Standard Life Private Equity Trust

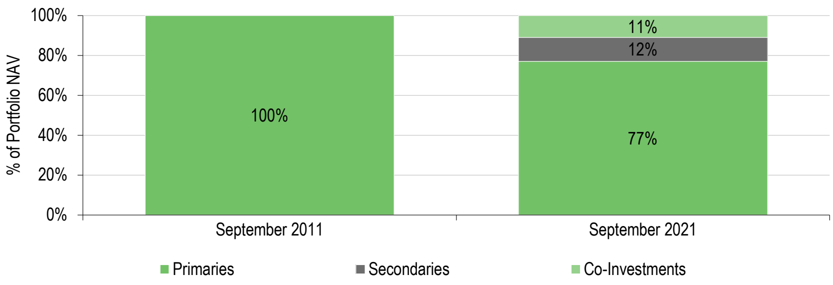
Record NAV TR performance in FY21

Investment trusts
Private equity funds

23 February 2022

Standard Life Private Equity Trust (SLPET) delivered a strong NAV total return (TR) of 37.9% in FY21 to end-September 2021, ahead of the FTSE All-Share index at 27.9%. It benefitted from particularly high deal activity in private markets, benign public equity markets and strong interest in quality private assets in 2021. SLPET continued to pursue its broadened investment mandate, with co-investments making up 11% of NAV at end-FY21 (c 16% accounting for deals post reporting date) and its exposure to secondary investments standing at 12% of NAV at end-FY21. With an overcommitment ratio of 34.5% (at the lower end of its targeted 30–75% range), it is likely to sustain a high level of investment activity into FY22.

Evolution of SLPET's investment strategy



Source: Company data

Why invest in SLPET now?

SLPET continues to pursue a concentrated, high conviction strategy of partnering with top-tier European general partners (GPs), with a strong emphasis on sector expertise, which is likely to be one of its key long-term advantages in the increasingly competitive private equity (PE) space. It has a well-balanced portfolio with a combined tech and healthcare exposure at end-FY21 of 41% and a target of c 45–50% on the drawdown of the existing commitments by its sponsors (broadly in line with its major listed peers). This includes a number of businesses that should prove more resilient to a potential economic slowdown (such as mission-critical software-as-a-service businesses, healthcare services and more traditional pharma companies).

The analyst's view

While competition for quality private assets remains high, we note that SLPET invests primarily in PE mid-market funds, typically of €1.0–5.0bn in size and, increasingly, in lower mid-market players of €150m to €1.0bn in size. In recent years, these funds have overall accumulated less capital that needs to be deployed than PE 'megafunds' of high single-digit billion euros or more in size, which should allow the mid-market funds to be more selective in their investments and time their capital deployment better. At the same time, mid-market funds should have a broader choice of exit routes, as they are less dependent on exits through IPOs and have a wider group of potential corporate and PE buyers (including megafunds).

Price		**520p**
Market cap		**£799m**
NAV		**£1,002m**
NAV*		651.4p
Discount to NAV		20.2%
*Including income. At 22 February 2022.		
Yield		2.6%
Ordinary shares in		153.7m
Code/ISIN		SLPE/GB0030474687
Primary exchange		LSE
AIC sector		Private Equity
52-week high/low	582.0p	401.0p
NAV* high/low	665.3p	479.8p
*Including income		
Gross		0.0%
Net gearing*		0.0%
*At 30 September 2021		

Fund objective

Standard Life Private Equity Trust's investment objective is to achieve long-term total returns through holding a diversified portfolio of private equity funds and direct investments into private companies alongside private equity managers (co-investments), a majority of which will have a European focus.

Bull points

- Focus on top-performing European private equity managers.
- Experienced investment team with strong private equity manager relationships.
- Consistent DPS growth in recent years.

Bear points

- Ample dry powder translating into high competition for quality assets (though mostly in the large/mega funds space).
- High valuations in most resilient sectors.
- Changes to sector exposure take more time within SLPET's core fund-of-fund strategy.

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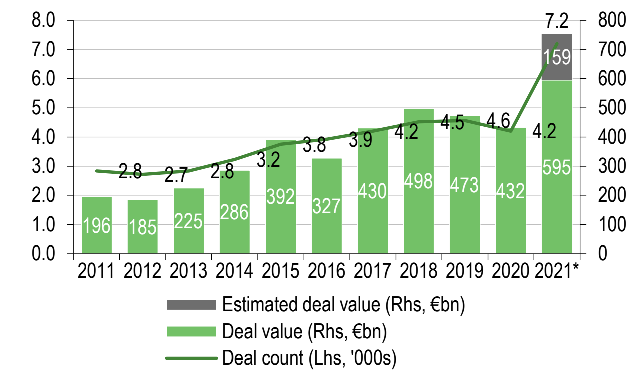
Market outlook: Competing for quality assets

Record transaction activity in European PE markets in FY21

The value of PE transactions in Europe reached a record level in 2021, driven by activity in IT, healthcare and financial services. The overall value was estimated at €754.5bn in 2021 versus €431.8bn in 2020 and compares with a 2015–2019 average of €424.2bn, according to Pitchbook Data (see Exhibit 1). The mid-market (deal sizes of €100–500m) was the main contributor, with the total transaction value up c 60.0% y-o-y. PE exit activity was also particularly strong at €445.2bn versus €191.9bn in 2020. The above was supported by a benign macroeconomic environment, as well as favourable public market valuations and high-yield markets. We expect deal activity to remain strong in 2022 although it may normalise somewhat compared to the record-high 2021, due to completed transactions catching up in H220 and 2021 after a slower H120 and the possible increased caution of GPs, given the risks associated with rising interest rates, high inflation and (to a lesser extent) potential new COVID-19 variants triggering a reintroduction of restrictions.

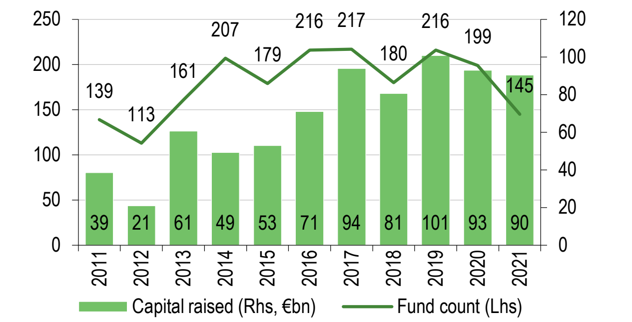
While monetary tightening represents a likely headwind in 2022, we note the gradual interest rate hikes at a modest pace from the current low levels could have a moderate impact on activity (given the amount of capital that needs to be deployed) and returns in the PE market. According to recent analysis by Preqin, the average NAV return in the Global private markets (including private equity) in the period 2010-2021 was 11.4% per year when the Federal reserve's effective rate increased (from late 2015 to mid-2019) and 14.4% pa during times of stable interest rates, defined as 12-month periods with effective federal funds rate movements below 10bp on an absolute basis. Similarly, public equity markets (as illustrated by MSCI World) performed well in 2016 and 2017. We note that top PE GPs had been preparing for a market downturn before the COVID-19 pandemic began, overweighting more resilient sectors such as tech and healthcare services.

Exhibit 1: PE transactions closed in Europe



Source: PitchBook Data. Note: *includes Q421 estimates.

Exhibit 2: Fundraising – PE funds closed in Europe



Source: PitchBook Data

GPs will be encouraged to keep a high investment pace in 2022 due to the significant dry powder accumulated in recent years, exceeding US$2.0tn in 2021 globally, with c US$405bn attributable to European PE firms at end-December 2021 (according to RW Baird, citing Preqin estimates). PE transactions have on average been more leveraged in the low interest environment (median PE buyout debt/EBITDA multiple in Europe was 6.4x in 2021 vs 5.3x in 2011, according to PitchBook), which can slow capital allocation. European PE firms raised a healthy c €90bn in 2021, slightly below the c €93m in 2020 but above 2015–2019 average of c €80m per year, according to PitchBook Data (see Exhibit 2). This was despite a relatively low new fund count (145 in 2021 vs 199 in 2020 and 202 on average between 2015 and 2019), as fundraising was driven by megafunds. According to PitchBook data, 41.2% of capital raised in 2021 was from four megafunds (EQT IX, APAX X, Ardian Buyout Fund VIII and a Partners Group buyout fund). This has been driven by institutional investors (particularly those with larger ticket sizes) continuing to display a preference towards well-established, top-tier GPs at the higher end of the AUM spectrum. Similarly, SLPET's investment manager indicated (based on Preqin data) that dry powder was predominantly accumulated by the megafund segment in recent years.

SLPET is focused on the mid-market, with selective investments in the lower-mid-market (as illustrated by its latest primary commitments, see below), as well as growth equity and large/mega funds (although it is particularly selective in the latter case). While some megafunds have a wide investment mandate (covering mid-market deals at the lower end of its targeted deal size spectrum), they seem to limit competition with mid-market funds for acquisition targets, as they need to become fully invested while maintaining a manageable number of holdings. Consequently, while competition for quality assets remains high across the PE market, excess dry powder seems to be a lesser concern for mid-market funds. Moreover, mid-market PE players are less dependent on IPOs as an exit route, partly because they have the possibility to realise their investments by selling them to the larger PE funds.

High demand and sector mix reflected in valuation metrics

The large amounts of cash available for deployment keep the prices of resilient businesses relatively high, with the median EV/EBITDA multiple for PE-backed deals in Europe 11.9x in 2021 (vs the 2010–2019 average of 11.1x), according to PitchBook Data. This is down from 13.9x in 2020, although part of the decline is most likely due to a rebound in last 12-month (LTM) earnings after H120 (the 2021 multiple is broadly in line with the 12.0x recorded in 2019). Moreover, we note that the demanding multiples compared to long-term historical averages were also driven by sector mix, given the high proportion of deals in resilient sectors (IT and healthcare in particular) which tend to command higher deal multiples. In 2022, European deals may be more balanced in terms of sector, as European M&A activity already shifted back in favour of industrial and consumer sectors in H221, according to RW Baird (although technology is likely to retain a higher share than it did before COVID-19).

We favour PE managers with sector expertise and a proven 'buy-and-build' track record

We believe that amid strong competition for quality assets in the PE market, investors should favour PE specialists that can invest in their core sectors/investment themes (especially secular growth industries), often acquiring businesses they have tracked for many years and know well. One of the main value creation strategies among PE managers remains 'buy-and-build' through bolt-on acquisitions (which comprised 65% of all PE deals in Europe in 2021, according to PitchBook Data). As bolt-ons are usually executed at lower multiples than platform investments, this approach lets managers blend down the initial (higher) acquisition multiple. Consequently, GPs with a proven 'buy-and-build' track record should be favoured in the current environment. Moreover, there is a good supply of private assets from family-owned companies. These are often well-positioned to grow in the long term but, due to the impact of the pandemic, their owners sometimes prefer to sell them at the current price rather than actively work on restoring the business to a pre-COVID-19 state. This is underpinned by a generational change in family-owned businesses, with the new generation being generally more willing to sell.

The fund manager: abrdn PE team

Since its launch in 2001, SLPET has been managed by abrdn Capital Partners (renamed on 29 November 2021, formerly SL Capital Partners), a wholly owned subsidiary of abrdn. The manager is one of the largest investors in PE funds and co-investments with a European focus, with more than £12bn in managed assets. An investment team based in Europe and the US, with decades of experience and holding over 400 advisory board seats, supported by the broad abrdn resources, is a key advantage in selecting Europe's top-tier PE funds and sourcing attractive co-investment opportunities, which may be less accessible to the wider market.

SLPET is led by Alan Gauld, who is involved in all aspects of investing, including sourcing, appraising and executing investments and portfolio monitoring. He has a strong network and extensive experience in leading PE funds, particularly pan-European, French, Nordic and Iberian GPs. He is supported by Patrick Knechtli, who leads the secondaries team at abrdn, and Mark Nicolson, head of primaries. All three have been working at abrdn Capital Partners for more than 10 years.

The manager's view: A well-balanced portfolio

SLPET's investment manager believes the portfolio is well diversified by vintages, geographies and managers and represents a good balance between non-cyclical sectors (providing resilience and growth) and cyclical businesses (offering further upside in case of continued macroeconomic growth). The European mid-market remains the company's main investment focus, with particular emphasis on non-cyclical sectors. This is supplemented by carefully selected opportunities in North America that at end-September 2021 made up 19% of the portfolio (and may represent up to c 25%), providing access to complementary investment trends that are not always easily available in Europe. While primary funds remain the core of SLPET's investment strategy, the company has been adding co-investments and secondaries to its portfolio, bringing control over capital deployment, sector exposure and costs of investment. While the stellar FY21 NAV TR of 37.9% will be difficult to repeat in FY22, the investment manager remains confident in the long-term potential of the private equity investment model of active ownership, coupled with a strong track record of SLPET-backed GPs who are often sector specialists.

Asset allocation

There was a more cautious approach to new investments in the initial months after the COVID-19 pandemic outbreak, but SLPET's investment activity picked up in FY21 to £307.1m (or c 40% of opening NAV) vs £140.0m (20%) in FY20 and a FY15–2019 average of £123.0m (23%). SLPET's FY21 investments included eight primary commitments with a total volume of £175.7m, two secondaries totalling £54.5m and 10 co-investments worth £76.9m combined. SLPET's average primary ticket was £22m (close to its targeted c £25m), while its co-investments were c £5–10m per deal.

It is worth highlighting that a number of SLPET's primary commitments were made to funds with a focus on the lower mid-market (see Exhibit 3), as some of SLPET's core GPs decided to launch funds at the lower end of the market spectrum, often targeting buyouts with an EV below €200m. We believe it may be partially driven by this PE market segment seeming somewhat less crowded (with less significant accumulation of dry powder, see above) while the acquired companies can still benefit from the institutional-grade focus and sector expertise of a large value creation team of these GPs. SLPET has increased its commitments to tech- and healthcare-focused funds. Based on our conversation with its investment manager, we understand it considers SLPET's prospective exposure to these two sectors of 45–50% (based on already drawn and still outstanding commitments) as sufficient and will take a more balanced approach to sector allocation of new investments going forward. On top of the lower mid-market commitments, SLPET has committed capital to a growth equity fund (Permira Growth Opportunities 2) and several mid-market funds. In line with SLPET's core investment strategy, the majority of primary commitments were made in funds with a European focus (North and Western Europe in particular).

Exhibit 3: Primary investments in FY21 and Q122

Name	Description	Investment date	Investment size
Triton Smaller Mid Cap II	€815m fund focused primarily on lower mid-market companies based in German-speaking and Nordic countries.	Nov-20	€25.0m
PAI Mid-Market I	€900m fund focused primarily on lower mid-market companies across Western Europe.	Feb-21	€25.0m
IK Small Cap III	€1.2bn fund investing in Northern European-based lower mid-market companies.	Mar-21	€25.0m
Nordic Capital Evolution Fund	€1.2bn fund investing predominately in lower mid-market technology, healthcare and financial services companies across Northern Europe.	Jun-21	€30.0m
Permira Growth Opportunities 2	US$3.5bn fund investing in growth equity opportunities across the globe.	Jun-21	US$35.0m
ArchiMed III	€650m fund investing in healthcare companies in Europe and North America.	Jul-21	€15.0m
Excellere Partners Fund IV	US$850m fund focused predominately on healthcare-related companies in North America	Jun-21	US$35.0m
Advent Technology II	US$4bn fund focused on technology companies across the globe.	Jul-21	US$31.5m
Post balance-sheet date investments			
Capiton VI	€504m fund focused on pharmaceuticals, medical technology, industrial technology and responsible consumption	Oct-21	€20.0m
Great Hill Partners VIII	US$4.65bn fund targeting investments of up to $500m in software, digital commerce, financial technology, healthcare, and digital infrastructure sectors	Nov-21	US$20.0m
WindRose Health Investors VI	A US mid-market fund focused on the healthcare sector	Dec-21	US$20.0m
PAI Europe VIII	A multi-sector pan-European upper mid-market fund	Jan-22	€30.0m
IK Partnership Fund II	A multi-sector pan-European mid-market fund	Jan-22	€25.0m

Source: SLPET

SLPET's drawdowns were also at a record-high in FY21, amounting to £184.2m (or 24% of opening NAV) versus £145.8m (21%) in FY20 and a five-year average of £87.3m (17%). This was driven by £91.7m in primary investments, coupled with a robust co-investment activity of £52.7m and supplemented by a £28.1m drawdown attributable to the Structured Solutions IV fund, which is a diversified secondary position in a portfolio of large cap funds. It is worth noting that drawdowns significantly accelerated in H221, slightly exceeding £130m, while H121 total reached just £53.7m.

High levels of activity continue in early FY22

Based on our conversation with SLPET's investment manager, we believe the company is likely to sustain its high level of investment activity going into FY22, as its manager targets around eight new primary commitments in the period (c £25m each), which would slightly exceed the FY21 total. We note that in the first four months of FY22 (October 2021 to January 2022), SLPET already made five primary commitments totalling c £80m (per our calculations, see Exhibit 3). Similarly, good co-investment deal flow is illustrated by the six transactions completed between October and January 2022 with an aggregate volume of £41.4m (per our calculations).

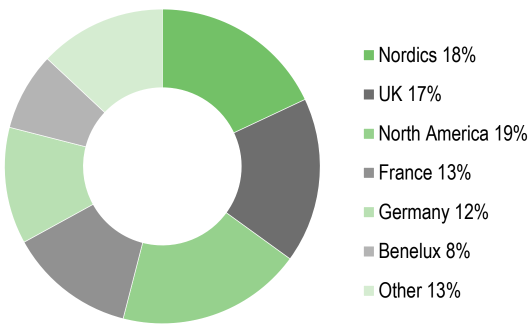
Drawdowns continued to be high at £104.3m after the reporting date (with £39.8m in December alone), translating into a decline in outstanding commitments to £548.4m at end-January 2022 from £557.1m at end-September 2021. As a result, SLPET's overcommitment ratio (defined as outstanding commitments less available liquid resources and undrawn credit facility divided by NAV) reached 34.5%, which is at the lower bound of the targeted 30–75%, suggesting room for further investments. Here, we note that SLPET's investment manager considered £43.9m of the commitments at end-January 2022 as unlikely to be drawn. Its outstanding commitment coverage ratio (ie liquid resources and undrawn credit facility divided by outstanding commitments) fell to 37% at end-January 2022 from 53% at end-January 2021, which we consider a safe level for a PE fund-of-funds, given commitments are normally drawn over a few years.

Portfolio positioning

SLPET pursues a concentrated, high-conviction strategy with 17 core managers making up more than 70% of its portfolio (with top 10 managers at 62.9%) and with the top 10 funds representing c 39.7% of its NAV. That said, it does have exposure limits for individual fund and manager at 12.5% and 20.0% of NAV, respectively. At 30 September 2021, the largest fund investment in the portfolio made up c 5.4% and the largest exposure towards a single manager (Nordic Capital) was 9.7% (according to our calculations). Although SLPET remains focused on its core GPs, it has also made selective commitments to new sponsors in FY21 and Q122, including Archimed, Excellere, Capiton and WindRose Health Investors. However, the investment manager has already built relationships with these GPs by investing alongside them through other mandates.

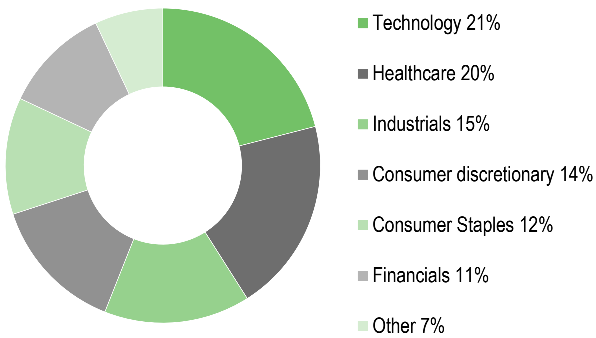
SLPET invests primarily in Europe (79% of the 578 underlying portfolio companies headquartered in Europe at end-September 2021) and is well diversified by country, with no single exposure exceeding 20%. However, SLPET's North American investments increased to 19% of NAV at end-FY21 from 15% at end-FY20 as the company actively seeks access to mid-market companies benefitting from emerging trends that are difficult to fully capture in the European market.

Exhibit 4: Geographical structure of the portfolio by value at 30 September 2021



Source: Standard Life Private Equity Trust

Exhibit 5: Industry structure of the portfolio by value at 30 September 2021



Source: Standard Life Private Equity Trust

SLPET's investment portfolio is well balanced between non-cyclical and cyclical sectors, with the former representing c 53% of NAV at end-September 2021 across tech (21%), healthcare (20%) and consumer staples (12%). SLPET's tech positions within its top 30 underlying companies (covering c 30% of its portfolio) include, among others, software-as-a-service providers offering mission-critical services to corporates, such as ERP and payroll (Visma, Access), tax and accounting (Visma), financial reporting and enterprise performance management (Insightsoftware), as well as legal and regulatory compliance (Litera). Examples of other underlying tech holdings include Allegro (an e-commerce platform), Questel (intelligence software), Informatica (data integration software), Riskalyze (risk tolerance software) and Vizrt (professional software for real-time media). SLPET's healthcare exposure covers predominantly medical technology, healthcare services (eg orthopaedics, laboratory diagnostics and elderly care), contract research organisations (CROs) and more traditional pharma businesses rather than biotech companies. While some of these sectors have seen a medium effect from the COVID-19 lockdowns in 2020, they are likely to prove more resilient during a more traditional economic slowdown given their exposure to secular growth trends.

SLPET's top 10 fund holdings consist primarily of more mature positions (vintages 2016 or earlier) with a weighted average valuation multiple of 1.8x (in some cases above 2.0x, see Exhibit 6). Overall, 55% of SLPET's portfolio has a maturity of four years or more, indicating scope for continued high realisation activity in the near term.

Exhibit 6: SLPET's top 10 private equity fund* holdings at 30 September 2021

Fund	Vintage	Number of holdings	Outstanding commitments £000s	Residual cost £000s	Valuation £000s	% of NAV 30 Sep 2021	% of NAV 30 Sep 2020**	Net multiple on cost
Advent International GPE VIII	2016	29	1,856	31,102	55,818	5.4	7.5	2.1
Altor Fund IV	2014	19	14,360	30,679	51,229	4.9	5.4	1.9
Nordic Capital Fund IX	2018	15	5,328	21,065	43,119	4.2	2.9	2.0
Permira V	2014	15	1,239	15,494	41,692	4.0	4.8	3.8
Investindustrial Growth	2018	6	5,835	16,178	38,195	3.7	2.4	2.3
Exponent Private Equity Partners III	2015	10	3,421	25,262	37,704	3.6	4.3	1.7
Nordic Capital VIII	2013	14	3,981	20,959	36,551	3.5	5.0	1.8
Sixth Cinven Fund	2016	16	2,852	21,477	35,978	3.5	3.8	1.8
TowerBrook Investors IV	2013	13	10,871	16,947	35,816	3.5	3.4	2.2
IK Fund VIII	2016	12	2,105	28,909	35,006	3.4	6.5	1.5
Top 10	**-**	**149**	**51,848**	**228,072**	**411,108**	**39.7**	**46.0**	**1.8**

Source: SLPET, Edison Investment Research. Note: *Does not include co-investment in Action, made through 3i Venice SCSp fund; **top 10 holdings at end-FY20 were different than at end-FY21. Commitments, cost and valuation figures relate to SLPET's interest.

Co-investment portfolio is nearing SLPET's target

SLPET has swiftly ramped up its exposure to co-investments since introducing them back in 2019 and at end-FY21 had 13 holdings making up 11% of portfolio NAV (vs three holdings representing 5% of NAV at end-FY20). With a further six investments after the balance-sheet date, its co-investment exposure is now closer to 16% (according to SLPET's manager), well on track to reach SLPET's target of c 20–25% over the medium term (which would translate into a portfolio of c 25–30 individual holdings). This would bring the exposure to co-investments closer to some of its peers, eg HarbourVest Global Private Equity (19% of portfolio in co-investments at end-December 2021) or Pantheon International (33% at end-November 2021). The higher co-investments share translates into lower ongoing charges (no management or performance fees paid by SLPET to GPs), quicker deployment of SLPET's capital compared to primary commitments and greater control over capital allocation across sectors/themes. SLPET's co-investment portfolio covers a diverse range of sectors, including tech (eg Visma, Boost.ai, Insightsoftware, Riskalyze), e-commerce (eg SportPursuit), healthcare (eg NAMSA, KD Pharma, Prollenium) and consumer/leisure (eg Action, Mademoiselle Desserts, European Camping Group).

Exhibit 7: SLPET's co-investment portfolio

Name	Description	Investment date	Investment size	Investment partner
				Co-investments completed before FY21
Mademoiselle Desserts	Pan-European manufacturer of premium frozen pastry	2019	€6.0m	IK Partners
Action	European non-food discount retail	2020	£22.6m	3i
Visma	NE provider of mission critical ERP software to SMEs	2020	£5.3m	Hg Capital
FY21 co-investments				
NAMSA	US-based healthcare business providing preclinical and clinical CRO specialised in providing services to medical device companies	Dec-20	€9.9m	ArchiMed SaS
Funecap	Leading French funeral services and crematoria business	Feb-21	€9.0m	Latour Capital
Boost.ai	Global leader in conversational artificial intelligence	Mar-21	€8.5m	Nordic capital
KD Pharma	Global leader in pharmaceutical grade omega 3 manufacturing	Jun-21	€4.9m	Capiton AG
Questel	A global leader in intellectual property solutions	Jul-21	€10.0m	IK Partners
Planet	Provider of integrated digital payment services	Aug-21	€10.5m	Eurazeo
Wundex	German home care provider for patients with chronic wounds	Jul-21	€10.0m	Capiton AG
Prollenium	Medical aesthetics company	Jul-21	€10.0m	ArchiMed SaS
Insightsoftware	Provider of financial reporting and enterprise performance management (EPM) software	Aug-21	US$10.0m	Hg Capital
Riskalyze	A risk-centric wealth management platform based in North America	Sep-21	€7.9m	Hg Capital
Post balance sheet date co-investments				
Sport Pursuit	Flash sale e-commerce business selling clearance stock from leading sports and outdoor brands	Oct-21	£4.2m	bd-capital Partners
SuanFarma	manufacturer, CDMO and distributor of active pharmaceutical and nutraceutical ingredients	Oct-21	£7.5m	ArchiMed SaS
Undisclosed	Portfolio of well-known beverage brands, including Tropicana and Naked	Nov-21	US$11.5m	PAI Partners
CDL Nuclear Technologies	Provider of turnkey cardiac PET / PET-CT imaging technology solutions and radioisotope delivery to independent cardiology practices and hospitals in the US	Nov-21	US$7.0m	Excellere Partners
European Camping Group	European leader in the premium outdoor vacation accommodation market	Nov-21	€8.0m	PAI Partners
NGE	Leading independent player in the construction and public works sector in France	Nov-21	€10.5m	Montefiore Investment

Source: SLPET

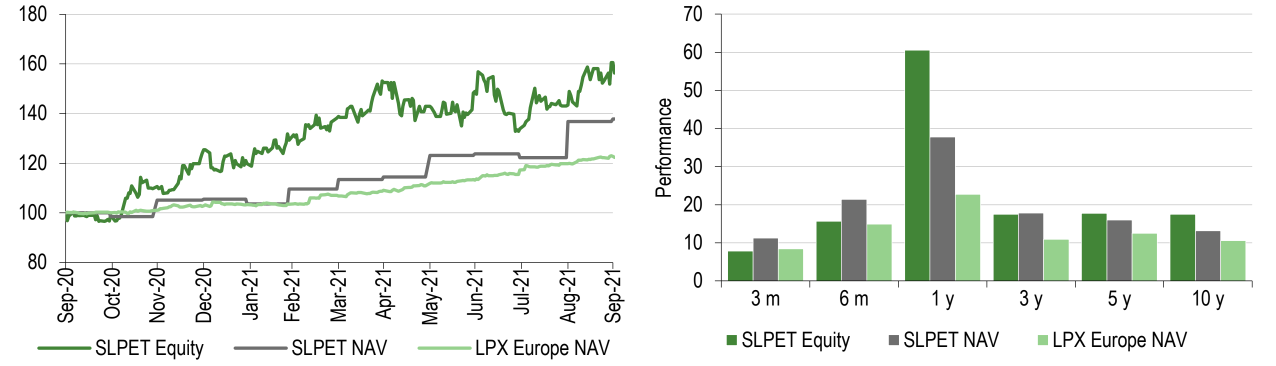
Performance: Best-ever financial year

In FY21 (to 30 September 2021), SLPET reported a 37.9% NAV TR (the best annual result in the company's history), ahead of the 27.9% TR posted by the FTSE All-Share Index (its official benchmark) and the 22.7% TR of the LPX Europe NAV index (an indicator of the broader European PE market). As SLPET's discount to NAV narrowed during the year (see below), its share price TR was even higher at c 60.6% (after a negative 4.6% in FY20).

SLPET's NAV per share went up by 172.8p to 673.8p in FY21, with a 195.3p per share increase in its portfolio value which was a combination of net unrealised gains at constant currency (139.4p), realised gains and income (82.8p) and net unrealised fx losses (26.9p). The valuation of SLPET's portfolio was up 47.4% y-o-y on a constant currency basis, driven by higher market multiples and improved operating results, with LTM revenues and EBITDA across SLPET's portfolio up 14.2% and 24.0%, respectively (partially reflecting the low base effect from the early phase of the pandemic). The median EV/ LTM EBITDA multiple across SLPET's top +50 underlying companies (41.7% of its NAV) was 14.1x at end-September 2021 versus 13.5x at end-September 2020, with median net debt to EBITDA at 3.5x versus 4.3x at end-September 2020.

Exhibit 8: Investment trust performance to 30 September 2021

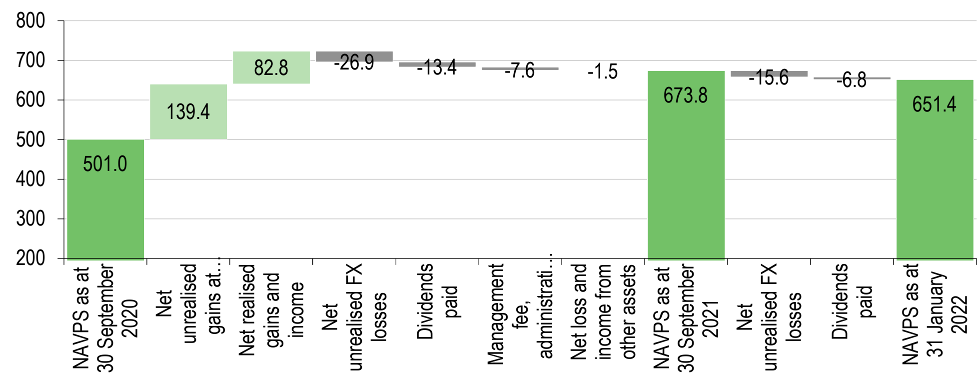
Price, NAV and benchmark total return performance, one-year rebased	Price, NAV and benchmark total return performance (%)



Source: Refinitiv, Edison Investment Research. Note: Three, five and 10-year performance figures annualised.

SLPET's solid realised gains (including considerable uplifts to last carrying value in some instances) were driven by benign public equity markets (triggering some IPO activity, eg Moonpig, Dr Martens and Inpost), as well as strong demand for high-quality private businesses in resilient sectors. This translated into a healthy average realized multiple on invested capital (MOIC) of 2.8x in FY21. While the average FY20 multiple was 3.5x, it was distorted by the particularly successful partial exit from Action (adjusting for which the average FY20 MOIC was 2.3x). The healthy exit activity fuelled SLPET's record-high distributions of £198.7m in FY21, well above the £140.7m recorded in FY20 and compared to the 2015-2019 average of £119.9m.

Exhibit 9: NAV per share (in p) development in FY21 and to end-January 2022



Source: SLPET, Edison Investment Research

SLPET's NAV declined by c 3.3% between end-September 2021 and end-January 2022, reflecting the fourth interim dividend payment of 3.4p per share, as well as a weaker euro versus sterling (99.7% of its portfolio excluding new investments was still valued at end-September 2021). We note that SLPET's end-January 2022 NAV does not account for the share price declines in public equity markets (the company's exposure to listed holdings is around 10% of NAV).

Exhibit 10: Discrete performance (in%)

Year ending	31/01/2022	31/01/2021	31/01/2020	31/01/2019	31/01/2018
Share price	47.9	1.2	22	0.8	20
NAV	39.0	14.6	8.0	12.3	13.4
UK all companies index	18.9	-7.5	10.7	-3.8	11.3

Source: SLPET

Peer group comparison

We compare SLPET's performance with a peer group consisting of PE funds-of-funds, based on last available NAV data. For SLPET, HarbourVest and Pantheon International, it is dated 31 January 2022, while for ICG Enterprise Trust and BMO Private Equity Trust it is 31 October 2021 and 30 September 2021, respectively. We believe these minor differences in the valuation date have limited impact because in the comparison we focus on the mid- to long-term performance, which better aligns with a PE investment horizon. SLPET's three-, five- and 10-year NAV TR is broadly in line with peer group average (and gives it the third-, fourth- and second-best rank within the group). Moreover, we note that in each of the analysed time horizons, SLPET has significantly outperformed the LPX Europe NAV index.

At 22 February 2022, SLPET's shares traded at a 20.2% discount to NAV, which is somewhat narrower than its peers. The company's dividend yield of 2.6% is slightly below the average of the other two dividend-paying peers of 3.1% (HarbourVest Global Private Equity and Pantheon International do not pay dividends).

Exhibit 11: Selected peer group at 22 February 2022*

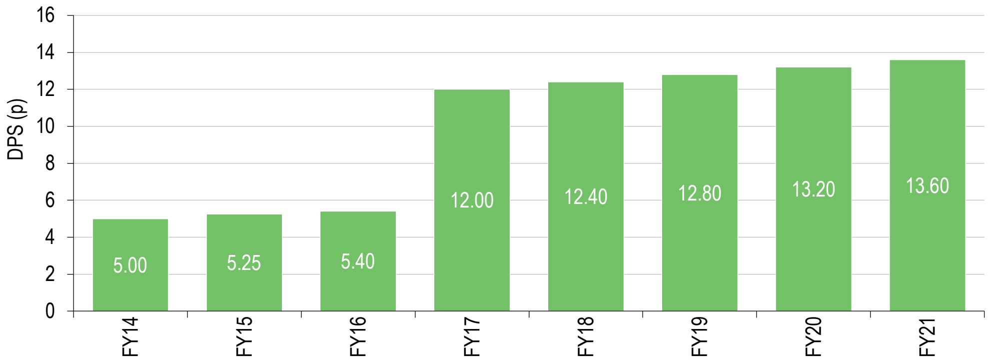
% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Total expense ratio**	Perf. fee	Discount (cum-fair)	Net gearing	Dividend yield
Standard Life Private Equity	**799.5**	**39.0**	**73.3**	**118.9**	**265.7**	**1.1**	**No**	**(20.2)**	**100.0**	**2.6**
BMO Private Equity Trust	343.1	56.1	77.8	119.4	245.7	1.3	Yes	(21.1)	100.0	4.0
HarbourVest Global Private Equity	2,004.6	47.4	93.0	138.5	372.6	1.0	No***	(25.7)	100.0	0.0
ICG Enterprise Trust	781.1	33.2	64.7	119.7	242.5	1.5	Yes	(30.0)	100.0	2.3
Pantheon International	1,643.8	33.2	61.6	99.5	261.6	1.2	Yes	(26.1)	100.0	0.0
Simple average	**1,193.1**	**42.5**	**74.3**	**119.3**	**277.6**	**1.3**	**-**	**(25.7)**	**100.0**	**1.6**
SLPET rank in peer group	**3**	**3**	**3**	**4**	**2**	**4**	**-**	**1**	**1**	**2**
LPX Europe NAV index		26.0	43.4	81.3	196.4					

Source: Morningstar, Edison Investment Research. Note: TER, total expense ratio. Net gearing is total assets less cash and equivalents as a percentage of net assets. Note: *Performance at 31 January 2022, except for ICG, which is 31 October 2021, and BMO September 2021; based on ex-par NAV. **Excluding other expenses charged by the underlying investments held in the portfolio. ***No performance fee is charged at the HVPE level, but it is charged on the HarbourVest secondary and direct funds.

Dividends: Steadily increasing

SLPET has consistently delivered a regular dividend per share in recent years with the annual payout increasing by 0.40p each year since 2017. It pays dividends on a quarterly basis, in April, June, October and January of the year after the financial year end. In FY21, the quarterly dividend per share was raised by c 3% y-o-y to 3.4p per share, translating into a total of 13.60p per share in FY21 (see Exhibit 12), which represents a 2.6% dividend yield.

Exhibit 12: Dividend history since FY14

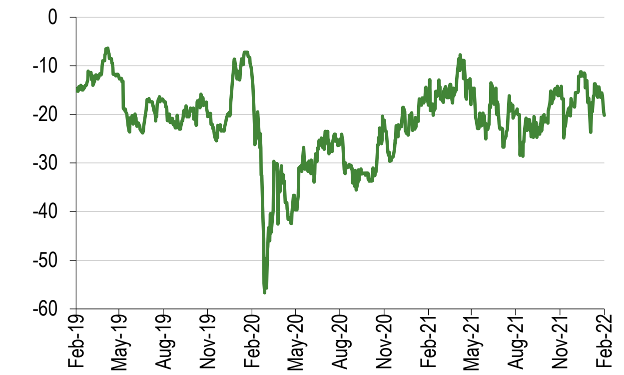


Source: Bloomberg, Edison Investment Research

Discount: Slightly narrower than historical average

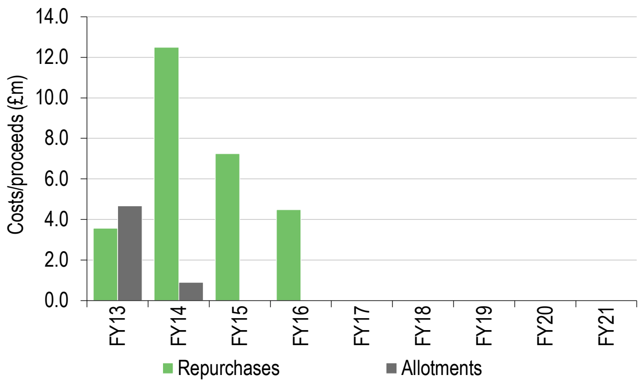
SLPET discount to last-reported NAV narrowed from 31.4% at end-September 2020 to 20.6% at end-September 2021, likely assisted by the supportive environment for public equities and SLPET's strong NAV performance during the year. The current discount is 20.2%, which is on par with the five- and 10-year average of c 21%. The company did not perform any buybacks in FY21 or after the balance sheet date.

Exhibit 13: Discount over three years



Source: Refinitiv, Edison Investment Research

Exhibit 14: Buybacks and issuance



Source: Morningstar, Edison Investment Research

Fund profile: Focus on 'high-conviction' PE GPs

SLPET's investment objective is to generate long-term returns through investing in a diversified portfolio of leading PE buyout funds, focused mainly on the European mid-market, defined as funds with a size typically between €1.0bn and €5.0bn. It also invests in selective adjacent and complementary PE strategies in Europe and North America, most notably the lower mid-market (size between €150m and €1.0bn), large/mega funds (size over €5bn, focused primarily on mid-market core managers who 'graduated' to the large market, eg Advent International), as well as mid-sized growth equity. SLPET has built a well-diversified portfolio of PE fund investments (36 positions at end-September 2021), acquired both through primary commitments and secondary fund investments. In 2019, the company expanded its mandate to include direct co-investments alongside top-performing PE managers with whom it has already established long and successful relationships. As the Standard Life brand was sold to Phoenix Group in May 2021, SLPET's name will be changed to abrdn Private Equity Opportunities Trust (subject to AGM approval in March

2022). The new name is in line with the group-wide rebranding after the transaction with Phoenix Group.

Investment process: Relying on long-term partnerships

Although SLPET's main investment focus is the European market (with GPs in the region representing more than 80% of NAV), it benefits from its management teams being located on both sides of the Atlantic, which enables broader monitoring of potential investments. The universe covered includes c 800 institutional-grade PE funds, with 100–150 funds screened for investment each year, of which typically c 25 are shortlisted and reviewed in detail. Consequently, SLPET typically makes around four to eight primary fund commitments each year, coupled with secondary market transactions and direct co-investments.

To limit the amount of dry powder, the company follows an overcommitment strategy, by making commitments exceeding its uninvested capital. The board has agreed that the over-commitment ratio should sit within a range of 30% to 75% over the long term. Such a strategy enables it to maximise the proportion of invested capital but requires careful monitoring of value and timing of both expected and projected cash flows within the portfolio. To fill in potential timing gaps between distributions and drawdowns as well as to seize attractive market opportunities, the company may use its revolving credit facility amounting to £200m. Based on the company's articles of association, borrowings should not normally exceed 30% of the NAV at the time of drawdown.

SLPET's approach to ESG

SLPET aims to be an active, long-term responsible investor, partnering with PE managers that are ESG leaders and/or culturally committed to ESG improvements. All of the company's investments are subject to ESG due diligence, which the manager believes will enhance the sustainable returns of the portfolio. We understand the board and the manager intend to devise specific ESG KPIs for monitoring the underlying portfolio companies.

With respect to ESG performance, 19 of SLPET's PE managers (representing 74% of the company's NAV) completed an annual Responsible Investing Survey held by abrdn in 2021. This is down from 22 GPs making up more than 95% of NAV in 2020, which we understand is due to the introduction of a more extensive questionnaire. In 2021, around 79% of GPs who responded, obtained the highest 'green' rating (ie ESG criteria were fully implemented and monitored at manager and/or portfolio company level) and the remaining 21% received an amber score (partial implementation) with none being given a red rating. abrdn highlights that the results of the survey will be incorporated in the assessment of new investment opportunities for SLPET and it will engage with managers where the survey indicated relative ESG underperformance. It is noteworthy the manager has been a signatory of United Nations-supported Principles for Responsible Investment for more than 10 years and received the highest possible rating of A+ for strategy and governance in 2020 (the latest rating).

Gearing: Expecting moderate utilisation

In December 2021 and January 2022, SLPET made a £16.8m and £24.2m drawdown on its £200m syndicated revolving multi-credit facility, respectively (which remained fully undrawn until end-December 2021), but also held £43.7m in cash at end-December 2021, which translates into a minor net cash position.

Based on our discussion with SLPET's investment manager, we understand the company should continue to selectively use part of its credit facility for new investments and aims at retaining only a minor gross cash position to optimize returns. Nevertheless, it will likely keep the majority of the facility undrawn to provide a liquidity buffer in the event of a severe economic downturn (which could trigger a high level of drawdowns made by its GPs coupled with limited distributions).

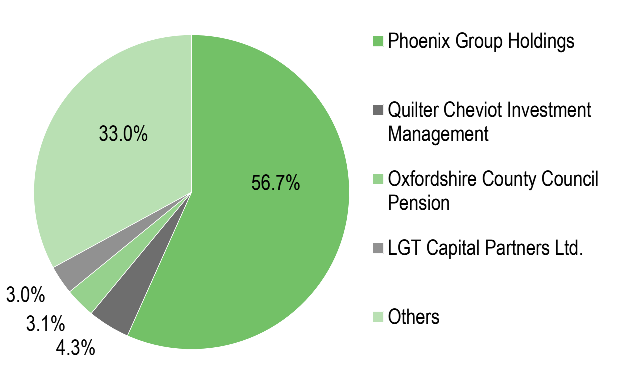
Fees and charges: Stable ongoing charges ratio

In FY21, SLPET's total expense ratio remained on a par with FY20 level of 1.10%, as a c 26% y-o-y increase in operating expenses to £9.9m was largely due to a higher management fee (set at 0.95% of NAV pa) on the back of the expanding portfolio. SLPET's investment manager does not charge any performance fee. We note these figures do not capture the fees charged at the underlying funds level to SLPET, which amounted to 1.69% in FY21 and 1.68% in FY20, bringing the total ongoing charges ratio to 2.79% and 2.78%, respectively.

Capital structure

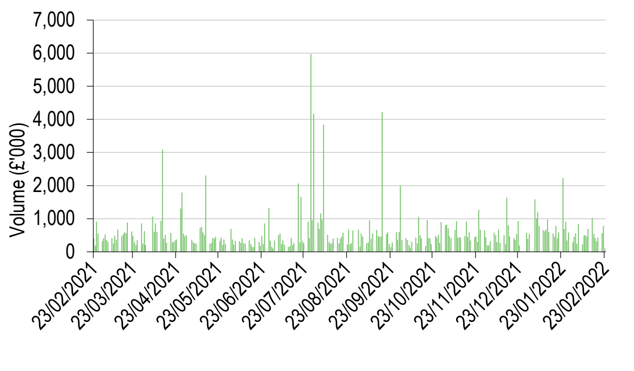
SLPET's share capital consists of 153.7m ordinary shares. The largest shareholder is the Phoenix Group Holdings with c 56.7% stake held through its 100% subsidiary Standard Life Assurance Limited. At the AGM in March 2021, the board was given the renewed authority to buy back up to 14.99% of the shares in issue and/or to issue up to 5% of the issued share capital. However, neither buybacks nor allotments have been made since August 2016.

Exhibit 15: Major shareholders



Source: Refinitiv, at 22 February 2022.

Exhibit 16: Average daily volume



Source: Refinitiv. Note: 12 months to 22 February 2021.

The board

During FY21, SLPET's board was reduced from five to four independent non-executive directors, as Jonathan Bond retired on 23 March 2021 and then temporarily extended to six with Yvonne Stillhart and Dugald Agble appointed as non-executive directors on 1 September 2021. In March 2022, the chairman of the board, Christina McComb (appointed on 1 January 2019) will also retire, with Alan Devine, senior independent director since 1 January 2019, taking over as chairman. After these changes, the board will again consist of five directors.

Yvonne Stillhart has over 30 years of experience in the broad financial and investment industry across several geographical regions. This includes a co-founding senior partner position and member of the Investment Committee of Akina, a Swiss-based specialised private equity manager that merged in 2017 with Unigestion. She is a non-executive director and member of the audit and risk committee at UBS Asset Management Switzerland and chairperson and member of the social and ethics committee of the South African EPE Capital.

Dugald Agble started his career in private equity investments over 20 years ago at Nomura Principal Finance Group (now Terra Firma Capital Partners). In 2006, he moved on to investing in emerging and frontier markets at Helios Investment Partners and became a co-founding partner at 8 Miles in 2010. He is a supervisory board member at FMO (a Dutch entrepreneurial development bank) and CEO of Black Volte Ventures (private investment firm focused on Africa).

Exhibit 17: SLPET's board of directors

Board member	Date of appointment	Remuneration in FY21 (£)	Shareholdings at end-FY21*
Christina McComb (Chair)	29 January 2013	62,500	14,128
Alan Devine (Senior Independent Director)	28 May 2014	46,500	6,460
Diane Seymour-Williams	7 June 2017	42,500	31,500
Calum Thomson	30 November 2017	46,500	13,700
Yvonne Stillhart	1 September 2021	3,179	-
Dugald Agble	1 September 2021	3,106	-
Jonathan Bond**	15 June 2018	20,173	N/A

Source: Standard Life Private Equity Trust. Note: *Ordinary shares held. **Retired from the board on 23 March 2021.

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