



## Market Commentary

### Market Outlook (cont):

and buy what has been working for bullish wealth managers. That time appears to be at hand.

### Recommended Investment:

#### Standard Life Private Equity

Standard Life Private Equity (SLPE) is an investment trust listed on the London Stock Exchange that provides investors with access to a portfolio of private equity funds and companies, diversified by country, industry sector and maturity.

The fund invests primarily in European private equity funds with a small exposure to North America. The private equity managers selected are experienced at transforming private companies through active management, away from the glare of listed markets, to turn them into attractive market leaders that can then be sold in a typical four to five-year investment cycle. The cash proceeds from these exits are returned to SLPE and the investment cycle starts again in a continuous flow.

As at the end of August, the investment portfolio was valued at £550m and comprised more than 50 funds and more than 400 underlying companies. The maturity exposure highlights the balanced nature of the underlying private companies with > 35% of the portfolio represented by investments that are now at least five years old.

After a strategic review, the Board has decided that it would broaden SLPE's investment policy to allow it to make co-investments, which are direct investments into private companies alongside private equity managers. They are targeting 20% of net assets to be invested in these by 2023. Each co-investment is likely to be in the region of £4m-£8m, i.e. ~1% of net assets. This decision brings SLPE in line with many of its listed private equity peers. Over time this will change the nature of the portfolio, with the potential for outsized returns, lower fees, greater exposure to particularly attractive assets and the opportunity to put more capital to work.

SLPE has a strong long-term performance record, with its share price up 93% over the last 5 years. The trust also has an attractive dividend yield of 3.6%, making it suitable to income investors.

The shares of SLPE have significantly derated from a 9% discount in 2018 to its current level of 21%. We believe that this is hard to justify given the fund's long-term performance record, the quality of its investment portfolio and its attractive dividend yield. Therefore, the current share price represents an attractive entry point. **Buy.**