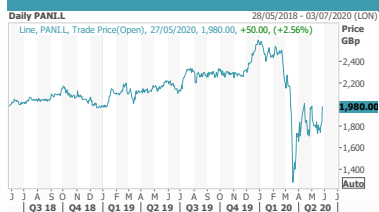


Closed-Ended Investments Funds


Source: Refinitiv

Market data

EPIC/TKR	PIN
Price (p)	1,950
12m High (p)	2,620
12m Low (p)	1,274
Shares (m)	54,089
Mkt Cap (£m)	1,055
NAV p/sh (p)*	2,729.9
Discount to NAV*	29%
Market	Premium equity closed-ended investment funds

*Manager valuations: 86% Dec'19, 14% more recent; cut by 226.3p for "Manager's Provision"

Description

The investment objective of Pantheon International Plc (PIP) is to maximise capital growth by investing in a diversified portfolio of private equity (PE) assets and directly in private companies.

Company information

Chairman	Sir Laurie Magnus
Aud. Cte. Chr.	David Melvin
Sen. Ind. Dir.	Susannah Nicklin
Inv. Mgr.	Pantheon
Managers	Helen Steers
Contact	Vicki Bradley
	+44 20 3356 1800
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Key shareholders (31 May'19)

USS	8.2%
Merian	7.0%
Esperides SA SICAV- SIF	5.7%
East Riding of Yorkshire	4.7%
APG Asset Mgt.	4.4%
Investec Wealth	4.4%
Private Syndicate pty.	3.8%
Brewin Dolphin	3.4%

Diary

Early Jul	May performance update
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Analyst

Mark Thomas	020 7194 7622
	mt@hardmanandco.com

PANTHEON INTERNATIONAL

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The *26 May announcement* noted i) in April, the NAV fell 2.3%, driven primarily by an adverse 1.8% forex effect, ii) despite the market rally that month, the manager's provision, which was designed to reflect the timing gap between valuations received from underlying managers and market movements, was left unchanged, iii) the 8% of the portfolio whose valuations were updated saw a 5% fall, iv) its undrawn revolving credit facility was increased from £175m to £300m and, with available cash of £114m, ca.80% of undrawn commitments are covered. Investors could not get better proof of the company's conservatism than its actions in April.

- ▶ **Manager's provision:** In March, PIP introduced a manager's provision. It was unchanged in April, despite the rally, given limited new valuation information from the underlying managers and the continuing uncertainty. In April, 8% of the book was revalued as at March, 2% was new (held at cost) and 90% was unchanged.
- ▶ **Liquidity management:** The revolving credit line has been increased from £175m to £300m, with a maturity on 1 June 2022. The facility is split into \$270m and €102m, reflecting PIP's underlying commitments. Cash and credit lines now cover ca.80% of commitments, which are expected to be drawn over five or more years.
- ▶ **Valuation:** PIP trades at a 29% discount to NAV, which includes the conservative manager's provision. In our *initiation*, we noted why PE has historically outperformed quoted markets in downturns. The discount is despite its long-term record of outperformance. PIP aims for capital growth (no dividend).
- ▶ **Risks:** Sentiment to the economic cycle and private investments is material (noting PIP's NAV rose every year in the early 1990s' recession). PIP has conservative accounting/liquidity policies. Forex movements create short-term volatility.
- ▶ **Investment summary:** PIP is in an attractive market, can pick the best part of that market, and has competitive operational advantages. Its manager selection and portfolio structuring have added value. Corporate governance appears strong, and the "real" value of the assets is, we believe, above their accounting value. Investors are getting liquid access to the whole PE market. There are risks around the cycle, and illiquid and unquoted underlying assets; however, comparing these with the historical returns makes the current discount an anomaly, in our view.

Financial summary and valuation (2021/2022 forecasts under review)

Year-end May (£000)	2017	2018	2019	2020E
Gains on investments	201,198	149,778	204,473	3,107
Investment income	17,436	15,504	13,222	9,452
Investment manager's fee	-12,659	-15,020	-16,584	-18,000
Other expenses	-1,783	-3,270	-573	-4,710
Interest payable/similar expenses	-1,791	-1,950	-2,386	-2,386
Return before taxation	204,790	131,947	194,918	-19,536
NAV per share (p)	2,190	2,415	2,771	2,730
S/P discount to NAV	-11%	-19%	-30%	-29%
Investments	1,224	1,275	1,450	1,548
Equity issued/buyback	-26	-3,546	-500	0

Notes: May NAV held flat on April; forecasts will be reviewed with results. Source: Hardman & Co Research