EDISON

J.P. Morgan Private Equity

Delivering on strategy and improving performance

Investment companies

J.P. Morgan Private Equity (JPEL) seeks to achieve capital appreciation by investing in a diversified portfolio of private equity investments. The company is making good progress in implementing a strategic initiative to release value for shareholders; this includes recycling up to $150m of fund distributions into more focused investments and the planned option of a realisation share class to provide medium-term liquidity. A marked strengthening of NAV performance over the last year and greater portfolio concentration points to a narrower discount and increases the likelihood of investors opting to hold onto the ordinary shares.

12 months ending	Share price return (%)	NAV return (%)	LPX composite (%)	LPX FoF (%)	MSCI World (%)
29/02/12	(16.7)	(9.8)	(12.4)	0.6	(1.1)
28/02/13	(26.1)	(5.0)	27.2	26.2	11.4
28/02/14	9.2	(2.6)	29.2	24.3	22.3
28/02/15	22.8	12.6	0.4	5.6	8.4

Note: All % total return in US$ terms. LPX indices are for all listed PE funds (Composite) and fund of private equity funds (FoF). Data to last reported NAV month end.

Investment strategy

The managers concentrate on the secondary private equity market because the relative maturity of potential investments in this area can provide greater confidence in NAV development and more rapid realisation. Troy Duncan and Gregory Getschow seek attractively-priced, medium-sized businesses, mainly in the US and Europe. The types of deals undertaken include, but are not limited to, the purchase of minority stakes, provision of growth/development capital and fund restructurings. A greater focus in the portfolio is already evident with the top 20 underlying companies accounting for over 60% of the value.

Strategic initiative: Making good progress

JPEL's strategic initiative announced in January 2014 aimed to drive NAV growth (+12.6%, year to end February), reduce leverage and increase asset cover for zero dividend preference shares (ZDPs) by halting distributions to JPEL shareholders and reinvesting proceeds from fund disposals into a more focused group of private companies. So far over $107.5m of the $150m target has been invested. Following redemption of the 2015 ZDPs in October, ordinary shareholders will have the opportunity to transfer their shares into realisation shares on a one-for-one basis or to retain their shares and participate in the manager's more focused strategy and pipeline of secondary direct investments.

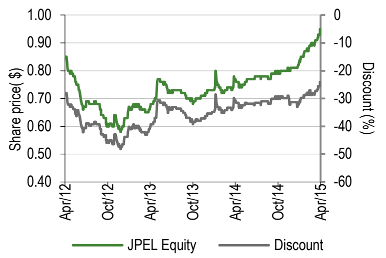
Valuation: Discount still wide

JPEL's discount has narrowed but, at over 20%, remains substantial in absolute terms and in comparison to the c 14% discount of the LPX FoF index or the c 8% of the LPX Composite index. The approach of the realisation class option and the recent improvement in NAV performance suggest scope for a further narrowing of discount.

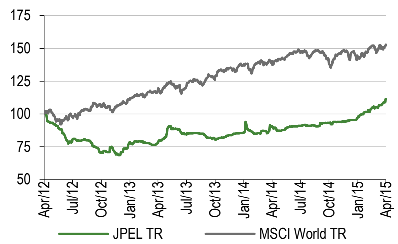
28 April 2015

Price	**US$0.95**
Market cap	**US$321m**
NAV per share (28 Feb 2015)	US$1.25
Discount to NAV	24.0%
Shares in issue	338.0m
Code	JPEL
Primary exchange	LSE
AIC sector	Private Equity

Share price/discount to NAV



Three-year cumulative perf. Graph



52-week high/low	$0.95	$0.74
NAV high/low	$1.25	$1.11

Gearing

Gross	23%
Net	16%

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Edison profile page

J.P. Morgan Private Equity is a research client of Edison Investment Research Ltd

Exhibit 1: J.P. Morgan Private Equity at a glance

Investment objective and fund background

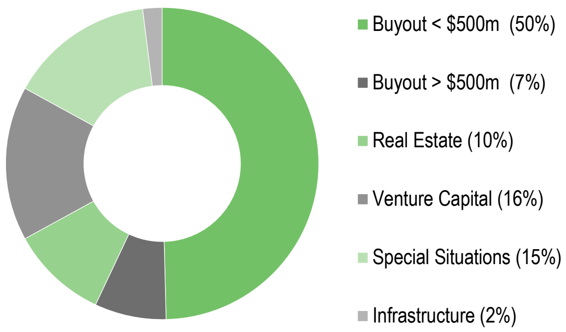
JPEL focuses on investing through the secondary market in attractively priced, medium-sized private equity-backed businesses, mainly in the US and Europe. The types of transaction undertaken include the purchase of minority stakes, provision of growth/development capital and fund restructurings. The company announced a strategic update in January 2014: see pages 3 & 4 for details.

Recent news

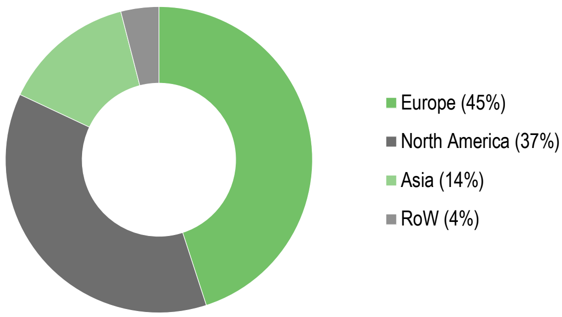
- 9 April: NAV for end February announced with an increase of 9.6% since the beginning of the financial year (end June).
- 20 February 2015: Interim report for six months to end December released – NAV increased by 6.4% to $1.21. Portfolio net distributions were $45.4m.
- 20 February 2014: Anthony Dalwood appointed as non-executive independent director of the company.

Forthcoming announcements/catalysts		Capital structure		Fund details	
AGM	TBD 2015	Ongoing charges	2.1%	Group	J.P. Morgan Private Equity
Final results	October 2015	Net gearing Net gearing ex DAIG	16.0% 10.5%	Manager	Bear Stearns Asset Management, J.P. Morgan Asset Management, JF International Management Inc.
Year end	June	Annual mgmt fee	1%	Address	Carinthia House, 9-12 The Grange St Peter Port, Guernsey GY1 4BF
Next dividend	N/A	Performance fee	See page 10		
Launch date	30/6/05	Company life	Unlimited	Website	www.jpelonline.com
Wind-up	N/A	Loan facilities	$150m		

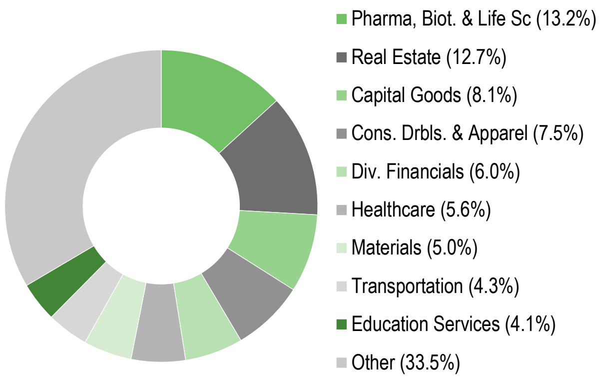
Diversification by investment strategy (as at 28 February 2015)



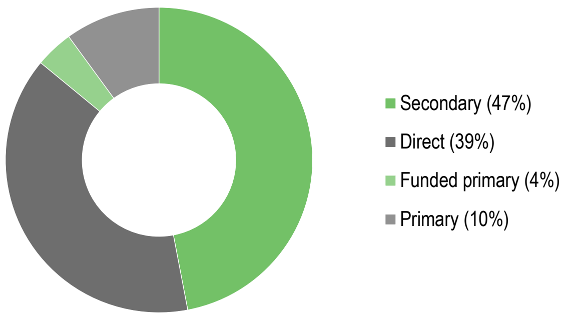
Diversification by geography (as at 28 February 2015)



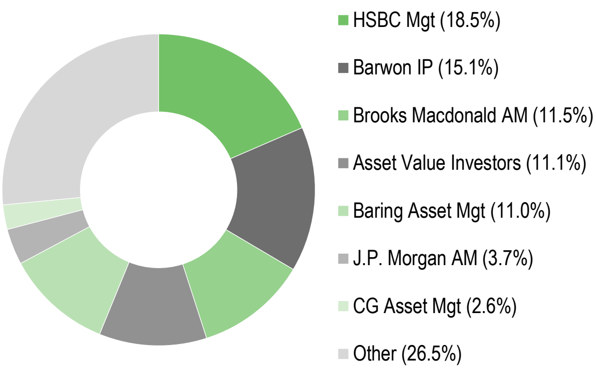
Diversification by industry (as at 30 December 2014)



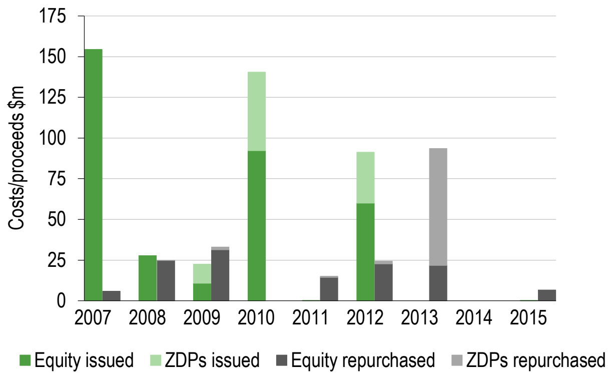
Diversification by investment type (as at 31 December 2014)



Shareholder base (end March 2015)



Share issuance and buybacks (ords and ZDPs, financial years)



Source: Edison Investment Research, J.P. Morgan Private Equity. Rounding means strategy percentages do not sum to 100.

Fund profile – changing tack to deliver value

JPEL is a Guernsey-registered, closed-ended investment company that invests in the global private equity market. Launched in June 2005, with an initial fund-of-funds portfolio, the company is in the process of investing $150m from realisations in a more focused portfolio of underlying companies. At the end of February 2015 JPEL had 87 separate fund interests, 21 co-investments and five fund-of-fund holdings. While it had exposure to over 700 underlying companies, the top 20 accounted for 60.4% (end December 2014) of total investment value, which stood at US$509.2m. The analysis by strategy shows that buyouts accounted for 57% of the total (end February) with the next two categories being debt (17%) and venture capital (14%). In terms of underlying geographical company values, Europe accounted for 45% and North America 37% of the total.

The company is managed by three fully-owned subsidiaries of JPMorgan Chase & Co (the managers).[1] The company is actively managed by Troy Duncan and Gregory Getschow, managing directors within the thirteen-strong Private Equity Advisors team that manages $1.24bn in private equity assets (December 2014). The co-managers have worked together for over 14 years and the team's average tenure is 10 years.

JPEL's portfolio is primarily composed of relatively mature investments acquired through the secondary or secondary direct market (86% in total, of which 46% was secondary and 39% direct at end December 2014). Secondary investing enables JPEL to gain exposure to more mature private equity assets that offer an accelerated pace of distributions and net asset value growth. Over the last four years net portfolio distributions have been on a rising trend, increasing from $40m to $110m between 2011 and 2014 (Exhibit 2, page 7). This is a helpful characteristic as the company looks to exploit fresh investment opportunities, position itself to redeem ZDPs and, potentially, realise part or all of the portfolio on a medium-term view following the proposed creation of a realisation share class.

Well on its way through the strategic plan

The need for a fresh approach

Like many other companies, JPEL had a tough period during and after the financial crisis. The timing of its launch and subsequent capital raisings meant that its investments were concentrated in the immediate pre-crisis period. This, combined with a geared structure (including relatively expensive ZDPs and debt), capital returns to shareholders and the application of an overinvestment strategy, held back performance and limited the company's involvement in fresh investments post-crisis when valuations were at attractive levels.

The combination of a lacklustre NAV performance record, JPEL's out-of-favour fund-of-fund status, and a complex capital structure (ZDPs and US$ equity shares) contributed to a relatively wide discount to NAV and it was to help address these points that the company adopted a two phase strategic plan. The initial phase involved using portfolio distributions to reduce debt (c $90m between the end of 2012 and the end of June 2014) and execute a share buyback ($20m). In January 2014 a second phase of initiatives was announced.

Good progress current on strategic initiatives

JPEL's current set of strategic initiatives, set out at the beginning of 2014, aim to maximise NAV growth through the reinvestment of portfolio distributions, strengthen the balance sheet and provide

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[1] Bear Stearns Asset Management Inc., JPMorgan Asset Management (UK) and JF International Management Inc.

a mechanism for those shareholders who may wish to exit the company at NAV through the creation of a redeemable share class. These measures are designed to retain asset cover ahead of the October repayment of the 2015 ZDPs while recycling distributions into a more focused and differentiated strategy aiming to generate strong returns ahead of the prospective realisation opportunity.

Progress on the initiatives announced in January 2014 is set out below.

1. **Liquidity event January 2014.** An immediate liquidity event was provided for those investors wishing to exit in the near term. This involved a number of existing institutional investors purchasing 24% (or 84m) of outstanding US$ equity shares on the market at $0.80 per share on 15 January 2014, an 8.3% premium to the previous close.
2. **Redeemable share class option.** To provide the prospect of medium-term liquidity, JPEL proposed and shareholders have approved the creation of a new redeemable share class (RSC) after the 2015 ZDPs have been retired (October 2015). Shareholders who transfer their holdings to the RSC will be entitled to cash realisations from the company's investment portfolio in proportion to their holding in the equity of the company. Realisations will be eligible for distribution to RSC shareholders from January 2016 with the timing and level of payments depending on exits within the portfolio and the level of JPEL's debt. This will give shareholders who wish to exit on a medium-term view a clear realisation path without incurring a market-determined discount to NAV. The option to remain invested in JPEL in whole or in part through the existing equity shares would be open to shareholders. NAV performance in the intervening period and the market environment at the time are likely to determine the uptake of the RSC. The managers attribute JPEL's recent stronger NAV performance to debt reduction and reinvestment in new investments.
3. **Recycle $150m into new investments**. In its 2015-16 financial years JPEL will need to fund the redemption of 2015 ZDPs, expenses and part of its unfunded commitments (a total of c $90m). Given this, the company concluded the best course for investors was to halt any distributions and to reinvest cash flows from the portfolio with the aim of generating NAV growth. The company is in the process of investing up to $150m in a concentrated portfolio of 10-20 private companies over the period to end December 2015. So far eight investments have been made (to end February 2015) with a total value of $107.5m meaning JPEL is well on the way to implementing this element of its strategy (see next section for a description of the new investments). This is reducing the portfolio's exposure to funds and fund-of-funds as realisations take place and new, secondary company investments (involving one to three companies) are made. By the end of 2015 the managers expect the top 30 companies to account for the bulk of the fund's NAV resulting in a concentrated portfolio, providing significantly greater transparency and enabling the managers to assess risks more readily.
4. **Debt reduction.** A continued rise in the level of net realisations (Exhibit 2) has facilitated a further reduction in debt with total debt of 25.1% of total assets at end 2014 compared with 30.4% at the end of 2013. Since the year end, outstanding bank debt of $12.1m has been repaid leaving the 2015 and 2017 ZDPs (c $125m) as the current source of leverage and net of the liquid holding in Deutsche Annington Immobilien (Deutsche Annington) gearing was 10.5% at end February.
5. **Selective buybacks possible.** In tandem with the reinvestment plan, the company has the ability to consider selective buybacks where potential is seen to improve fund returns. Such purchases would not be used to provide liquidity or influence the stock price. There were no buybacks in FY14 and in the financial year to date $6.7m has been spent on buybacks.

The focused investment approach

The portfolio is managed by Troy Duncan and Gregory Getschow who have substantial experience in the private equity market and are supported by 11 professionals. The team has worked together for an average of 10 years.

The managers have highlighted that the secondary private equity market has become competitive for buyers, reflecting the high level of funds available for investment. As a result the managers do not expect to buy standard limited partnership interests but report that co-investment and secondary direct markets do offer reasonable risk-adjusted returns and this is where investments are focused.

As noted in the description of JPEL's strategy, by the end of this year the manager aims to have recycled up to $150m into investments providing exposure to 15-20 private companies. The attributes the managers seek in investments include one or more of the following:

- existing private equity backed company;
- potential for near-term liquidity;
- entry values at a discount to intrinsic value;
- visible growth in profitability over the next one to two years;
- limited gearing; and
- market leadership.

Geographically, the focus remains on Europe and the US. The current preference is towards the US reflecting a more favourable pricing environment and, to some extent, the currency exposure.

The managers' concentration on the secondary market has already enabled them to make eight investments totalling $107.5m that meet their criteria; more than two thirds of the target level. Collectively, the eight investments were purchased on a weighted average entry multiple of 6.1x trailing EBITDA, with an average debt/EBITDA of 2.9x and EBITDA margin of 17.7% at the time of acquisition. Each company is a top three player in its field, projects significant EBITDA growth in the near/mid-term and has potential for an exit or partial exit in one to four years. The following brief details give a flavour of the opportunities the managers have been able to secure and how their criteria have been applied in practice.

1. February 2014: $14.3m was invested in Swiss-based **Datamars SA**, a market leader in animal and industrial textile electronic identification systems including tags, readers and software. The company is number two globally in animal identification and number one in industrial textile identification. The investment provided liquidity allowing some investors to exit, and primary capital was used for the add-on acquisition of the number three animal identification player, further strengthening Datamars' position in this market. The investment is managed by Columna Capital and JPEL has a representative on the Datamars board.
2. February 2014: an investment of $7.0m was made in **Placid Holdings**, which has an investment in a branded Indian handset and smart-phone provider with c $1bn in revenues and a market-leading position. The compound annual revenue growth rate has been 45% over the last three years.
3. April 2014: JPEL participated in a syndicate, purchasing **Innovia** from the Candover 2001 Fund, investing c $14m. Innovia produces high quality films used in specialty packaging and as substrates for banknotes. It was the last remaining holding in the Candover fund illustrating the managers' focus on such orphan situations which are likely to be suitable for a smaller number of investors.
4. October 2014: $16m was invested in **Celerion,** a leading clinical research organisation that provides outsourced services to pharmaceutical and biotechnology companies. Celerion

specialises in conducting complex first-in-human to proof-of-concept trials (phase I to phase IIa). Features that appealed to JPEL included an attractive entry price, a leading position in its niche market and a strong management team.

5. November 2014: a c $20m commitment was made to **Mr Bult's Inc**, a municipal solid waste transporter, which is the largest operator in the niche market for long-haul transportation in the US. This was another example of an investment that was the last remaining asset in a fund where JPEL was able to negotiate a favourable price and there is the prospect of reducing maintenance costs through prudent capex.
6. November 2014: the **You&Home SAS** transaction involved JPEL supporting Milestone Investisseurs in financing the purchase of three well-known French consumer brands (shoe care, wood care and laundry/dishwashing) from a large conglomerate business. JPEL's investment was $24.3m including $5.0m mezzanine debt. The management team for the business have previously executed a brand revival for a product using the same distribution network and achieved an exit multiple of over 5x initial cost which is a positive indicator for this investment.
7. November 2014: JPEL took the opportunity to support Columna Capital in its purchase from administration and restructuring of **Pilosio S.p.A.**, a company based in Italy that builds scaffolding and formwork internationally for large construction and engineering companies and the oil & gas industry. JPEL's investment of $6.7m will form part of the growth equity needed to fund the order pipeline.
8. February 2015: $7m was invested in **Accela**, a leading provider of vertical software for the state and local government market. The company's software includes land management, asset management, financial and civic engagement and is supplied to over 1,000 customers globally. Revenues have grown at around 100% per year with a very high customer retention rate. The opportunity was provided by a family owner seeking a realisation and the investment has a senior position in the capital structure, with a high coupon and warrants attached.

Current portfolio positioning

The pie charts in Exhibit 1 show the diversification of the portfolio by strategy, geography, industry and investment type. Geographically, Europe accounts for 45% of the portfolio and North America 37%,[2] new investments are also expected to be focused in these areas. In terms of currency, the relationship is reverse with US$ investments accounting for 51% of the total and euros 38%.[3] As in the industry as a whole, buyouts are the main strategy in the JPEL portfolio at 57%, but within this there is a strong emphasis on smaller transactions (values sub-$500m) that account for 50% of the portfolio. There is a broad spread of industrial exposures with the largest three areas being healthcare-related at nearly 19%, real estate, 13%, and capital goods, 8%.[3]

The secondary focus is evident in the 7.7-year average age of investments at end December 2014. At the same date, three quoted companies in the top 10 accounted for over 17% of JPEL's portfolio, including Deutsche Annington and, subject to lock-ups, FibroGen and Paratek (Paratek shares are no longer subject to lock-up. The maturity of the portfolio suggests good potential for near-term realisations.

In January and February this year two sales reduced the Deutsche Annington holding by c 43%. The original investment in Deutsche Annington was made in 2006 through a Terra Firma co-investment fund and, as at the end of February, had generated value/realisations of 3.4x cost and a 27.7% IRR on the investment (realised and unrealised).

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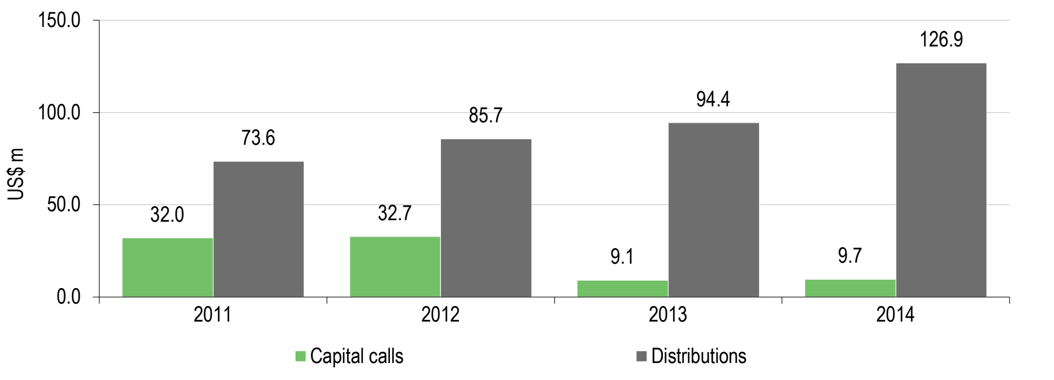
[2] At end February 2015.

[3] At end December 2014.

The increasing trend in net realisations over the last four calendar years is evident in Exhibit 2 and, given the relative maturity of the portfolio, it seems likely that there will be further significant realisations. In January and February 2015 there were net realisations of $22.5m.

Exhibit 2: Capital calls decline and distributions increase (calendar years)



Source: J.P. Morgan Private Equity

The concentration of the portfolio has increased in recent years with the top 20 investments (Exhibit 3) representing over 60% of the portfolio at the end of December 2014 compared with 21% at the end of June 2008. The reinvestment strategy is set to increase concentration further at the risk of some loss of diversity, but with the benefit of more insight into the risks the portfolio is taking on and greater impact from individual investment selections.

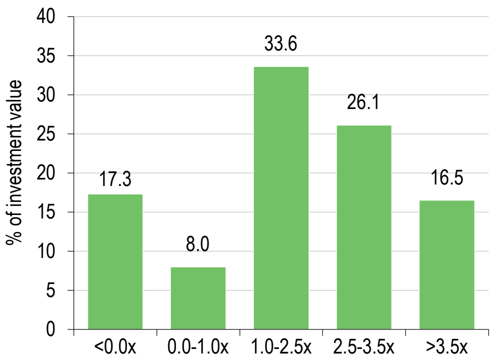
Exhibit 3: Top 20 companies end December 2014

Company	Country	Industry Group	% of private equity investment
Deutsche Annington Immobilien Group	Germany	Real Estate	8.7%
You&Home	France	Consumer Durables & Apparel	4.6%
FibroGen	Finland	Pharma, Biotech & LifeSciences	4.5%
Paratek Pharmaceuticals	US	Pharma, Biotech & LifeSciences	4.4%
RCR Industrial	Spain	Capital Goods	4.3%
Mr.Bult's	US	Transportation	3.6%
Datamars	Switzerland	Technology Hardware & Equipment	3.3%
Alliant Group	US	Diversified Financials	3.1%
Celerion	US	Real Estate	3.1%
Yangzhou Ya Tai Property	China	Real Estate	2.6%
Placid Holdings	India	Communications Equipment	2.5%
Innovia Films	United Kingdom	Materials	2.3%
Compre Group	United Kingdom	Insurance	2.3%
Gulf Healthcare International	United Arab Emirates	Healthcare Equipment & Services	1.9%
Groupo Zena	Luxembourg	Diversified Financials	1.8%
Accurate Result Investments	China	Media	1.6%
Concorde Career Colleges	US	Consumer Services	1.6%
Diaverum	Sweden	Healthcare Equipment & Services	1.5%
Nobel Learning Communities	US	Consumer Services	1.3%
Pilosio	Italy	Capital Goods	1.3%
			60.3%

Source: J.P. Morgan Private Equity. Note: List of top 20 companies includes underlying companies indirectly owned through the purchase of secondary interest in Private Equity Access Fund II, Bear Stearns Global Turnaround Fund, LP, BoS Mezzanine Partners Fund, LP (BoS company-level exposure includes estimated pro-rated, fund-level leverage) and Macquarie Private Capital Trust.

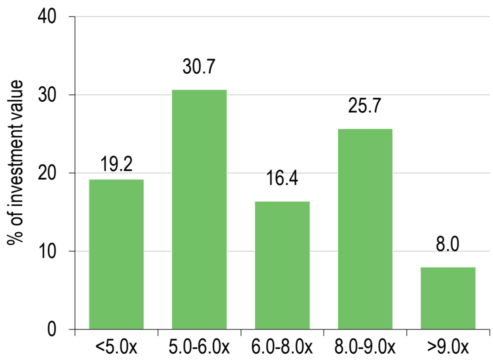
We discuss the overall leverage position on page 10, but note here that JPEL reports the top buyout investments in the portfolio companies have moderate debt levels with an average net debt to EBITDA multiple of 1.8x compared with an average of 5.2x for middle-market LBO loans (source: KPMG Corporate Finance for Q414). In the context of a general increase in leverage employed in private equity deals and the leverage in JPEL itself, this characteristic is favourable. (See Exhibit 4 for distribution of net debt/EBITDA for top 28 buyout investments.)

Exhibit 4: Top investments net debt/EBITDA



Source: J.P. Morgan Private Equity (end Feb 2015)

Exhibit 5: Top investments EV/EBITDA



Source: J.P. Morgan Private Equity (end Feb 2015)

Exhibit 5 shows the weighting of investments towards lower EV/EBITDA multiples. The average multiple of the sample of top investments (28 companies, end December 2014) was 6.8x. This compares with 10.0x for MSCI World, the S&P 500 on 11.6x and 8.6x for the FTSE All-Share Index.

Performance

As set out earlier, heavy investment as the financial crisis took hold, leverage and limited investment in the post-crisis phase of the market negatively impacted historical performance. However, as shown in Exhibit 6, performance over one year has been positive both in absolute and relative terms (+12.6% versus +5.6% for the LPX Private Equity Fund of Fund index and +0.4% for the LPX Composite index).

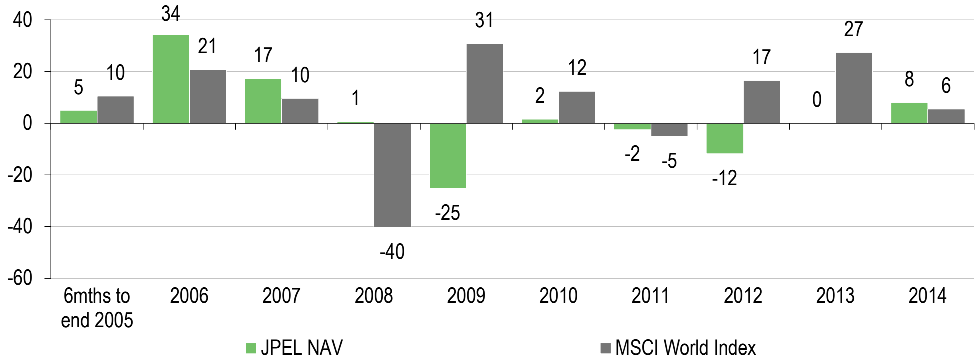
Exhibit 6: Performance comparison JPEL, JPEL NAV, P/E indices and World Index

% total return	One year	Three years	Five years	Since inception
JPEL	21.9	-1.1	-25.8	-13.6
JPEL NAV	12.6	4.2	-3.8	21.4
LPX FoF	5.6	65.8	147.2	41.3
LPX Composite	0.4	65.0	103.4	49.6
MSCI World Index	8.4	47.8	78.7	98.1

Source: Thomson, Bloomberg. Note: All in US$ terms to 28 February 2015. Inception date: 30 June 2005.

Exhibit 7 shows the discrete annual performances for JPEL (NAV) and the MSCI World Index (total return) since the company was launched. JPEL's performance initially outpaced the equity index and lagged the stock market downturn as private equity valuations adjusted more slowly as the financial crisis took hold in 2008. Post-crisis, performance suffered from the pre-crisis investments and the low level of new investments in a favourable environment.

Exhibit 7: JPEL NAV and MSCI World Index performance



Source: Thomson Datastream

The performance of the manager's post-crisis investments paints a more encouraging picture than the all-in JPEL figures given above. Exhibit 8 shows performance of both JPEL and the managers' overall investments and other managed funds over this period. Excluding the stock-financed Parallel transaction, which was essentially a funding exercise, JPEL and the managers' investments both generated IRRs of more than 20% (the figure for JPEL is to end-June 2014 and for the managers to end-June 2013).

Exhibit 8: Performance of funds managed by JPEL managers since September 2008

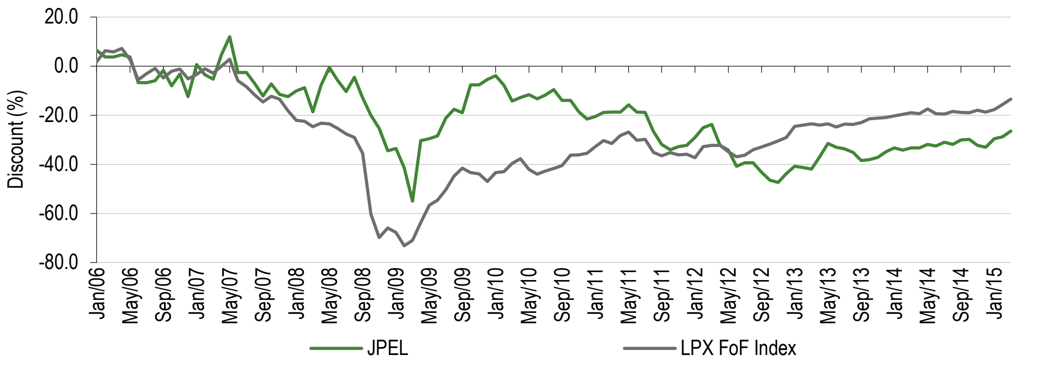
% except where shown		Since inception investments		Since-crisis investments (from Sept 2008)		
	Inception	Multiple of invested capital	Gross IRR	Multiple of invested capital	Gross IRR	End date for calculation
J.P. Morgan Private Equity Limited ex-Parallel	June 2005			1.63x	20.1	31/12/2014
J.P. Morgan Private Equity Limited	June 2005	1.1x	3.2	1.46x	18.1	31/12/2014
Managers' investments ex-Parallel				1.48x	21.7	30/09/2014
PEAF I[1]	January 2001	1.8x	21.6			30/06/2014
PEAF II[1]	March 2002	1.7x	14.2			30/06/2014
J.P. Morgan Special Opportunities Fnd[2]	February 2010	1.5x	21.1			31/12/2014
GMAG Special Opportunities Fund[3]	August 2012	1.2x	17.8			31/12/2014

Source: JPEL. Notes: The performance does not include any JPMAM-related fees or expenses and excludes the structural cash-drag on returns and debt at fund level. Cash flows have been converted to US dollars. Since-crisis performance is for investments made since the collapse of Lehman Bros 15 September 2008 and end December 2013. [1] PEAF I & II managed by G Getschow and T Duncan at BDC Financial prior to their joining JPMAM. [2] J.P. Morgan Special Opportunities Fund is a Luxembourg SICAV invested and managed by JPEL's managers. [3] GMAG Special Opportunities Fund is a US-domiciled separate account invested and managed by JPEL's managers. Performance shown is for the underlying assets without cash drag, debt or fees.

Discount

The current share price discount to NAV of over 20% is significantly below the three-year average of 35% and, as shown in Exhibit 9, is substantially below the financial crisis-maximum of 55%. However, this is still a wide discount in absolute terms and in comparison with the discount for the LPX Fund of Fund index (c 14%) or, not shown, the LPX Composite index (c 8%). The potential for an improvement in sentiment following JPEL's stronger performance over the last year and the prospective opportunity to opt for realisation class shares would appear to provide the basis for a further narrowing of the discount.

Exhibit 9: Discount to NAV for JPEL compared with the LPX Fund of Fund index



Source: Datastream, Bloomberg

Capital structure and fees

JPEL has 338m US$ equity shares and two classes of ZDPs (totalling $126m) in issue. The ZDPs are relatively expensive, accruing at a rate of over 8% pa. At the end of 2014 there was bank debt of $12.1m outstanding from a multicurrency facility of US$150m, which has been extended to expire at the end of January 2018, beyond the redemption date of the 2017 ZDP. In February 2015 all debt under this facility was repaid. A simplified balance sheet is set out in Exhibit 10.

The headline leverage of 16% net (10.5% net of DAIG holding) or 23% gross shown here is relatively high when compared with peers (see Exhibit 11). However, the company's analysis of its top buyout companies (28) shows a debt/EBITDA multiple of 1.8x compared with a peer group (SVG, Graphite and NB Private Equity Partners) figure of 4.2x, suggesting the underlying level of leverage is similar to the peer average.

Exhibit 10: Simplified balance sheet for JPEL end February 2015 ($m)

Assets			Liabilities	
Investment portfolio	509.2		Bank debt	0.0
Cash and equivalents	39.6		Other liabilities (net)	1.9
			ZDP 2015 (due October, accrual 8.86% pa)	85.4
			ZDP 2017 (due October accrual 8.48% pa)	40.4
			Equity	421.1
Total assets	**548.8**		**Total liabilities**	**548.8**
Cash	39.6		Total debt (excluding other liabilities)	125.8
			Total debt/total assets	22.9%
			Net debt/total assets (net of DAIG holding)	10.5%

Source: JPEL, Edison Investment Research

The managers charge a fee of 1% pa based on total assets. They qualify for a performance fee if the net asset value of US$ equity shares and ZDPs grows by more than 8% over a relevant performance period. This is subject to a high water mark and the fee is 7.5% of the excess return. No performance fee was paid in either FY2014 or FY2013. Total expenses as a percentage of average total net assets was 2.1% annualized for H115 and the average for the last three financial years was 2.0%.

Peer group comparison

In the peer group table (Exhibit 11) we have selected a subset of the AIC private equity sector and shown average values for the full list of 36 companies with market caps above £10m as well as the selection. Following the weaker, post crisis performance evident in the three and five year comparisons, JPEL's recent stronger returns place it in the top quartile of the private equity sector over one year and usefully above the sector average and median for that period. As noted above, the discount appears wide versus the LPX indices and this is also seen in comparison with the peer group average below.

Exhibit 11: Closed-end private equity fund peer comparison

	Market cap (£m)	NAV TR One year	NAV TR Three year	NAV TR Five year	Discount (Ex Par)	Latest ongoing charge	Perf fee	Net gearing	Yield (%)
Aberdeen Private Equity	96.0	12.1	20.5	42.4	-27.1	1.3	Yes	83.0	2.3
F&C Private Equity Trust	163.4	6.3	23.2	43.3	-16.4	1.4	Yes	95.0	4.8
Graphite Enterprise Trust	430.0	3.8	23.8	52.2	-14.2	2.1	No	100.0	1.3
HarbourVest Global Priv Equity	696.0	23.6	48.3	90.3	-19.8	0.8	No	95.0	0.0
JPMorgan Private Equity	**219.3**	**26.2**	**12.7**	**-4.0**	**-22.5**	**2.5**	**Yes**	**116.0**	**0.0**
NB Private Equity Partners	384.9	29.7	47.1	69.0	-17.8	2.6	Yes	122.0	4.0
Pantheon International	873.9	16.5	37.3	68.2	-14.9	1.1	Yes	92.0	0.0
Princess Private Equity	399.5	2.2	7.1	20.4	-11.8	1.9	Yes	89.0	6.8
Standard Life Euro Private Eq	346.8	2.3	14.3	47.9	-12.9	1.0	Yes	100.0	2.3
SVG Capital	967.4	17.3	48.6	171.4	-14.8	0.9	No	93.0	0.0
PE sector average	473.9	4.9	16.4	34.8	-20.7	5.0		95.8	1.2
PE sector median	176.8	5.1	21.9	41.3	-17.8	2.1		95.0	0.0
Average for selected cos.	457.7	14.0	28.3	60.1	-17.2	1.6		98.5	2.1

Source: MorningStar, Edison Investment Research. Notes: as at 14 April 2015. TR= total return.

The board

The board comprises five directors (with year of appointment in brackets): Trevor Ash (chairman – 2005), Gregory Getschow (managing director and a portfolio manager for the company – 2009), John Loudon (2005), Christopher Spencer (2005) and Anthony Dalwood (2015). Tony Dalwood joined the board in February, is currently CEO of Gresham House plc and brings extensive experience in both private and public equity investment. Gregory Getschow, a senior executive of Bear Stearns Asset Management Inc, one of the managers of the company, is the only non-independent director.

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