EDISON

HarbourVest Global Private Equity

Initiation of coverage

Selective, consistent private equity investment

Investment companies

HarbourVest Global Private Equity (HVPE) is a fund of funds that aims to provide capital growth through investment in a selected range of private equity funds globally. The portfolio is well diversified by stage, sector, vintage and underlying fund. The manager, HarbourVest, through its established relationships, is able to access leading managers contributing to a robust NAV performance since launch relative to both the MSCI World and LPX 50 (private equity) indices. Valuation uplifts of over 40% on realisations in FY15 and FY14 are encouraging indicators of the potential for future NAV progress.

12 months ending	Share price return (%)	NAV return (%)	MSCI World (%)	LPX 50 (%)	Morningstar IT PE ex-3i (%)
30/04/11	42.9	21.3	19.1	33.4	23.9
30/04/12	(7.1)	9.1	(5.2)	(19.7)	(4.6)
30/04/13	43.1	9.9	15.7	35.3	12.9
30/04/14	23.7	14.0	15.0	18.3	19.9
30/04/15	15.2	12.7	8.0	6.2	(2.2)

Source: Morningstar. Note: USD terms, total return basis.

Investment strategy: Consistent approach

HarbourVest follows a disciplined approach to selecting the underlying private equity managers for HVPE's portfolio, assessing the qualities of the manager, the nature of the fund's exposure and strategy, and the terms of the vehicle. HVPE invests through HarbourVest funds rather than directly in third-party managers, facilitating the diversification of the portfolio and contributing to a relatively consistent rate of investment in underlying companies over time, thereby avoiding over-exposure to peaks in the market.

Private equity background: Positive relative returns

A number of studies have demonstrated that over different periods private equity investments have outperformed public equity market proxies by a significant margin (see page 3). While the historical returns may be appealing there are barriers to entry for most individual investors, including high minimum investments and the illiquidity that helps explain the return premium. Listed private equity companies such as HVPE provide a diversified and relatively liquid way of gaining exposure to this market.

Valuation: Discount still wide

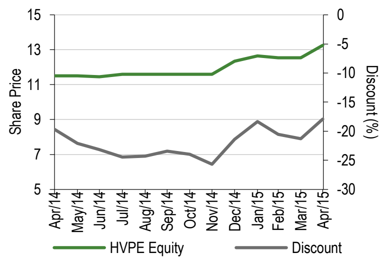
HVPE's current discount of nearly 18% compares with a private equity sector average of about 15%, excluding 3i, and c 16% for a subset of fund of fund companies. In view of the company's performance record there would seem to be scope for the discount to narrow. To this end the board maintains a focus on improving the liquidity in the shares and is working on transferring its listing to the London Stock Exchange Main Market with a move to a single, voting share class forming part of this process.

3 June 2015

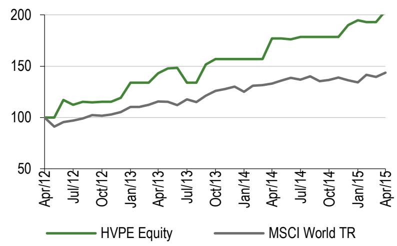
Price	**$13.30**
Market cap	**$1,060m**
NAV per share*	$16.14
Discount to NAV	17.6%
Shares in issue	79.9m
Code	HVPE
Exchanges	Amsterdam, LSE

* NAV estimated by HVPE, 30 April 2015.

Share price/discount to NAV



Three-year cumulative perf. graph



52-week high/low	$13.57	$11.48
NAV high/low*	$16.14	$14.55

*Including income

Gearing

Gross	0.0%
Net cash	8.6%

Analysts

Andrew Mitchell +44 (0)20 3681 2500

Gavin Wood +44 (0)20 3681 2503

investmenttrusts@edisongroup.com

Edison profile page

Exhibit 1: HarbourVest Global Private Equity at a glance

Investment objective and fund background

HarbourVest Global Private Equity is a Guernsey-incorporated, London/Amsterdam-listed closed-end investment company that aims to deliver long-term capital appreciation while avoiding undue risk by investing in a portfolio of private equity investments diversified by stage, geography, strategy, and industry.

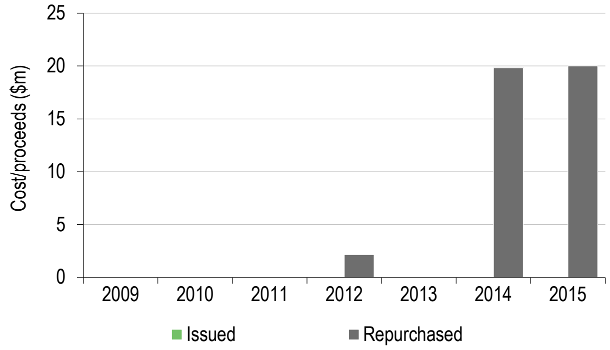
Recent news

- 29 May 2015: report for year to end January 2015. NAV +10%, cash realisations of $356m during year and with uplifts of 42% from carrying values. Gearing reduced to zero during period.
- 26 March 2015: announcement of timetable for move to Premium listing on Main Market of London Stock Exchange which is expected to take place in the week beginning 7 September, subject to shareholder approval of related constitutional changes.

Forthcoming announcements/catalysts		Capital structure		Fund details	
AGM	November 2015	Ongoing charges	See page 11	Group	HarbourVest Partners, LLC
Interim results	September 2015	Net cash	8.6%	Manager	HarbourVest L.P.
Year end	31 January	Annual mgmt fee	See page11	Address	PO Box 156, Frances House, Sir William Place, St Peter Port, Guernsey, GY1 4EU
Dividend paid	N/A	Performance fee	See page 11		
Launch date	December 2007	Company life	Indefinite	Phone	+44 1481 702 400
Continuation vote	N/A	Loan facilities	$300m	Website	www.hvgpe.com

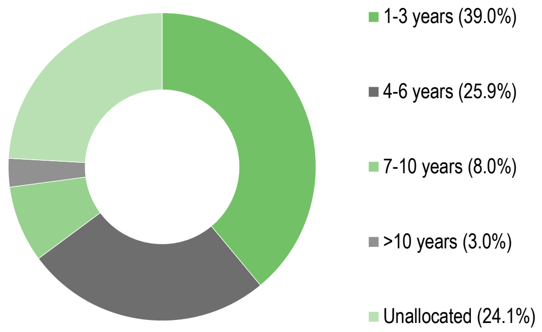
Share buyback policy and history

HVPE has authority to purchase up to 14.99% of its issued share capital. Financial year figures shown below. 2014 and 2015 costs reflect redemptions of A shares used to distribute c 50% of profits on Absolute and Conversus.

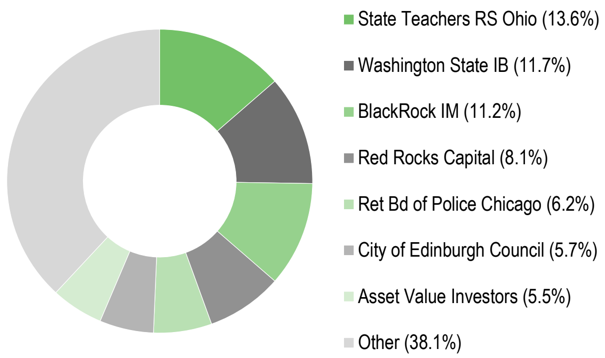


Age of the investment pipeline (31 January 2015)

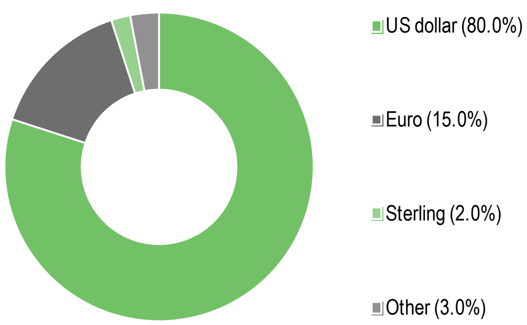
This analysis shows the breakdown of the investment pipeline (totalling $734m) by age at the year end. Where commitments to underlying funds or HarbourVest secondary or direct funds have been made, these are classified as allocated.



Shareholder base (as at 30 March 2015)



Currency exposure of assets (31 January 2015)



Largest managers as at end January 2015 (excludes HarbourVest, which is the manager of the funds through which investments are made)

Manager	Region	Stage
Arcapita Bank	US	Buyout
The Blackstone Group	US	Buyout
DCM	US/Asia Pacific	Venture and growth equity
Doughty Hansen & Co	Europe	Buyout
GTCR	US	Buyout
Health Evolution Investments	US	Venture and growth equity
Kohlberg Kravis Roberts	US	Buyout
Silverlake Management	US	Buyout
Thoma Bravo	US	Buyout
TPG Capital	US	Buyout

Source: Edison Investment Research, HarbourVest Global Private Equity, Bloomberg.

The private equity market

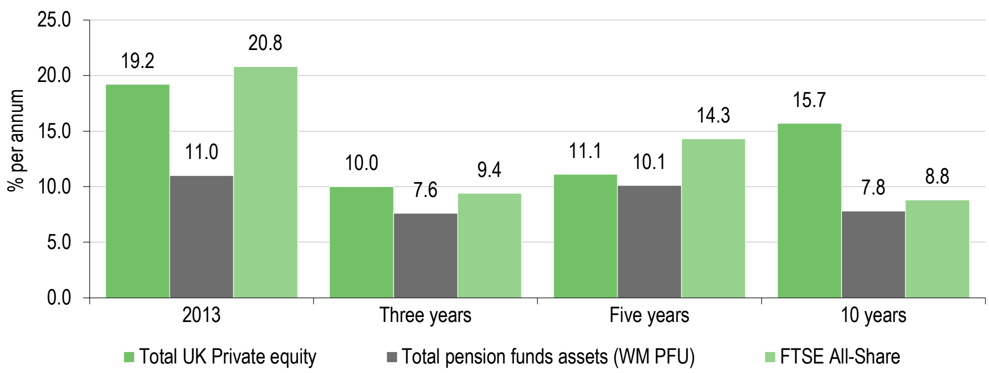
Private equity is a source of funding that companies can access without having to seek a stock market listing. Private equity investment is normally categorised into three main areas: venture capital, which funds start-ups and early-stage companies; growth capital, to fund expansion; and buyout financing, which enables a change of ownership of an existing company, often enabling its managers to take an equity stake (management buyout). Private equity funding may also be involved in other situations, such as rescuing and restructuring companies in financial distress.

There are a number of reasons for investors to consider private equity investment.

- It gives access to a range of private companies with cash-generative and/or growth characteristics such as the US venture capital sector (HVPE, for example, has had pre-IPO exposure to Facebook, LinkedIn and Twitter).
- There is the potential to earn a higher return than on listed assets, sometimes identified as an illiquidity premium, which is the trade-off for investing in assets that may take time to realise (see performance comments below).
- The interests of managers of private equity-financed companies and private equity managers themselves are strongly aligned with other investors, given their equity stakes or share of profits.
- Investments are actively managed with input from private equity managers, normally with a specific plan for investment, acquisitions or geographical expansion, for example.
- There is some debate about the statistics, but studies by Moody's and US industry body, Private Equity Council, suggest that, despite risks associated with leverage, private equity-backed companies either experienced a default rate no worse than similarly rated companies in 2008-13[1] or, in the case of the PEC report,[2] experienced a default rate of only 2.8% during the financial crisis 2008-9: roughly half the rate of comparable, speculative grade, companies.

Looking at performance of private equity investments there is evidence that private equity investment has delivered stronger returns than a range of other assets. Exhibit 2 summarises data for returns over a range of periods from the latest BVCA Performance Measurement Survey. The figures are not fully comparable as the private equity returns are internal rates of return, net of fees, rather than the gross time-weighted returns used for pension funds and the FTSE All-Share index.

Exhibit 2: Comparison of private equity returns



Source: BVCA Private Equity and Venture Capital Performance Measurement Survey 2013.

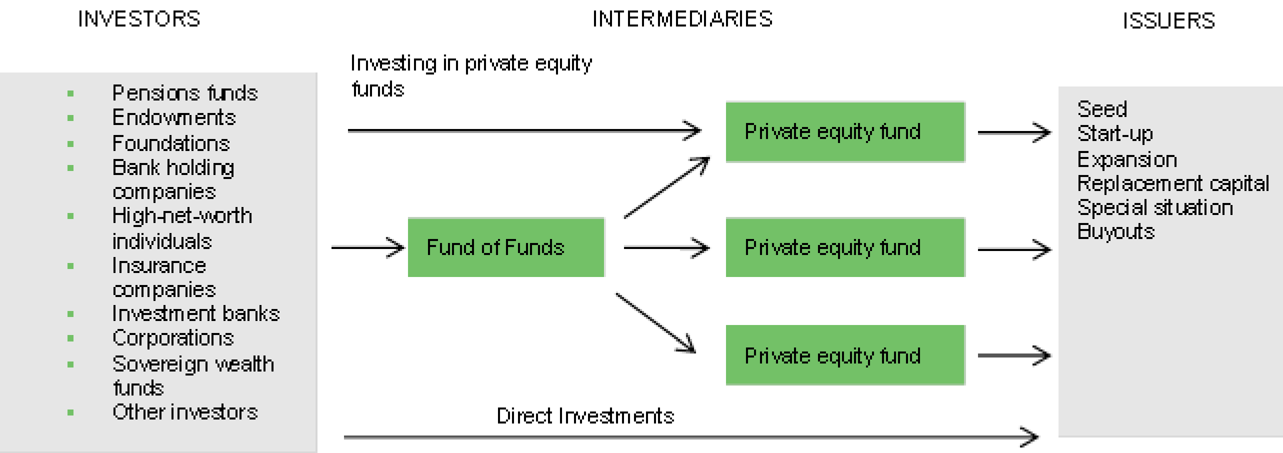
[1] Moody's press release 18 June 2014

[2] The credit performance of private equity-backed companies in the Great Recession of 2008-2009. J.M. Thomas, March 2010

To provide a better comparator for the irregular and lumpy cash flows captured in private equity funds' IRRs, a modified market index proxy, a 'public market equivalent' has been developed. On this approach, the BVCA survey of UK private equity and venture capital funds showed a pooled IRR of 14.2% (1986 to 2013) compared with a public market equivalent return of 8.3%. For a global view, we can refer to consultant Bain & Company's Global Private Equity Report 2015 which indicates that buyout funds in the US, Europe and Asia all outperformed public market equivalents over 10 and 20 years to June 2014 (over five years the US matched and Europe and Asia outperformed public market equivalents).[3]

An overview of the private equity market is shown in Exhibit 3. Direct private equity investment is usually undertaken by specialist firms that gather commitments, mainly from institutional investors, to funds often structured as limited partnerships for which they act as general partner. Such funds (shown as 'private equity fund' in the graphic below) typically have a fixed life with a specified investment period during which funding commitments from investors (or limited partners) are drawn down as the general partner identifies investment opportunities.

Exhibit 3 Private equity market schematic



Source: The CityUK, Federal Reserve Bank of Dallas, EVCA/Thomson Reuters/PricewaterhouseCoopers

The structure of the private equity market presents barriers to direct individual or smaller institutional investment. The minimum size required to invest directly in a limited partnership is the most prominent hurdle but additional challenges include the need to gain access to and select among general partners who are geared to address larger institutional or very high-net-worth investors. Individual investors can however, access this area by investing in a listed private equity fund, which may make investments directly or in a portfolio of underlying funds (a 'fund of funds'). HVPE is an example of a listed private equity fund of funds.

The listed private equity sector

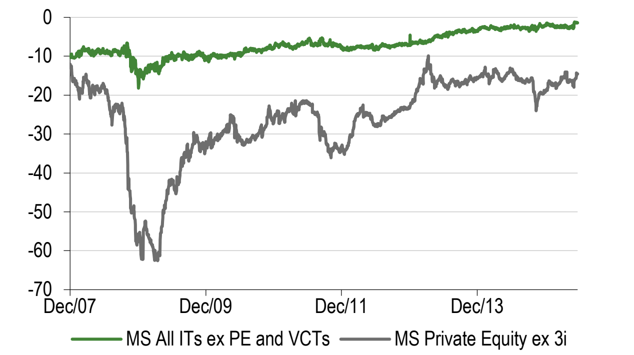
Closed-end investment companies are particularly well suited to investing in the relatively illiquid private equity sector where long-term commitments and an investment cycle of approximately 10 years are typical. A listed private equity fund is not exposed to the risk of forced-selling to meet redemptions, although poor management of commitments versus funding could have a detrimental impact on the development of a portfolio.

When sentiment is poor at times of market stress, share-price discounts to NAV can widen substantially meaning that investors wishing to sell at that point have to accept a depressed price.

[3] See also the McKinsey April 2014 report Private equity: Changing perceptions and new realities, which refers to a McKinsey analysis of private equity funds created since 1995 finding that they outperformed a public market index in the period to 2006, even after adjusting for leverage. Other studies also point to historical outperformance of at least 300bps per annum.

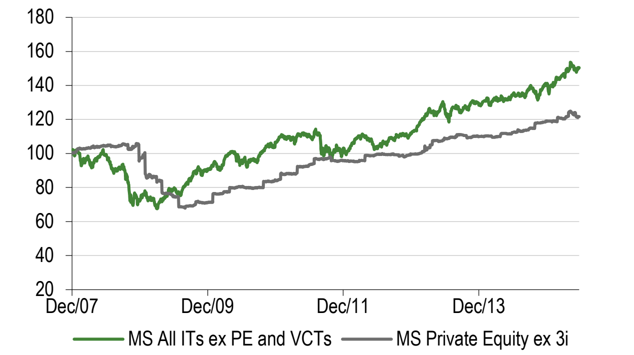
This is clearly illustrated in Exhibit 4, showing the discount to NAV on private equity funds versus the rest of the investment trust/company universe. Discounts widened dramatically during the global financial crisis as risk appetite contracted and the relatively illiquid and in some cases geared nature of the underlying assets deterred buyers. The bounce back was also substantial but has not fully narrowed the discount gap compared with non-private equity investment companies; recent discounts for the private equity sector and other investment companies stood at c 15% and sub-2% respectively. This suggests scope for further discount narrowing to augment listed private equity returns prospectively, particularly for patient investors who are able to sit out any volatility in market sentiment.

Exhibit 4: Discounts to NAV private equity vs all ITs



Source: Morningstar, using Morningstar investment trust sectors

Exhibit 5: Private equity NAV returns vs all ITs



Source: Morningstar, using MS sectors. Note: NAV total return.

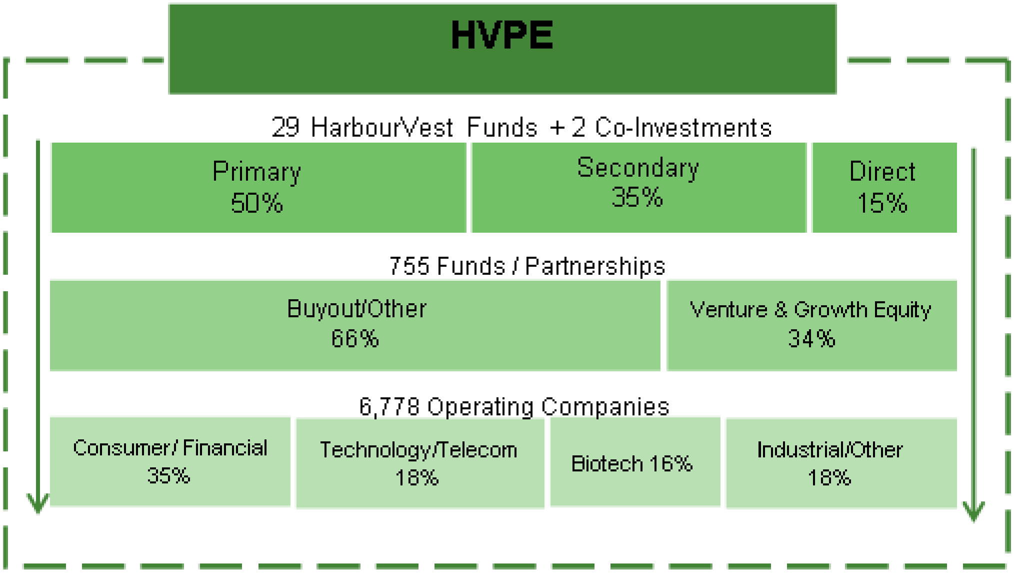
As Exhibit 5 illustrates, total NAV returns for the private equity sector touched a low point later than for other investment companies but have then followed a similar upward path. Even so, from their respective low points, total NAV returns for the private equity sector are still lagging other investment companies at 79% versus 123%: a differential that could narrow if the current healthy environment for private equity investment realisations is maintained (HVPE, for example, has achieved exit premia to book values of 40-50% in the last two financial years, possibly suggesting that current Private Equity NAVs are conservative).

The macroeconomic backdrop for the private equity sector remains broadly favourable with global growth showing continued recovery, albeit with risks including those related to implementation of interest rate rises in the US, China's ability to rebalance growth smoothly and a number of geopolitical concerns globally. Within the private equity industry, levels of fund raising have remained relatively high and there is therefore significant capital available for investment which results in participants reporting full pricing for investments and, combined with buoyant public markets, a very favourable market for disposals. Timing markets is never easy so investors looking to gain exposure to private equity may well favour a fund of funds that provides a spread of investments diversified by geography, sector, stage and, importantly, vintage.

Fund profile: Diversified global private equity exposure

HarbourVest Global Private Equity (HVPE) is a closed-end Guernsey-incorporated investment company investing in a diversified portfolio of private equity investments aiming to deliver superior long-term capital appreciation. It was initially listed on Euronext Amsterdam in December 2007 and then on the Specialist Fund Market of the London Stock Exchange in May 2010. HVPE has announced that it is in the process of transferring to the Main Market of the London Stock Exchange and is aiming to achieve this in September this year. As part of this move the non-voting A shares will be enfranchised leaving one class of shares. HVPE is regarded as a flagship and shop window for its manager HarbourVest (see below) and invests purely in HarbourVest funds that in turn invest in a range of funds, partnerships and direct private equity investments. The graphic below (Exhibit 6) sets out this fund of funds structure highlighting the level of diversification in terms of fund category, stage and sector.

Exhibit 6: HVPE outline of fund and investment structure



Source: HarbourVest Global Private Equity

HarbourVest – the manager

HarbourVest has over 32 years' experience in managing private equity investments. Based in Boston it also has offices in London, Hong Kong, Tokyo, Bogotá, Beijing and Toronto overseeing investments in North and South America, Europe, Middle East and Africa, and Asia. It has breadth and depth of resources with over 80 investment professionals and more than 100 client relations and operations professionals. A five-strong investment committee including senior managing director and founder D. Brooks Zug leads the investment team. In total HarbourVest has made commitments of $39bn across primary, secondary (buying stakes in existing funds or partnerships) and direct co-investments in operating companies (made alongside general partners). HarbourVest cites its private ownership as facilitating its focus on investment management while the low turnover within the team means important relationships and expertise are retained.

Asset allocation

Investment process: Wide network, demanding criteria

HarbourVest takes an integrated approach to assessing investment opportunities across the primary, secondary and direct areas of private equity. This helps maximise the benefits of the wide industry network of relationships the team has established over time and gives insight into managers' portfolios, capabilities and approach.

In the primary segment (where commitments are made to funds on formation) due diligence is extensive including assessment of:

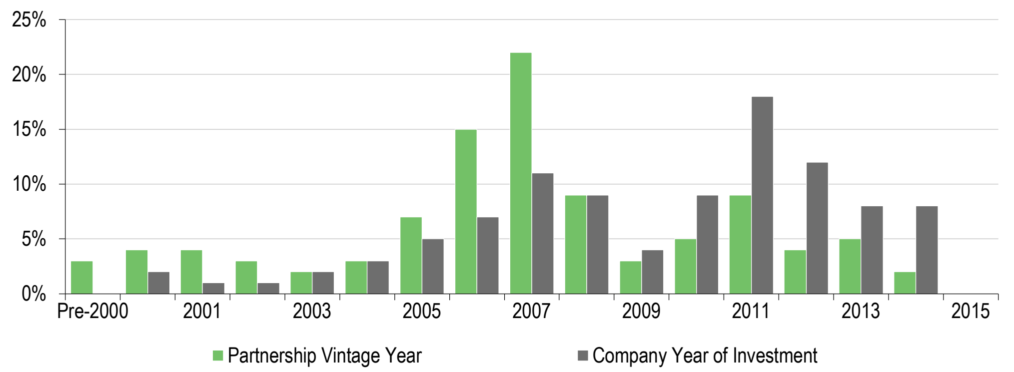
- The investment skills, leadership ability and performance track record of the fund manager.
- How attractive the fund investment focus and strategy is.
- Contractual terms and features of the fund including the fund size, the fund's duration, management and performance fees, limitations on exposures and the composition of the advisory board and its rights and responsibilities.

In the secondary market (where existing private equity assets are purchased) HarbourVest has experience of a wide range of transactions and a demonstrated ability to structure complex transactions. When considering a transaction, the manager values the portfolio independently, projecting future performance, carrying out a bottom-up analysis by operating company and making an assessment of the fund manager responsible. The Absolute and Conversus secondary purchases in 2011 and 2012 were examples where existing relationships and the capacity to deal with complex situations were decisive. Both were listed private equity funds some of whose shareholders sought liquidity; the overall consideration paid by HarbourVest-managed funds was $2.2bn and within this HVPE's investment was $179m. Subsequent value realisation has been positive with c 50% of NAV accretion distributed to HVPE shareholders in two payments of $20m in October 2013 and 2014.

HarbourVest's direct investments in private companies (usually co-investments with general partners) are a natural consequence of its longstanding relationships with leading fund managers which foster preferential co-investment opportunities. About 100 deal opportunities are reviewed each year with a detailed company analysis and manager assessment undertaken prior to investment. Sifting of the opportunities is assisted by reference to a proprietary transaction database covering 20 years.

In terms of portfolio construction, HVPE invests in HarbourVest funds on launch with allocations set to ensure the portfolio retains its diversification on a range of measures. HVPE regards a generally consistent rate of investment as an important feature of its investment approach as this means the portfolio is diversified by vintage. This averaging effect is enhanced by the three tier structure whereby commitments are made by HVPE to the relevant HarbourVest funds that typically make investment commitments to a number of partnerships over three to four years which in turn invest in operating companies over the next three to five years. The resulting portfolio exposure by vintage and underlying operating company year of investment is shown in Exhibit 7; the incidence of pre-2007 vintages reflects the initial secondary purchase of HarbourVest funds on inception in 2007.

Exhibit 7: HVPE portfolio by partnership vintage and company year of investment



Source: HarbourVest Global Private Equity

Current portfolio positioning

The HVPE portfolio is characterised by its diversification; as shown earlier in Exhibit 6, the 31 HarbourVest funds/co-investments in turn invest through general partners and direct co-investments in over 6,700 operating companies. These investments are diversified in terms of timing (Exhibit 7 above) and hence phase (Exhibit 8 below) with the aim that roughly half the portfolio is in the growth phase (five to nine years) and the balance evenly split between investment (one to four years) and mature (over 10 years). The average age of operating company investment is between five and six years providing scope for a good flow of realisations in the current favourable environment. For the year to end January 2015 the company reported that the average uplift from carrying value on realisation was 42% while for FY14 it was 50%.

Exhibit 8: HVPE portfolio profile end April 2015 (%)

Stage		Phase		Geography		Strategy		Industry	
Buyout	61	Investment	23	US	66	Primary	50	Consumer/financial	34
Venture and growth equity	35	Growth	53	Europe	19	Secondary	34	Technology/telecom	32
Other	4	Mature	24	Asia Pacific	10	Direct	14	Industrial/other	18
				Rest of world	5			Medical/biotech	16
	100		**100**		**100**		**100**		**100**

Source: HarbourVest Global Private Equity. Note: By phase, growth includes vintage years 2006 to 2010, mature pre-2006, and investment 2011 to 2015.

The geographical bias is towards the US (two thirds of the portfolio) followed by Europe. The sector split shows that consumer/financial, technology/telecom and industrial/other account for 34%, 32% and 18% of the portfolio respectively. In line with the industry, buyout investments account for the majority of the portfolio at over 60% with a significant leavening of venture and growth investments (35%).

A flavour of the variety of underlying, operating company investments is given by the top 10 from end January 2015. Several have been floated or sold since then exemplifying the balanced maturity of the portfolio and the favourable climate for exits that has prevailed.

Exhibit 9: Largest underlying companies at 31 January 2015

Company	Stage	% of value	Location	Status	Description
Zayo Group (ZAYO)	Venture	1.08	U.S.	Public	Telecommunications
Capsugel	Buyout	1.00	U.S.	Private	Drug delivery systems
Censeo Health	Venture	0.90	U.S.	Private	Home health care services
PODS Enterprises (sold in February 2015)	Buyout	0.80	U.S.	Private	Mobile storage solutions
Earth Networks	Venture	0.78	U.S.	Private	Localised convergence content
Big Heart Pet Brands (Del Monte Foods-sold in March 2015)	Buyout	0.75	U.S.	Private	Food and pet products
Freightliner (sold in March 2015)	Buyout	0.68	U.K.	Private	Rail containers
Omega Pharma (sold in March 2015)	Buyout	0.67	Belgium	Private	OTC pharmaceuticals
VIP Shop Information Technology (VIPS)	Venture	0.67	China	Public	Online flash sale retailer
Lightower Fiber Networks	Buyout	0.66	U.S.	Private	Metrofiber network and broadband service
Total		**7.99**			

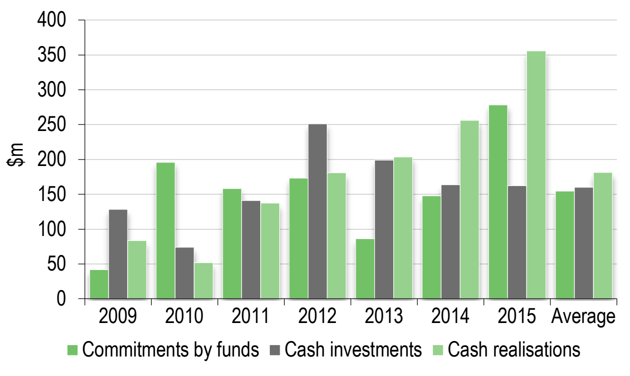
Source: HarbourVest Global Private Equity.

Commitments, investments and realisations

We have already described the extended investment period that arises from HVPE's investment through HarbourVest funds that typically have a seven to nine-year investment period. HVPE's intention is to maintain a steady rate of investment and its level of commitments is aimed at achieving this, taking account of the expected level of realisations, current commitment levels and likely investment by existing partnership investments. Exhibit 10 illustrates commitments by HarbourVest funds to partnerships by year (the second tier in the investment structure), together with cash investments and realisations made and received by HVPE. The commitment figures do not include the effect of the Absolute and Conversus transactions which are in the cash figures. As can be seen, while there are year to year fluctuations over the period the average levels for commitments, investments and realisations are in a narrower range of £150m-£180m.

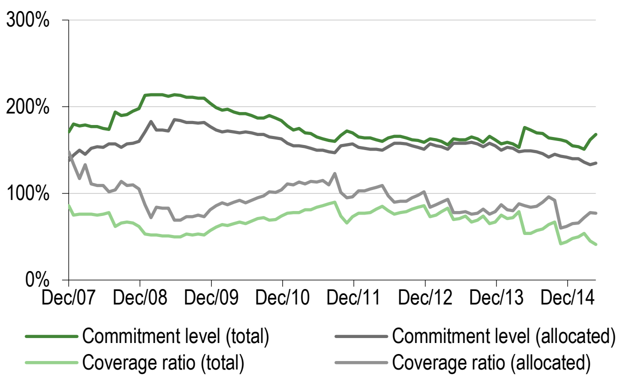
Turning to the relationship between outstanding commitments, net asset value and funding, HVPE monitors a number of ratios. The commitment level ratio is calculated by dividing the total of investment portfolio and commitments by the net asset value. Within this, HVPE focuses on the allocated commitment level which is a measure including only those commitments allocated to underlying partnerships or to HarbourVest secondary and direct funds. The commitment level ramped up post launch (Exhibit 11) but has subsequently levelled off with the allocated level standing at 135% (average over the last three years 150%).

Exhibit 10: Commitments, investments, realisations



Source: HarbourVest Global Private Equity. FY to end January.

Exhibit 11: Commitment and coverage ratios



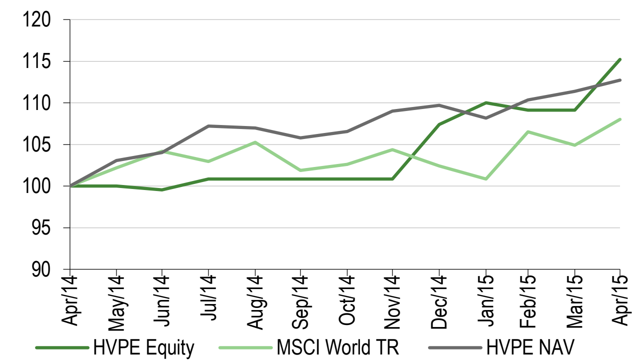
Source: HarbourVest Global Private Equity. Since inception.

The commitment coverage ratio is calculated by dividing the total of cash and the available credit facility by the level of total commitments. This stood at 41% at the end of April (three year average 67%). As a better reflection of the ability to meet commitments, HVPE has published a rolling coverage ratio which compares the total of cash, available credit and current year projected realisations with the next three years' commitments. This stood at 77% at end April (86% April 2014), following HVPE's decision to reduce its credit facility from $500m to $300m in October 2014.

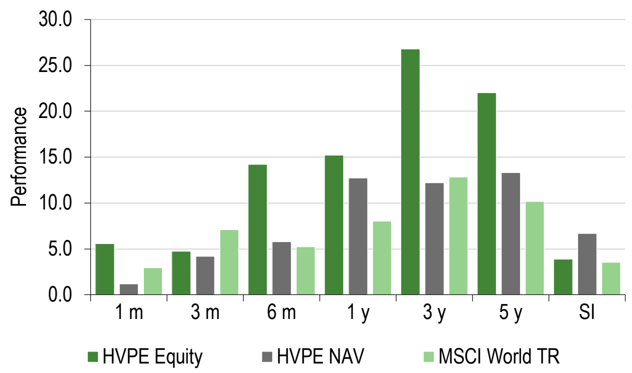
Performance: Ahead of world index and sector peers

Exhibit 12: Investment company performance to end-April 2015 (US$ terms)

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



Price, NAV and benchmark total return performance (%)*



Source: Morningstar, Edison Investment Research. Note: *Three and five years and since inception (6 December 2007) annualised.

Exhibit 13: US$ terms HVPE share price and NAV total return performance relative to benchmarks

	One month	Three months	Six months	One year	Three years	Five years	Since inception
Price versus MSCI World TR	2.6	(2.4)	9.0	7.2	60.2	108.2	3.1
NAV versus MSCI World TR	(1.8)	(2.9)	0.5	4.7	(2.5)	24.6	32.0
Price versus LPX 50 TR	1.7	(2.7)	3.9	9.0	33.8	88.2	30.9
NAV versus LPX 50 TR	(2.6)	(3.2)	(4.5)	6.5	(28.8)	4.6	59.8
Price relative to Morningstar IT PE ex-3i	2.8	0.9	14.1	14.9	85.9	115.7	39.6
NAV relative to Morningstar IT PE ex-3i	(1.5)	0.3	5.7	12.4	23.2	32.1	68.5

Source: Morningstar, Edison Investment Research. Note: Geometric calculation. Inception 6/12/07.

HVPE has performed ahead of the MSCI World Index over one and five years and since inception and ahead of an index of UK investment company peers (excluding 3i) over all the periods longer than one month, shown in Exhibit 13. The differential between the relative price and NAV performance over three years reflects the contraction of the discount to NAV following extreme levels reached during the financial crisis. The price and NAV performance in US dollar and sterling terms is compared below; over five years they are similar but there are significant differences over other periods with most of these periods showing a more positive sterling denominated performance.

Exhibit 14: Comparing dollar and sterling terms HVPE share price and NAV total return performance

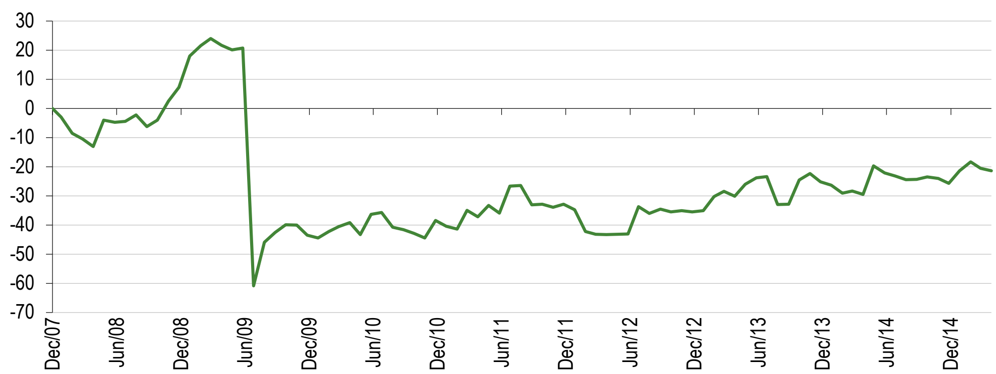
	One month	Three months	Six months	One year	Three years	Five years	Since inception
NAV USD	1.2	4.2	5.8	12.7	41.2	86.8	61.4
NAV GBP	-2.2	1.8	10.1	23.8	49.2	86.1	112.7
Price USD	5.6	4.7	14.2	15.2	103.8	170.4	32.5
Price GBP	2.0	2.4	18.9	26.6	115.4	169.3	74.6

Source: Morningstar, Edison Investment Research. To end-April 2015.

Discount: Trending narrower as sector re-rates

We have already shown how private equity closed-end company discounts expanded dramatically as the financial crisis unfolded. Exhibit 15 shows that HVPE followed this trend with illiquidity in the shares probably contributing to the pre-crisis premium and the rapidity with which the discount widened in 2009. The maximum discount of c 60% is comparable to that shown earlier for the Morningstar Investment Trust Private Equity Sector ex-3i sector. HVPE has slightly lagged the sector's recovery to a discount of c 15% and, at about 18%, its discount is modestly wider than the average for a subset of fund of fund peers (c 16%, see peer group table, Exhibit 16). Over the last twelve months the discount has averaged 22%. In view of HVPE's performance relative to the peer average and the potential for further NAV enhancing realisations, there would seem to be reasonable grounds for expecting the discount to narrow further rather widen versus peers.

Exhibit 15: Premium/discount to NAV since inception



Source: Morningstar, Edison Investment Research. Note: inception 6/12/07

The board has authority to repurchase up to 14.99% of the shares in issue but it has not used this facility as a way of tightening the discount. Instead the focus is on maintaining the performance of the portfolio, improving the liquidity of trading in the shares and ensuring transparency in areas such as fees (see next section).

Capital structure and fees

HVPE has two classes of share: 79.9m non-voting ordinary redeemable A shares and 101 voting-class B shares. The A shares, listed in London and Amsterdam, are entitled to the income and any change in the NAV of the company together with any dividends paid. The B shares have the right to elect all directors but are not entitled to changes in NAV or dividends: they are owned by an affiliate of HarbourVest. As noted earlier, the board are working towards a main-market listing in London and is hoping to achieve this in September this year. As part of the move to the main market the non-voting A shares will be enfranchised leaving one class of shares.

The move to the main market should be positive in terms of investor perception and incremental demand from index tracking and mainstream equity funds. This in turn should encourage further improvements in liquidity (in FY15 the average daily trading volume in HVPE shares was 74,650 compared with 45,400 for FY14).

The company has a $300m credit facility and at the end of April this was unused with cash of over $110m on the balance sheet. The manager's policy on gearing is not to employ structural borrowing but to use the credit facility for working capital purposes, bridging timing differences between the flow of drawdowns by partnerships and realisations or to take acquisition opportunities such as Absolute and Conversus. Debt has never been above $192m (November 2011) and that figure included borrowing for the Absolute purchase.

Fees in the private equity sector are generally higher than for quoted equity funds reflecting the relatively high level of management input that characterises investment in private companies. For listed fund of funds there is another layer of costs relating to the listed entity and any additional fees charged by the manager. For HVPE these charges totalled $33.0m in FY15 including $8.3m operating expenses, $13.0m of management fees and $10m of carried interest allocated to the HarbourVest funds (HVPE is charged the lowest management fee rate for these funds). This equates to management fees and operating expenses of 1.9% and performance fees or carried interest of 0.8% of average NAV.

Dividend policy

Reflecting its objective of delivering long-term capital appreciation and the lumpy, primarily capital nature of returns earned in the private equity sector, HVPE has not paid a dividend since its inception. However it has made two special distributions of $20m returning c 50% of the profits relating to the Absolute and Conversus transactions. This was done by way of redemptions of a proportion of A shares in October 2013 and October 2014 (1.854% and 1.607% respectively).

Peer group comparison

The 37 funds within the Association of Investment Companies' private equity sector classification follow a range of approaches and objectives. We have therefore selected a subset consisting of those with a fund of funds structure for our peer group table in Exhibit 16.

HVPE ranks third in size within the selected peers with a market cap of just over £700m. It ranks second or third in terms of NAV total return over one, three and five years and also beat the weighted average of the selected funds over one and three years. HVPE's risk-adjusted returns as measured by the Sharpe ratio also rank near the top of the selected peers (third over one and second over three years) at 2.3 and 2.0 compared with average readings of 1.3 and 1.2 for the broader private equity sector.

The ongoing charge captured in the Morningstar figures for HVPE relate to expenses at the company level and do not include management and performance fees levied by the HarbourVest funds, which have been described in the capital structure and fees section.

HVPE's discount to NAV is moderately wider than the selected stock average. The private equity sector weighted average premium to NAV of 8.3% is heavily influenced by 3i's 42% premium and, excluding this, the sector trades on a discount of c 15%.

Exhibit 16: Private equity funds of funds

% unless stated	Market cap £m	TR one year	TR three years	TR five years	Ongoing charge	Perf. fee	Discount (-) /premium	Net gearing	Yield	Sharpe NAV 1 year	Sharpe NAV 3 years
HarbourVest Global Priv Equity	**707.7**	**22.6**	**44.4**	**75.9**	**0.8**	**No**	**-17.6**	**95.0**	**0.0**	**2.3**	**2.0**
Aberdeen Private Equity	98.6	12.6	23.1	38.0	1.3	Yes	-25.5	84.0	2.2	1.5	0.8
F&C Private Equity Trust	162.3	6.8	25.9	46.4	1.4	Yes	-16.4	118.0	4.8	1.4	1.7
Graphite Enterprise Trust	414.7	6.2	25.5	57.6	1.4	No	-15.3	100.0	1.7	0.8	1.0
JPMorgan Private Equity	209.8	23.1	8.8	-9.1	2.5	Yes	-24.1	126.0	0.0	2.9	0.4
NB Private Equity Partners	380.8	26.4	44.9	57.7	2.6	Yes	-16.9	122.0	3.8	2.4	2.2
Pantheon International	842.1	14.2	34.3	64.5	1.1	Yes	-15.9	92.0	0.0	1.9	1.4
SVG Capital	896.4	13.6	43.9	162.8	0.9	No	-11.6	94.0	0.0	0.8	0.9
Standard Life Euro Private Eq	336.6	6.5	19.0	54.0	1.0	Yes	-19.4	100.0	2.3	0.2	0.6
Selected stock weighted average		**15.3**	**35.1**	**80.8**	**1.3**		**-16.2**	**99.9**	**2.8**	**1.6**	**1.3**
Sector wtd average (37 funds)		**15.3**	**41.2**	**54.4**	**2.8**		**8.3**	**99.9**	**3.4**	**1.3**	**1.2**
HVPE rank (out of 9 funds)	**3**	**3**	**2**	**2**	**9**		**6**	**6**	**6**	**3**	**2**

Source: Morningstar, 29 May 2015, Edison Investment Research. Notes: TR = NAV total return. The Sharpe ratio is a measure of risk-adjusted return. The ratios we show are calculated by Morningstar for the past 12- and 36-month periods by dividing a fund's annualised excess returns over the risk-free rate by its annualised standard deviation. Net gearing is shown here as total assets less cash/cash equivalents as a percentage of shareholders' funds.

The board

HVPE's board comprises seven members of whom five are independent. The Chairman, Sir Michael Bunbury, Andrew Moore, Jean-Bernard Schmidt, Keith Corbin and Brooks Zug were all appointed as directors in October 2007. Alan Hodson and Peter Wilson were appointed in April 2013 and May 2013 respectively. The non-independent members of the board are Brooks Zug who is a founder of HarbourVest and Peter Wilson who leads HarbourVest's secondary investment activity from London. The directors have experience in financial services, equity markets and venture capital markets. Within the proposed changes preparatory to a London main-market listing the board has agreed to follow best practice for a Guernsey-incorporated investment company. There are two exceptions to this with the first being that HarbourVest will retain the right to appoint two directors while it remains manager; a point tempered by the presence of a majority of independent directors. The second exception is that independent directors will be subject to re-election every third year, while those who have served nine years or more will be subject to annual re-election.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
245 Park Avenue, 39th Floor
10167, New York
US

Sydney +61 (0)2 9258 1161
Level 25, Aurora Place
88 Phillip St, Sydney
NSW 2000, Australia

Wellington +64 (0)48 948 555
Level 15, 171 Featherston St
Wellington 6011
New Zealand