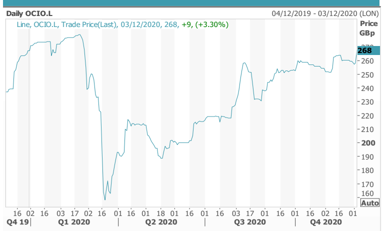
3 December 2020

HARDMAN&CO.

Closed-Ended Investment Funds



Source: Refinitiv

Market data

EPIC/TKR	**OCI**
Price (p)	**258**
12m High (p)	279
12m Low (p)	188
Shares (m)	180.6
Mkt Cap (£m)	466
NAV p/sh (June adj., p)	363
Disc. to NAV	29%
Market	Main Market SFS

Description

Oakley Capital Investments (OCI) has generated market-beating returns from its concentrated, three-sector-focused portfolio of private equity (PE) investments via Oakley Capital (Oakley) PE funds. Oakley has a proven model for sourcing investments, and an excellent track record of identifying resilient value opportunities and delivering superior returns.

Company information

Chairman	Caroline Foulger
Ind. NED	R Lightowler, F Beck
NED	P Dubens, S Porter
Inv. Mgrs.	Oakley Capital
Contact	Steven Tredget

investorrelations@oakleycapital.com

Key shareholders

Asset Value Investors	13%
Peter Dubens	10%
Sarasin	7%
City of London IM, Barwon	6%
Lombard Odier & Fidelity	5%
Jon Wood & family	4%
Rothschild WM & Jupiter	3%

Diary

Jan'21	Trading update
Mar'21	FY results

Analyst

Mark Thomas 020 7194 7622
mt@hardmanandco.com

OAKLEY CAPITAL INVESTMENTS LTD

NAV: conservative, robust and with growth upside

In this note, we examine three aspects of OCI's NAV: firstly, why investors can have confidence that it is conservatively calculated, evidenced by i) realisations above carry cost, ii) no incentive to inflate valuations, and iii) a tech-enabled business mix; second, NAV has been robust through COVID-19, a feature we expect to continue, driven by digitally delivering companies, largely defensive sectors and OCI's large cash balances; third, upside from incorporating the market's "vaccine" recovery in OCI's NAV is compounded by underlying structural growth and a unique sourcing model in attractive markets. The 29% discount to NAV is an additional attraction.

- **COVID-19 experience:** Through the crisis, Oakley's expertise/funding assisted its companies. Three quarters of investments benefit from having digital and subscription models, or both. 14 of 17 companies are expected to end the year at or near budget. The 1H'20 NAV total return was 4% (-1% constant currency).

- **Growth:** Oakley Funds' companies delivered 17.5% annual EBITDA growth to end-June (30% to December 2019). Its deep entrepreneur relationships give it unique origination, and £250m+ cash means opportunities can be taken. Ratings may increase as value is added to businesses and with recent market rallies.

- **Valuation:** Against the end-June NAV, OCI trades at a 29% discount, despite its absolute (10-year 156% total NAV return) and relative (Oakley Funds II & III top-quartile/5% by different measures) performance. OCI yields ca.2%. Relative to both historical and peer levels, the discount is unusually high.

- **Risks:** While OCI's costs are slightly above-average, post-expense returns are still market-beating. Sentiment towards the global economic cycle is likely to be adverse, even though outperformance has been delivered in downturns. OCI's portfolio is concentrated. Its permanent capital is right for private assets.

- **Investment summary:** OCI provides investors with liquid access to the attractive PE market, enhanced by Oakley's incremental origination and management skills. The Oakley Funds are focused on mid-market, tech-enabled Western European companies that operate in the consumer, education and technology sectors. Accounting and governance appear conservative. There are risks – primarily sentiment-driven – around costs and cyclicality, as well as the liquidity and valuation of the underlying private assets. Previously large shareholder overhangs have now been sold completely. Buying a business with a consistent record of outperformance at a material discount to NAV is an additional attraction, we believe.

Financial summary and valuation

Year-end Dec (£000)	2017	2018	2019	2020E	2021E
Interest income	7,722	6,629	9,218	10,945	11,985
Realised gains	23,991	102,314	17,840	210,000	11,658
Unrealised gains	20,316	-23,877	127,741	-145,000	58,292
Total income	51,496	88,432	153,157	76,412	82,402
Costs	-6,571	-6,434	-17,888	-26,720	-18,990
EPS (p)	22.0	40.0	66.3	25.7	35.1
NAV per share (£)	2.45	2.81	3.45	3.80	4.11
S/P discount to NAV (at time)	-33%	-38%	-22%	-32%	-37%
Investments (£m)	420	470	661	527	704
DPS (p)	4.5	4.5	4.5	4.5	4.5

Source: OCI, 2017 costs restated to include interest per 2018/2019 treatment, Hardman & Co Research

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Shares in OCI are traded on the Specialist Fund Segment of the main market of the London Stock Exchange and are intended for institutional, professional, professionally advised and knowledgeable investors primarily seeking exposure to private mid-market UK and Western European businesses through investment in the Oakley Capital Private Equity funds (or successor funds) and: (a) who understand and are willing to assume the potential risks of capital loss associated with investments in such companies, (b) who understand the illiquid nature of private equity compared to other asset classes, (c) for whom an investment in OCI's shares would be of a long-term nature constituting part of a diversified portfolio, and (d) who understand, or who have been advised of, the potential risk from investing in companies admitted to the Specialist Fund Segment.

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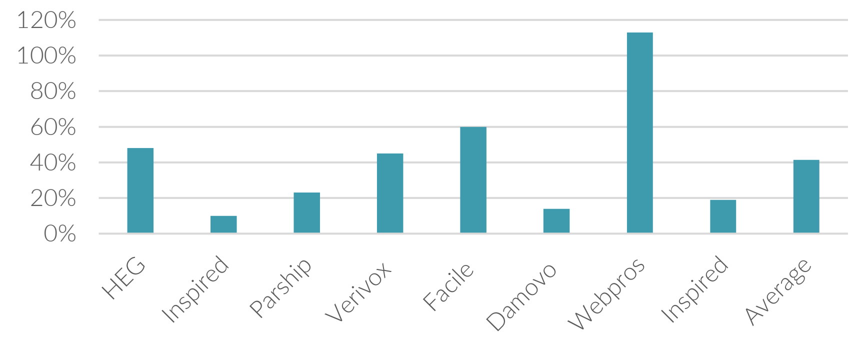
Conservative NAV

Actual realisations against carry cost

What businesses sell for is ultimate verification of accounting value. Average uplift on sale has been 34%.

Again, the proof of the pudding is ultimately in the eating. On exit, Oakley has achieved higher valuations than the book value, often significantly better. When WebPros was sold in December 2019, it achieved a material premium to the June carry value. The average uplift on all realisations has been 34% (42% since January 2017), well above what we may consider a normal bid premium in public markets (even for a trade buyer). *Prima facie*, this is evidence that the carry value is a conservative reflection of the real value of the company.

Uplift to book value (%) on realisations, January 2017 to June 2020



Source: OCI Report and Accounts, Hardman & Co Research

Continued in 2H with Casa.it uplift at 50%

We note that, since our initiation, the sale of Casa.it was at a 50% premium to the 30 June 2020 carrying value, leading to an uplift of 7p per share (2%) on the total NAV per share at 30 June 2020.

No incentive to inflate valuation

No incentive for Oakley to inflate value, with performance fees paid on realisation, not accounting value. Management fees driven by commitments, not accounting value.

There is no incentive for OCI/Oakley to inflate valuations. As we detail in the section on costs in our initiation, the management fee for investments in Oakley Funds is based off commitments and invested cost, not the accounting carry value. Performance fees are accrued *en route*, but the cash is paid only out of sale proceeds, not on an accounting revaluation. Neither management fees, nor performance fees actually paid, are dependent on the reported NAV, so there is no benefit in inflating the number. Indeed, there is a disincentive to do this, as market sentiment (and the share price discount to NAV) towards a business that writes up valuations and then has to write them down again is likely to be severely adverse. We believe that, in certain jurisdictions, there can also be tax consequences in doing so.

Carry value versus cost

Carry value 1.7x initial cost

The December 2019 total carry value of the portfolio was 1.7x its initial cost (well below the realised multiples outlined above) and, if we exclude Time Out (TMO), the ratio is 1.8. This level is indicative of no valuation inflation in the ongoing portfolio.

Corporate governance

Auditors tested process that manager used to value these investments

There are the usual control procedures in place, including a review by the board and the independent auditors' Audit Review. Investors will note, from the 2019 Report and Accounts (pages 84-85), that the auditors tested the process that the manager used to value these investments.

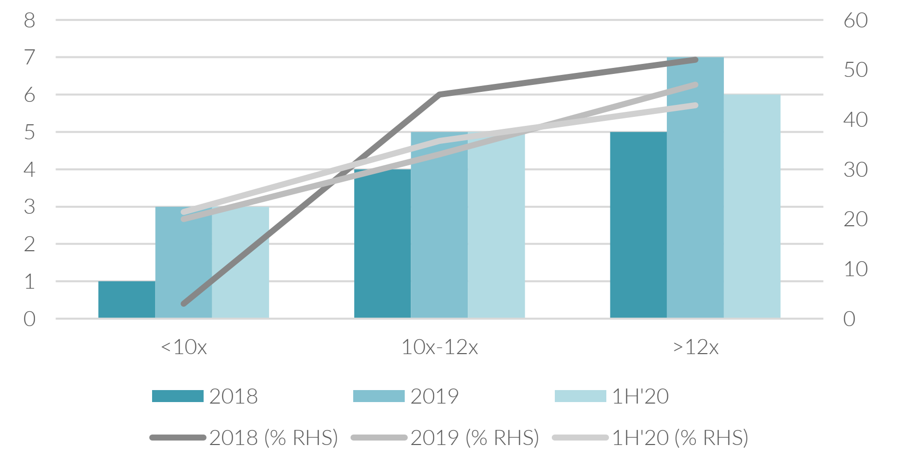
Business mix drives rating

Mix of valuation ratings entirely consistent with mix of business. Average EV/EBITDA fell from 12.9x in 2018 to 12.1x in 2019 and 11.8x in June 2020, with more, lower-rated, new businesses.

A further consideration in the reasonableness of the overall portfolio is to consider what range of multiples are being implied and how this has changed over time. Average EV/EBITDA fell from 12.9x in 2018 to 12.1x in 2019 and 11.8x in June 2020. The number of companies on multiples of more than 12 rose from five to seven, dropping back to six in June 2020. This was driven by mix effects, most notably:

- The addition of lower-rated companies early in their PE life cycle. As we detailed in our initiation, Oakley improves operational efficiency, management, growth prospects and the strategic positioning of businesses, resulting in investments being sold on higher ratings than those on which they are acquired. Some of the improvements are reflected during the holding period of the investment, so material realisations/new investments have the mix effect of increasing the weightings of lower-rated businesses.
- The growth in the number of more highly rated technology, and tech-enabled companies. We believe investors need to look beyond the Standard Industrial Classification (SIC) sector codes and more at the underlying business. A tech-enabled online consumer business is likely to attract a technology rating, not a consumer one.

Spread of EV/EBITDA multiples by number of companies and percentage of companies



Source: OCI, Hardman & Co Research

Interpretations required in the valuation

Valuation based off a number of assumptions, rather than direct market prices, and NAV takes time to reflect market rating changes – up or down

We noted, in our initiation, that there are interpretations and judgements required in any private company valuation. Even a market-based approach presumes that the comparator companies are correctly valued by the market and that any adjustments would be treated in the same way by the market. We also noted the timing issue, as it takes time for the NAV to "catch up" with market moves. There have been some rapid uplifts post acquisition (e.g. at end-2017, Fund III saw uplifts to 1.3x, 1.6x and 2.8x for the three investments made in the first half of that year). This does not unduly concern us (as we also noted that Oakley has a track record of buying cheaply), but it is something investors should be aware of.

Robust NAV in downturns

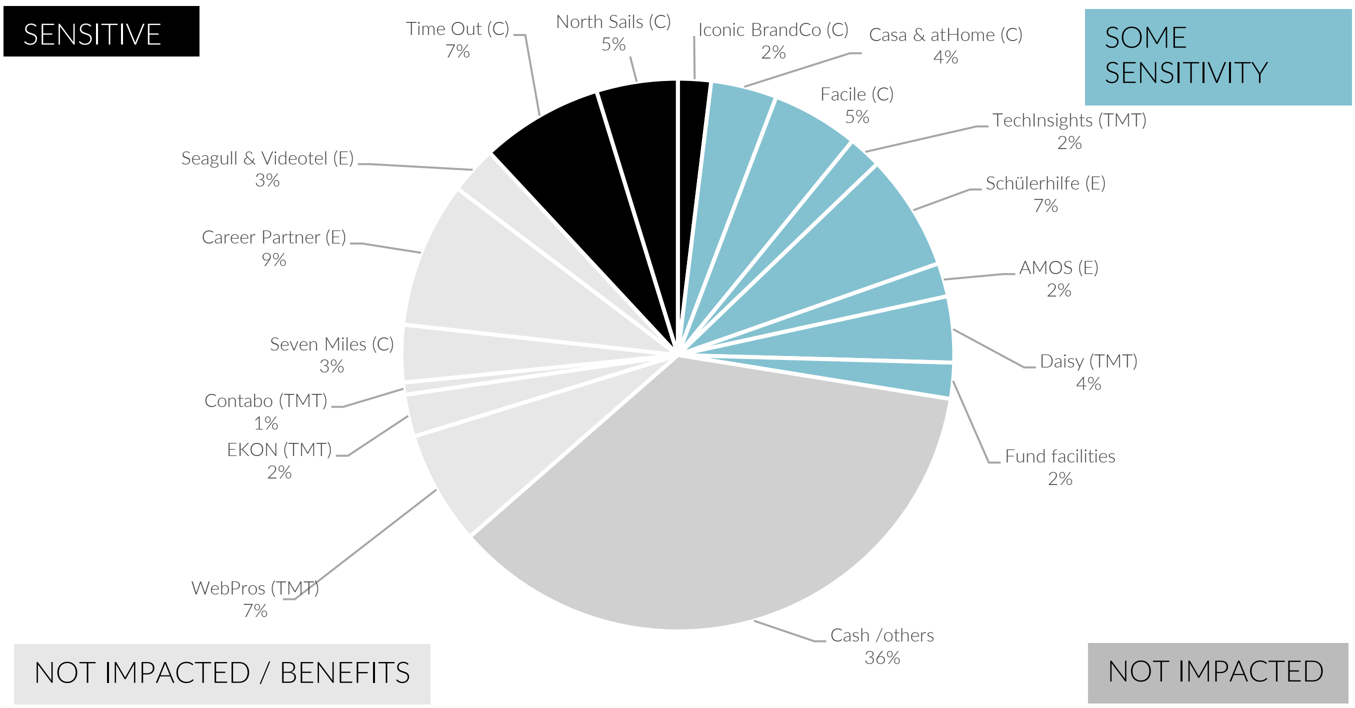
COVID-19

Digital business may well see market share gains following crisis

Digital models produced market winners

Oakley Funds', and so OCI's, portfolio investments, have, for some time, been focused on businesses with a strong digital presence (65% at June 2020 and subsequently increased to ca.75% – see below) and where revenue streams are on a subscription basis (71% at June 2020). Such businesses should show considerable resilience and, indeed, may see market share gains.

Portfolio COVID-19 resilience (as at June 2020)



Source: OCI, Seven Miles being branded Wishcard post interim results, Hardman & Co Research

Case studies

Examples of digitalisation and direct-to-consumer models are evident across Oakley's and so OCI's investments. Taking a couple of examples, which are not classified as "technology":

- Career Partner Group (CPG), a German-based higher education business, saw an acceleration in the student intake for its online studies. The dual studies segment (~35% of revenues) was reported as having a small miss but, even here, was less affected than many face-to-face only education providers.

- Facile.it, the Italian price comparison online market place, is classified as a consumer business but, in reality, it is a tech-enabled market disruptor. The adoption of online market comparison has been well behind many countries, but we understand that activity has accelerated subsequent to the 1H lockdown. In addition to the technology, Oakley can use its experience of similar companies in other geographies to rapidly deploy the optimal business model.

Impact of portfolio changes since June

Acquisitions increased defensiveness

On 17 September, OCI announced the sale of Casa.it to EQT, with proceeds of ca.£50m (a 50% premium to carrying value and an uplift of 7p to the June NAV). On 1 October, it announced the acquisition of 7NXT, with the Oakley Origin Fund paying €42.6m. On 22 October, OCI announced the acquisition of Windstar Medical via Oakley Fund IV, with OCI's indirect contribution being ca.£43m. We detail the businesses in the section on structural growth below. In summary, though, 7NXT is an online fitness model, and Windstar provides OTC with medicines; both should see structural growth and upside from further COVID-19 lockdowns. Management indicates that it now expects businesses whose trading is unaffected or benefiting to account for 32% of OCI's look-through exposure to the portfolio companies via the funds and direct equity investments, those seeing some short-term disruption (25%) and those with a significant impact (14%). The balance is in cash and other liabilities, and fund assets and liabilities.

Investee company support in crisis

Both Oakley Funds and OCI have liquidity to support investee companies. Investee companies can get incremental expertise and advice in financial planning, supply chain management, preparing for operational disruption and best practice.

In our initiation, we highlighted why Oakley's investments outperformed throughout the COVID-19 pandemic. At the OCI level, there is the liquidity to support commitments to Oakley Funds and direct investments, should capital injections be necessary/desirable for M&A or to strengthen balance sheets. Oakley Funds' committed capital structure gives much more certain access to capital than a non-PE-backed company. For investee companies, there is operational support that is simply not available to standalone entities to assist in the assessment, management and mitigation of risks as conditions evolve. With interests in a range of countries at varying stages of the virus development, lessons learnt in one area may be useful in preparing others for the effects of both lockdowns and re-openings. What this means, in practice, is that Oakley has provided expertise and best-practice advice on ensuring financial resilience, improving supply-chain robustness, including using the entrepreneur network to identify other suppliers, preparing for operational disruption, and providing advice and best-practice transfers to protect employees and customers.

Valuation changes in 1H'20

NAV grew in 1H'20, as improved outlook for tech-enabled businesses more than offset short-term pressures in other operations and sharp fall in TMO's listed price

In our initiation, we highlighted the changes in each company valuation during 1H'20. Unsurprisingly, the technology investments have been robust, with most increasing nearly 10% and TechInsights' investment by nearly 20%. The education investments were more mixed, with Ocean Technologies seeing no impact (a recent investment), while ACE's model is less certain. Again unsurprisingly, the greatest impact has been seen in the consumer investments but, even here, there have been some investments that have made gains, especially those online. The forex effect can be material with, for example, at Casa.it & atHome, £2.7m of the increase in valuation due to forex and just £0.3m from an underlying valuation uplift.

Most attention was focused on:

- North Sails (NS), where the equity value increased by 7%. Most major production facilities were closed for a period of time, although US facilities remained open, but with limited capacity. Orders initially reduced to ca.50% of capacity; however, by September, the order book was more in line with the prior year. We understand that the valuation is driven by long-term prospects that look through COVID-19 disruption, given the rapid recovery in the order book. We note that Global Yacht Group's (GYG) share price rose from 63.5p at end-2019 to 76.5p at end-June 2020 (up 20% in 1H'20), and is now 69.5p.

- Time Out (TMO), where the share price fell sharply in 1H'20, to 39.5p at end-June. It is currently 40.5p.

Impact of second-wave lockdowns

Structurally more defensive, lockdowns less severe, EBITDA still growing, lessons learnt and cash resources to support businesses all suggest impact of second-wave lockdowns should be smaller than first

For OCI, the impact of any further lockdowns will reflect that:

- OCI's NAV grew through the first half of the year;
- acquisitions have increased the weighting to digitalised, defensive businesses;
- most second-wave lockdowns have been less severe than the lockdown in spring;
- Oakley's, and so OCI's, investee businesses, grew their EBITDA through the first, harsher lockdown;
- lessons from the first lockdown, in terms of accessing customers online and reinforcing supply chains, etc, can be more quickly deployed; and
- OCI's and Oakley Fund's strong liquidity means financial support is there.

Potential drag from even most exposed businesses appears less (TMO's share price risen in 2H'20) and, market-wide, there is more confidence in long-term outlook

We expect investors to focus on the three businesses most affected by lockdowns, being:

- TMO: TMO's share price fell from 111p on 25 February to 39.5p at end-June 2020. The current share price is above the June level and, if sustained to the end of the month, would see a positive contribution – not the drag seen in 1H'20.
- NS: NS's valuation rose during the first wave – a performance consistent with quoted sailing-related businesses. Sailing has the advantage of being a relatively socially distanced sport, although, clearly, NS's apparel and retail businesses are more exposed. Given the long-term valuation approach (in which we can have more confidence than a few months ago, given the improved visibility of vaccines/treatment) and NS's performance throughout 1H'20, we do not expect a material drag in 2H from this business.
- Iconic BrandCo: In addition to company actions, such as online distribution direct to customer, we note an imbalance in the impact on higher-net-worth individuals and the mainstream market. The extensive fiscal and monetary support has ensured that investment market recoveries have been relatively robust, and the impact on higher-net-worth individuals is likely to be less than on mainstream individuals, who are more dependent on income. Luxury brands, therefore, may see less strain than mainstream providers.

Growth NAV

Structural growth in underlying businesses

Underlying investments in structural growth markets

Oakley Fund's companies delivered 17.5% annual EBITDA growth to end-June (30% to Dec'19), continuing a trend of growth well ahead of most equity indices. Oakley's, and so OCI's, portfolios, are not about milking cashflows from an established business, but are more focused on the long-term cash that can be generated from businesses whose growth is driven by socio-demographic trends, not cyclical opportunities.

Case studies

We detail below three examples.

CPG in online education

- CPG, an education business, accounted for 9% of OCI's NAV in June 2020 (the largest equity investment), after an initial investment in January 2018. It is the largest and fastest-growing private university group in Germany. Student intake rose from 3,500 in 2015 to 18,600 in 2019 (CAGR 52%), with paying students up from 7,000 in 2015 to 29,000 (CAGR 44%) over this period. In contrast to more typical higher education institutions, CPG is driven as you would expect a digital business to be; for example, applying e-commerce marketing, or focusing on student satisfaction over research and reputation. Its model is online, utilising data-driven and personalised teaching over the classic classroom.

Windstar in OTC medicines

- Windstar is Germany's leading over the counter ("OTC") consumer health company, offering prescription-free OTC medicines and food supplements since 1993. Oakley advises that it is on track to achieve >€120m revenues and >€20m EBITDA in 2020 (against a consideration of ca.€125m for a 62% stake). In addition to offering products that could see growth through COVID-19, there is the opportunity i) for accretive consolidation in a highly fragmented market, ii) to leverage Oakley's expertise in digital consumer platforms to grow the business's online offering (including D2C), and iii) to access market forecast growth (ca.4% p.a.), driven by demographic changes (ageing population, diseases of "affluence") and sustainable, structural changes in consumer preferences (increased consciousness for well-being and self-medication, and increasing replacement of prescription drugs with OTC products).

7NXT online fitness

- 7NXT is Germany's market leader in female-focused online fitness subscriptions, nutrition and wellbeing. This is seen as structural growth (13% CAGR through to 2024) by acquiring the market leader (25% market share and ~30% brand awareness), with additional growth opportunities by internationalising a scalable platform and growing B2B sales. Structural growth drivers include increasing consumer awareness for health & fitness, a shift to online (only ca.15% of the 42m physically active people in Germany use online fitness) and higher company health benefits.

Unique origination

Unique relationship with network or entrepreneurs

Oakley has deep entrepreneur relationships, where it has seen repeat business, a unique insight into the market, an unparalleled network of introducers and management expertise to run businesses, once acquired. In *our initiation,* we went into considerable detail on this benefit, which was seen again in the 2H'20 acquisitions. Many listed PE businesses have reported a pick-up in activity in 3Q (as had Oakley), but it is not universal. The feedback we have had from multiple companies is that, in general, those sectors that have been most affected by COVID-19 still see differences in expectations between sellers and buyers. It is too early to be confident regarding what is the right price. For areas that have been less affected by COVID-19, there is closer alignment of price expectation, and it is these deals that have been progressing the fastest. This plays to the areas that have been Oakley's, and so OCI's, focus. We expect a rapid deployment of capital over the next 12 to 18 months

Cash balances

OCI cash pile likely to be £250m+

OCI had £261m cash at end-June 2020, and the net effect of acquisitions and realisation proceeds since then is modest (net ca.£20m if fully deployed). The precise timing (and amount) of acquisitions is unclear and, with other cash movements (e.g. interest), overall, we are not expecting a material change to the June level. This means investment opportunities can be taken in very attractive market conditions.

Near-term growth

We believe there are several drivers, which should see short-term NAV increases:

Value added to businesses

- We noted above the multiple levers Oakley can deploy to improve the performance of its (and so OCI's) investments. These should see ratings, and thus the NAV, steadily improve throughout the period of ownership.

Recent market rallies

- Since the end of June, most listed indices have risen (Aim and Nasdaq ca.20%, FTSE 250 ca.15%), and rising market comparable ratings have yet to feed into OCI's bi-annual review. Clearly, these changes are unlikely to be the same at the year-end as today but, on current market ratings, there would be an NAV increase from OCI's NAV simply catching up with the market.
- The disposal of Casa.it will add 7p to the latest reported (June 2020) NAV.

Portfolio

OCI's June 2020 portfolio is shown below. Since that date, as noted above, the Casa.it stake has been sold and two acquisitions have been made in Germany. The detailed look-through holdings for OCI will be visible in the trading update in January 2021 and the results in March. Net, we expect a modest reduction in cash.

- Oakley Funds' investments, net of fund liabilities, are £280m (40%), with historical IRR of 24%.
- Cash is 38%.
- Direct debt holdings are £125m (18%), with historical IRR of 8%.
- Direct equity holdings are £26m (3%), with historical IRR of 14%.

The detail of the portfolio is given below.

Key metrics for portfolio companies, as at June 2020

Company	Country	Investment date	Fund	Cost (£m)	June valuation (£m)	Sector
TechInsights	Canada	May 2017	III	0.5	15.9	Technology
Daisy	UK	Jul 2015	II and OCI	24.6	26.4 (debt 16.4)	Technology
Ekon	Spain	Jun 2019	III	18.0	18.4	Technology
Contabo	Germany	Oct 2019	IV	5.1	5.3	Technology
Casa.it & atHome	Italy	Jan 2017	III	10.2	27.8	Consumer
Facile	Italy	Jun 2018	III	28.8	40.6	Consumer
Time Out	Global	Nov 2010	I and OCI	116.6	48.2	Consumer
North Sails	USA	Mar 2014	II	117.7	131.4 (96.0 debt)	Consumer
Alessi	Italy	Aug 2019	III	7.9	In Iconic BrandCo	Consumer
Seven Miles (now Wishcard)	Germany	Aug 2019	III	24.8	25.1	Consumer
Career Partner	Germany	Jan 2018	III	1.5	61.3	Education
Schülerhilfe	Germany	Jul 2017	III	30.8	46.8	Education
ACE education (AMOS)	France	Aug 2017	III	7.1	12.5	Education
Ocean Technologies	Norway/ UK	Jun 2019	IV	22.9	23.3	Education
Investments in 2020 (cost)						
Iconic BrandCo (Globe-Trotter)	UK	Apr 2020	III	7.7 *	16.2	Consumer
Time Out	Global	May 2020	I and OCI	21.2 (In above)	(In above)	Consumer
WebPros**	Swiss/ USA	Apr 2017	IV	44.4	46.3	Technology
Ocean Technologies (add-ons)				2.9 (In above)	(In above)	Education
Cash					261	
Other assets and liabilities					-115	

**Of the £10.6m referred to in the 4 March 2020 RNS, £7.7m has been invested to date; **WebPros sale completion and re-investment through Fund IV. There was a follow-up investment of £44m booked in Fund IV; Source: OCI, Hardman and Co Research*

Valuation

Many peers at similar discounts, despite differing risk/reward profiles

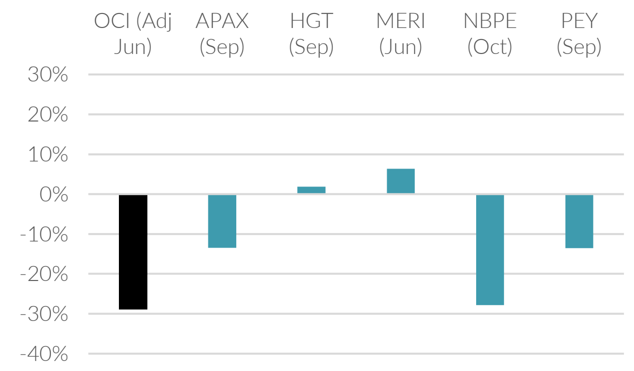
One of the more noticeable features of the discounts for PE investment companies historically was the remarkable consistency of most of their discounts to NAV. This suggested to us that the market had concerns with the whole sector. The most obvious factors would include i) sensitivity to the cycle (as detailed in *our initiation*, OCI's NAV in the financial crisis may not be representative of a future downturn, but it did rise in 1H'20, ICGT's annual NAV fell just 3% in one year in the early 1990s' hard recession, and Pantheon's NAV has risen every year), ii) lack of confidence in illiquid, unquoted assets (Oakley Funds is structured to avoid being a forced seller), iii) lack of confidence that the NAV is a realistic reflection of the underlying companies (we discussed in detail above why the accounting NAV at the valuation date might be considered conservative), iv) concerns about competition/dry powder (this is focused in newer, larger funds, and provides Oakley Funds with enhanced exit options), and v) fees (OCI's market-beating returns are after all costs).

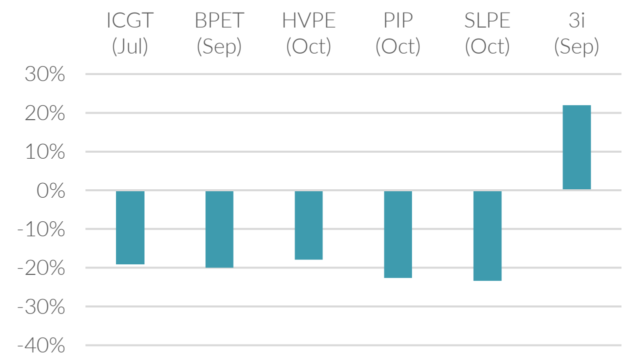
OCI's discount appears anomalous with its market and peer-beating, long-term performance

Since the COVID-19 crisis, the level of reported discount at OCI has widened relative to most peers, although, in absolute terms, it has started to reduce over recent months. OCI has a listed, sensitive exposure in TMO, which could have also affected sentiment. To have a relative discount appears anomalous with historical performance, where both Fund II and Fund III are top-quartile/5% by different measures. Taking an absolute rating perspective, it also appears anomalous that a company with a strong track record of growth and value-added should trade at any discount to NAV at all.

The charts below show the premium/discount ratings of a narrow and a broad range of peers, along with the date of the NAV. Caution needs to be exercised as, where the NAV is at March, we would expect a smaller discount, as the share price may reflect market rises since, but the NAV has not yet caught up.

Share price discount to latest NAV (%) for narrow, direct-listed peers (LHS) and wider, primarily fund-of-fund, peers (RHS)





Source: Company websites, factsheets and presentations, Hardman & Co Research, priced at 2 December 2020

Financials

Profit and loss summary

Year-end Dec (£000)	2015	2016	2017	2018	2019	2020E	2021E
Interest income	5,053	11,637	7,722	6,629	9,218	10,945	11,985
Net realised gains at FV through P&L	29,041	8,545	23,991	102,314	17,840	210,000	11,658
Net unrealised gains/losses through P&L	-3,561	46,196	20,316	-23,877	127,741	-145,000	58,292
Net foreign currency gains/(losses)	-2,000	4,733	-839	3,149	-2,715	0	0
Other income	597	140	306	217	1,073	467	467
Total income	29,130	71,251	51,496	88,432	153,157	76,412	82,402
Expenses	-7,319	-4,519	-6,529	-6,045	-17,888	-26,720	-18,990
Operating profit	21,811	66,732	44,967	82,387	135,269	49,692	63,412
Interest expenses	-2	-55	-42	-389	0	0	0
Pre-tax profit	21,809	66,677	44,925	81,998	135,269	49,692	63,412
Tax	-235	0	0	0	0	0	0
Attributable profit	21,574	66,677	44,925	81,998	135,269	49,692	63,412
Average no shares (000s)	174,008	189,901	203,859	204,804	204,113	193,609	180,600
EPS (£)	12.4	35.1	22.0	40.0	66.3	25.7	35.1
DPS (p)		4.5	4.5	4.5	4.5	4.5	4.5

Source: OCI Report and Accounts, Hardman & Co Research

Balance sheet

@ 31 Dec (£000)	2015	2016	2017	2018	2019	2020E	2021E
Non-current assets							
Oakley Fund	158,369	211,254	282,663	298,581	420,316	361,978	549,171
Co Investment Fund	0	0	26,280	41,789	74,984	0	0
Quoted	0	43,854	41,182	22,320	38,510	26,638	26,638
Other unquoted	25,950	0	0	0	0	0	0
Debt	104,897	85,761	69,502	107,059	127,156	138,295	128,038
Total investments	289,216	340,869	419,627	469,749	660,966	526,911	703,847
Current assets							
Cash and cash equivalents	95,520	106,509	117,836	107,888	48,866	200,960	98,206
Receivables	5	673	668	11	40	100	100
Total assets	384,741	448,051	538,131	577,648	709,872	727,972	802,153
Creditors	2,591	9,619	36,091	2,826	23,864	399	19,295
Net assets	382,150	438,432	502,040	574,822	686,008	727,573	782,858
NAV per share (£)	2.00	2.31	2.45	2.81	3.45	3.80	4.11

Source: OCI Report and Accounts, Hardman & Co Research

Cashflow

Year-end Dec (£000)	2015	2016	2017	2018	2019	2020E	2021E
Purchase of portfolio investments	-131,118	-178,228	-167,047	-165,302	-127,265	-125,000	-250,000
Sale of portfolio investments	122579	173,554	167,773	158,712	90,005	335,000	155,000
Interest income	1,687	17,403	7,001	7,077	842	10,945	11,985
Expenses aid	-6,759	-4,704	-5,967	-4,196	-7,009	-18,720	-10,990
Interest expense paid	-2	-55	-42	-389	0	0	0
Other income received	597	140	306	217	1,073	467	467
Net cash inflow/(outflow) from operating activities	-13,016	8,110	2,024	-3,881	-42,354	202,692	-93,539
Cashflows from financing activities							
New shares issued	126,824	0	0	0	0	0	0
Purchase/sale of shares into treasury	-23,170	-1,854	23,291	0	-4,737	-41,381	0
Dividends	0	0	-13,149	-9,216	-9,216	-9,216	-9,216
Net cash inflow from financing activities	103,654	-1,854	10,142	-9,216	-13,953	-50,597	-9,216
Net increase in cash and cash equivalents	90,638	6,256	12,166	-13,097	-56,307	152,094	-102,755
Opening cash and cash equivalents	6,882	95,520	106,509	117,836	107,888	48,866	200,960
FX effects	-2,000	4,733	-839	3,149	-2,715	0	0
Closing cash and cash equivalents	95,520	106,509	117,836	107,888	48,866	200,960	98,206

Source: OCI Report and Accounts, Hardman & Co Research

Investments analysis							
Year-end Dec (£000)	**2015**	**2016**	**2017**	**2018**	**2019**	**2020E**	**2021E**
Total investments							
Opening	220,344	289,216	340,869	419,627	469,749	660,966	526,911
Additions	133,115	176,231	201,504	130,845	127,265	125,000	250,000
Sales	-94,651	-190,767	-175,042	-165,795	-91,813	-335,000	-155,000
Realised gains	29,041	8,545	23,991	102,314	17,840	210,000	11,658
Change in unrealised revaluation	1,007	57,082	20,316	-23,877	127,741	-145,000	58,292
Other, incl. FX and interest	360	562	7,989	6,635	10,184	10,945	11,985
Closing	289,216	340,869	419,627	469,749	660,966	526,911	703,847
Oakley Funds							
Opening	151,857	158,369	211,254	282,663	298,581	420,316	361,978
Additions	27,146	41,846	124,590	58,829	64,776	72,375	220,000
Sales	-45,520	-48,636	-78,457	-130,526	-39,909	-203,507	-105,000
Realised gains	29,041	9,403	15,591	102,314	17,840	136,885	11,658
Change in unrealised revaluation	-4,155	50,272	9,685	-14,699	79,028	-64,993	58,292
Other, incl. FX and interest	0	0	0	0	0	902	2,242
Closing	158,369	211,254	282,663	298,581	420,316	361,978	549,171
Co Investment Fund	Inspired						
Opening	0	0	0	26,280	41,789	74,984	0
Additions	0	0	39,932	5,825	672	0	0
Sales	0	0	-35,355	0	0	-92,589	0
Realised gains	0	0	8,400	0	0	73,115	0
Change in unrealised revaluation	0	0	13,303	9,684	32,523	-55,510	0
Other, incl. FX and interest	0	0	0	0			
Closing	0	0	26,280	41,789	74,984	0	0
Quoted	Time out						
Opening	0	0	43,854	41,182	22,320	38,510	26,638
Additions	0	47,155	0	0	0	12,625	0
Sales	0	0	0	0	0	0	0
Realised gains	0	0	0	0	0	0	0
Change in unrealised revaluation	0	-3,301	-2,672	-18,862	16,190	-24,497	0
Other, incl. FX and interest	0	0	0	0	0	0	0
Closing	0	43,854	41,182	22,320	38,510	26,638	26,638
Debt							
Opening	68,487	104,897	85,761	69,502	107,059	127,156	138,295
Additions	80,253	80,476	36,982	66,191	61,817	40,000	30,000
Sales	-49,131	-109,976	-61,230	-35,269	-51,904	-38,904	-50,000
Realised gains	0	560	0	0	0	0	0
Change in unrealised revaluation	4,928	10,345	0	0	0	0	0
Other, incl. FX and interest	360	-541	7,989	6,635	10,184	10,043	9,743
Closing	104,897	85,761	69,502	107,059	127,156	138,295	128,038

Source: OCI Report and Accounts, Hardman & Co Research

In 2020, we assume no further realisations and only modest deployment of cash. We assume that there will be an element of recovery in the second half, so that the full-year NAV rises through the year.

In 2021, our base assumption is that it will be a more normal year, with OCI achieving 3% realised gains and 15% unrealised gains. We assume that there will be a significant (record) deployment of cash into investments, but year-end cash balances will still remain high.

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research@hardmanandco.com

35 New Broad Street
London
EC2M 1NH

+44(0)20 7194 7622

www.hardmanandco.com