0	0	0	0
Subsidiary investments	80,718	96,392	148,611	206,042	267,554	921,738	1,079,897	1,261,882	1,471,164
Total non-current assets	572,181	576,487	670,072	778,416	907,562	1,123,747	1,349,075	1,597,408	1,889,200
Current assets									
Cash & cash equiv.	38,522	78,389	60,626	14,470	45,143	41,328	20,694	9,415	6,227
Receivables	2,384	10,410	548	1,142	162	2,205	2,416	2,416	2,416
Total assets	**613,087**	**665,286**	**731,246**	**794,028**	**952,867**	**1,167,280**	**1,372,185**	**1,609,239**	**1,897,842**
Creditors	354	963	386	483	851	9,303	6,274	4,739	3,031
Gross debt							65,293	110,000	160,000
Net assets	**612,733**	**664,323**	**730,860**	**793,545**	**952,016**	**1,157,977**	**1,300,619**	**1,494,499**	**1,734,811**
NAV per share (p)	**871.05**	**959.14**	**1,056.51**	**1,152.12**	**1,384.3**	**1,690.1**	**1,903.0**	**2,204.2**	**2,549.5**

Source: ICGT Report and Accounts, Hardman & Co Research

Cashflow (£000)

Year-end Jan	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Sale of portfolio invests.	50,338	160,712	135,461	107,179	147,545	100,982	32,143	70,000	70,000
Purch. of portfolio invests.	(102,621)	(99,601)	(101,790)	(95,417)	(86,134)	(75,125)	(62,245)	(62,245)	(62,245)
Net cashflows to subs. invests.		(12,824)	(32,427)	(34,446)	(6,486)	(2,524)	(10,162)	(20,000)	(20,000)
Interest income	7,263	15,967	3,994	5,832	1,231	3,647	1,829	1,829	1,829
Dividend income	2,629	6,230	1,883	1,290	5,445	1,854	394	4,916	6,158
Other income	259	129	216	381	71	2	46	47	47
Invest. mgr. charges paid	(6,143)	(7,090)	(7,956)	(9,499)	(10,334)	(6,207)	(21,218)	(14,837)	(17,679)
Other expenses	(1,380)	(1,456)	(1,749)	(1,227)	(1,419)	(1,570)	(1,567)	(1,567)	(1,567)
Net cash inflow/(outflow) from op. activities	(49,655)	62,067	(2,368)	(25,907)	49,919	21,059	(60,780)	(21,857)	(23,457)
Cashflows from fin. activities									
Bank facility fee	(1,089)	(1,320)	(1,081)	(2,576)	(1,410)	(3,318)	(1,728)	(1,728)	(1,728)
Interest paid				(61)	(440)	(50)	(1,963)	(3,506)	(3,506)
Proceeds from borrowing					-	-	65,293	44,707	50,000
Purchase of shares into treas.	(6,201)	(7,810)	(709)	(2,628)	(775)	(2,679)	(2,016)	(6,520)	-
Dividends	(11,357)	(13,896)	(14,543)	(15,192)	(15,822)	(17,849)	(19,866)	(22,375)	(24,496)
Net cash infl. from fin. activs.	(18,647)	(23,026)	(16,333)	(20,457)	(18,447)	(23,896)	39,719	10,578	20,270
Net inc. in cash & cash equiv.	(68,302)	39,041	(18,701)	(46,364)	31,472	(2,837)	(21,058)	(11,278)	(3,187)
Opening cash & cash equiv.	103,831	38,522	78,389	60,626	14,470	45,143	41,328	20,694	9,415
FX effects	2,993	826	938	208	(799)	(978)	424	-	-
Closing cash & cash equiv.	**38,522**	**78,389**	**60,626**	**14,470**	**45,142**	**41,328**	**20,694**	**9,415**	**6,227**

Source: ICGT Report and Accounts, Hardman & Co Research

Appendix: value created from defensive growth strategy

The focus of ICGT's portfolio is on buyouts of businesses in mature markets that have defensive growth characteristics. It chooses direct investments and managers that also align to this strategy – and the maturity and profitability of these businesses are really central here (these are not VC or early-stage business investments). The sector exposure and the maturity of the businesses in which ICGT invests have, in the past, and should, in the future, position the company well relative to the market in delivering resilient returns.

Defensive growth has "play book" of characteristics, which can be seen again and again across ICGT's investments…

…and which are fundamental to consistent returns

Looking at defensive growth characteristics in more detail, these often include:

- Mature businesses that are profitable and cash-generative (unlike early-stage VC investments).
- Leading market positions.
- Providers of mission-critical services.
- The ability to pass on price increases.
- High margins.
- Avoiding early-stage VC where valuations may be based off future revenue projections.
- Scalable platforms.
- Sectors or subsectors where the income streams are non-cyclical.
- Growth levers, such as bolt-on M&A or operational improvements.
- Strong management, with a proven track record.
- PE is a long-term investment. ICGT has, for some time, assumed that exit multiples would be lower than entry ones for its co-investments – thus building in a cushion in its deal assessments. Also, investments have had to justify themselves on earnings growth, not multiple expansion.
- With recent co-investments, ICGT has been leveraging ICG plc's expertise, and building downside protection into the structure of its deals, taking a very cautionary approach to such investments.

NAV fallen in only three out of last 28 quarters

The consistency of ICGT's performance over many years is testament to these characteristics, and it has seen only three quarters in the last 28 when the NAV has fallen. The FY'23 continued revenue and EBITDA growth (21.9% and 21.5%, respectively) and limited margin erosion (FY'23 top 30 EBITDA margin 25.8%, vs. 26.6% in FY'22) are further evidence of defensive growth in action. The more detailed disclosure on slides 18-19 of the *results presentation* gives a further insight into resilience. In FY'23, looking at 75% of ICGT's portfolio, under 10% of the portfolio saw revenue declines in that year, and just 18% saw EBITDA declines. All the top 30 companies were EBITDA-positive.

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The full detail is on page 26 of the full directive, which can be accessed here: https://ec.europa.eu/transparency/regdoc/rep/3/2016/EN/3-2016-2031-EN-F1-1.PDF

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