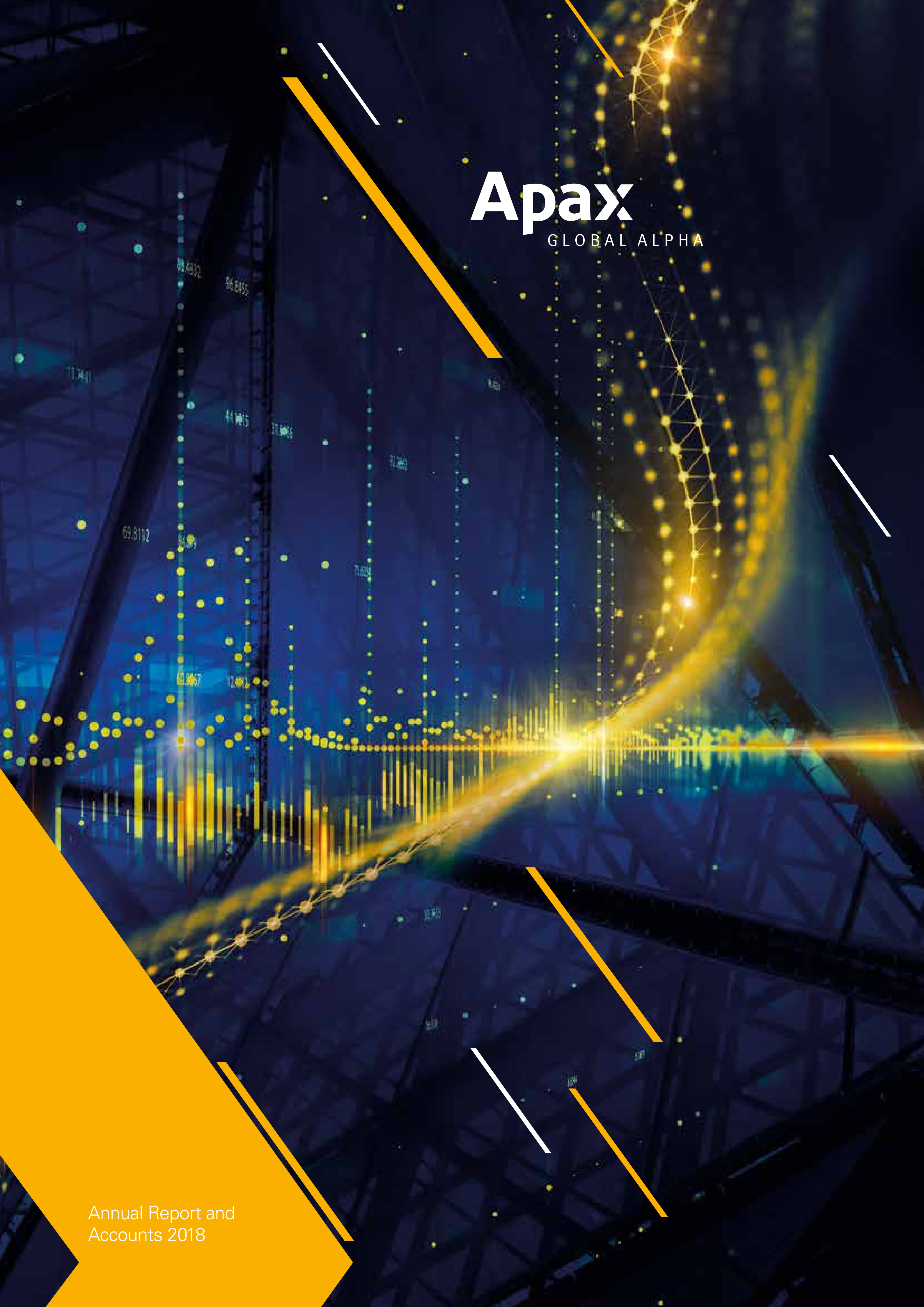


# Apax GLOBAL ALPHA

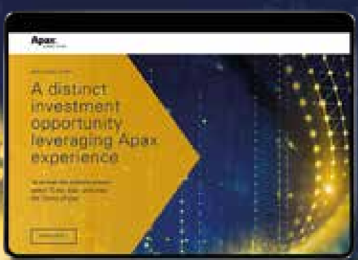
Annual Report and Accounts 2018

# Realising potential

Apax Global Alpha offers unique exposure to the global investment expertise of Apax Partners.

Our objective is to provide shareholders with capital appreciation from our investment portfolio and with regular dividends.

For more information visit
**WWW.APAXGLOBALALPHA.COM**



# Why invest in AGA?

### ACCESS TO THE FULL EXPERTISE AND RESOURCES OF APAX PARTNERS

- A leading, global investment advisory firm with over 40-year track record in Private Equity and ten years' experience in Derived Investments
- AGA benefits from Apax Partners' large investment team, including the senior executives who serve on its Investment Committee

### UNIQUE EXPOSURE TO A WELL-DIVERSIFIED PORTFOLIO OF ATTRACTIVE INVESTMENTS

- The Apax Private Equity Funds* have consistently outperformed relevant public benchmark indices across cycles
- Derived Investments leverage Private Equity expertise and insights of Apax Partners, applying the same rigour and analysis to the appraisal of debt and listed equity opportunities

### ATTRACTIVE TARGET NET RETURNS, OFFERING BOTH CAPITAL APPRECIATION AND REGULAR DIVIDENDS

- 12–15% Total NAV Return target per annum, including;
- 5% of NAV dividend yield per annum

* Defined as All Apax Buyout Funds

# Expert knowledge

Our structure gives AGA access to a wide range of global investment opportunities.

THE INVESTMENT ADVISER | THE INVESTMENT MANAGER | THE COMPANY


**THE INVESTMENT ADVISER**

## Apax Partners LLP

Apax Partners LLP is a leading global private equity advisory firm and acts as Investment Adviser to AGML. It operates globally and has more than 40 years of investing experience. Apax Partners has raised and advised funds of c.€40bn in aggregate at 31 December 2018.

**What Apax Partners do**

- Identifies, analyses and undertakes due diligence on investment opportunities
- Recommends potential investments and divestments to AGML for consideration

**THE INVESTMENT MANAGER**

## Apax Guernsey Managers Limited (“AGML”)

AGA has appointed Apax Guernsey Managers Limited as its discretionary Investment Manager. AGML is managed by a board of experienced investment professionals and operational private equity executives.

**What AGML does**

- Discretionary portfolio management
- Makes investment and divestment decisions
- Undertakes portfolio performance analysis, reporting and risk management

**THE COMPANY**

## Apax Global Alpha Limited (“AGA”)

AGA is a closed-ended investment company which invests in Apax Funds to gain indirect exposure to a diversified portfolio of Apax Private Equity Investments. It also invests directly in Derived Investments which are debt and equity positions.

**What AGA does**

- Sets business objectives and investment strategy
- Governance and risk management
- Appoints and oversees the Investment Manager and other service providers

# Generating value

## Our portfolio leverages the insight and expertise of Apax Partners to unlock value across assets.

**INVESTMENT PROCESS**
Our Investment Adviser looks for opportunities where experience and insight can unlock potential.

IDENTIFY | SUPPORT | REALISE

**SECTOR EXPERTISE**
Long-standing sector focus and sub-sector knowledge provides deep industry expertise.

TECH & TELCO
HEALTHCARE
SERVICES
CONSUMER

+

**GLOBAL PLATFORM**
Global platform provides opportunities to invest flexibly across geographies.

GLOBAL OFFICES **7**

EQUITY PARTNERS **19**

**TRANSFORMATIONAL OWNERSHIP**
Strong operational capabilities allow for transformational improvements in portfolio companies, including digital acceleration.

**DERIVED INVESTMENTS INSIGHT**
A mix of global investments in debt and equities.

**Private Equity**
- Investments in existing and future Apax Funds
- Both primary and secondary investments and commitments

**Derived Investments**
- Investments primarily in private and public debt
- Targeted investments in equity
- Ideas derived from Apax Private Equity activity
- Provides strong cash yield and liquidity for AGA

# Our proposition

## WHAT WE DO

Our strategy is to invest across the economic cycle in Private Equity and Derived Investments' opportunities.

Through a diversified exposure in four core sectors of Tech & Telco, Services, Healthcare and Consumer, our Investment Adviser's expert knowledge allows us to spot emerging global trends early and invest "ahead of the curve".

## OUR PORTFOLIO

**Private Equity**
Apax Partners' Funds have a strong track record in private equity through a diversified exposure in four core sectors of Tech & Telco, Services, Healthcare and Consumer.

**Derived Investments**
Apax Partners' expertise enables the identification of value creating opportunities in debt and equity which are not part of the Apax Funds' investment mandate.

## COMPANY OBJECTIVE

The Company's investment objective is to provide shareholders with capital appreciation from its investment portfolio with regular dividends.

The Company is targeting an annualised Total Net Asset Value ("NAV") Return across economic cycles of

**12–15%**

net of fees and expenses.

The Company aims to pay an annualised dividend yield of

**5% of NAV**

per annum.

# What we have achieved this year

## 2018 TOTAL NAV RETURN[1]

**7.1%**

## DIVIDENDS PAID IN 2018

**5.0%**

## ADJUSTED NAV

**€930.8m**

## RETURN HIGHLIGHTS

### PRIVATE EQUITY

**17.4%**

### DERIVED DEBT

**4.5%**

### DERIVED EQUITY

**–17.6%**

1. Total NAV Return for the Company reflects the percentage movement in the period between the closing euro Adjusted NAV (dividend added back) relative to the opening Adjusted NAV

For details of calculations used please see the glossary on page 91.

CHAIRMAN'S STATEMENT

# A fundamentally strong portfolio

AGA's portfolio delivered positive returns in 2018 against a very challenging market backdrop.

TOTAL NAV RETURN
at 31 December 2018

**7.1%**

DIVIDEND 5% OF NAV, IN RESPECT OF 2018

**8.45**
pence per share

**TIM BREEDON CBE**
**Chairman**

## OVERVIEW

I am pleased to report that Apax Global Alpha delivered a positive return in very challenging markets in 2018. In a year in which almost all major markets witnessed negative returns, AGA's Total NAV Return was +7.1%. Apax Partners' ability to identify attractive off-the-beaten-track investments resulted in both Private Equity and Derived Debt positively contributing to performance. Derived Equity, however, produced a negative return.

The Investment Manager's Report provides a comprehensive analysis of the performance of the portfolio.

## RESULTS

Total NAV Return for 2018 was +7.1%. Currency movements were favourable: on a constant currency basis, the Company delivered a Total NAV Return of +5.4% for the year. Adjusted NAV per share increased from €1.86 to €1.90, and shareholders received two dividend payments totalling 8.50 pence or 9.55 cents during the year. Total Return for Private Equity was +17.4%, for Derived Debt +4.5%, and for Derived Equity -17.6%.

The Private Equity portfolio's strong performance of +17.4% was largely attributable to the profitable growth achieved by the majority of portfolio companies. Over 80% of portfolio companies grew their earnings during the year, with average revenue and EBITDA growth of +14.5% and +22.2% respectively.

The Derived Debt portfolio's Total Return of +4.5% was achieved in a market where global bonds experienced some of the worst returns in a decade.

Derived Equity underperformed, as general market weakness together with issues specific to a number of our holdings took their toll. The Total Return of -17.6% is disappointing and detracted significantly from the overall performance of the Company.

## INVESTMENT ACTIVITY

AGA was 98% invested as at 31 December 2018 and the portfolio was split 65% Private Equity and 35% in Derived Investments.

As in the previous year, the portfolio was actively traded. In total, €256.0m of capital was deployed over the 12 months to 31 December 2018: €43.5m in Private Equity and €212.5m in Derived Investments.

Realisations totalled €311.4m, with €134.9m from Private Equity and €176.5m from Derived Investments.

## MARKET ENVIRONMENT

2018 witnessed a downturn across major markets and the vast majority of asset classes produced negative returns. The year began strongly with growth rates in the major economies above their longer-term trends in both North America and Europe. Equity and credit markets in January reflected this by reaching or approaching all-time highs.

However, as the year progressed, increased friction in the US-China trade relationship became more apparent and the imposition of tariffs and counter-tariffs had a sobering effect on capital markets as well as increasing uncertainty in the macro-economic outlook. Central bank tightening in the US and a higher level of political uncertainty in Europe (Brexit, Italy) added to the general risk-off sentiment that culminated in market corrections during the second half of the year.

## NEW REVOLVING CREDIT FACILITY

The Board is pleased to have secured a new multi-currency revolving credit facility with Credit Suisse AG, London Branch. This agreement replaces the facility held with Lloyds Bank plc which was due to expire on 4 February 2019. The funds available for drawdown remain at €140.0m, with an initial term of three years maturing on 5 November 2021. This facility increases the financial resilience of the Company and will provide the Investment Manager with flexibility in managing portfolio exposures and commitments in the medium term.

## THIRD LOCK-UP RELEASE AND FTSE 250 INCLUSION

The third anniversary of AGA's IPO took place on 15 June 2018 and this resulted in an additional 7.5% of AGA's ordinary shares being released from lock-up. Previously a tender process was offered through the Company's broker to facilitate the sale of these shares. Due to negligible take-up in prior years, the Board decided not to renew this arrangement in 2018. There has been a steady increase in the free-float of the Company's shares, with the proportion subject to lock-up decreasing from 63% at the time of the IPO to 40% now.

On 24 December 2018 AGA became a constituent of the FTSE 250 index and the Board is hopeful that the wider investor interest that this may generate will also contribute to an increase in the liquidity of the shares.

## DIVIDEND

Following the first interim dividend of 4.33 pence paid in September 2018, the Board has declared a final dividend of 4.12 pence per share for the financial period to 31 December 2018. This dividend is equivalent to 2.5% of AGA's euro NAV at 31 December 2018 and continues the policy of distributing 5% of AGA's NAV per annum. The dividend will be paid on 5 April 2019 to shareholders on the register of members on 15 March 2019. The shares will trade ex-dividend on 14 March 2019.

## DISCONTINUATION VOTE

A discontinuation resolution was put forward to the Annual General Meeting for the first time in May 2018 (and similar resolutions will be put forward every three years in the future). The Directors were pleased that 99% of votes cast supported the continuation of the Company in its current form. All other resolutions also received a high level of support.

## BOARD CHANGES

Following Sarah Evans' retirement in early 2018, Mike Bane joined the Board and the Audit Committee on 3 July 2018. A qualified accountant with more than 35 years of audit and advisory experience in the investment management industry, he brings to the Board a wealth of knowledge in relation to asset management and private equity.

## EXTERNAL BOARD EVALUATION

An external evaluation of the Board was undertaken for the first time during the year. Overall, the review concluded that the Company has a well-functioning and effective Board, a strong corporate governance culture, and Directors who are diligent and independent in their outlook. There were a small number of recommendations as to how the Board could improve further the quality of its oversight of the business of the Company and these will be considered for implementation next year.

## OUTLOOK

Much of the outlook for 2019 will depend on how trade talks between the US and China (and subsequently possibly between the US and Europe) progress. Brexit is just one of a number of political uncertainties worldwide which also have the potential to have an impact on markets and currencies. As such, the economic outlook is harder to predict than in previous periods. It is likely that public-to-private deals will figure more prominently in sourcing private equity deals. For the Derived Debt portfolio, risk-reward profiles have improved, and the Investment Manager believes that there will be an increasing number of attractive opportunities that will allow AGA to grow its relative exposure to credit at the expense of listed equity investments.

**Tim Breedon CBE**
Chairman
4 March 2019

OUR STRATEGIC OBJECTIVES

# Delivering on long-term aims

Our objective is to provide shareholders with capital appreciation from our investment portfolio and regular dividends.

There are five strategic objectives by which AGA measures its progress and performance to help achieve its purpose.

STRATEGIC OBJECTIVE

Target annual 5% of NAV dividend

Over-the-cycle net target Total NAV Return of 12–15%

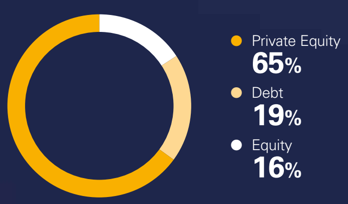
Continue to invest in Apax Funds

Balanced exposure to Private Equity and Derived Investments

Remain fully invested

| WHAT WE ACHIEVED IN 2018 | FOCUS FOR 2019 | RISKS[1] |
|---|---|---|
| **DIVIDENDS PAID** **8.50p** | – Target dividend strategy viable on current projections | – Limited foreseeable risk |
| **TOTAL NAV RETURN** **7.1%** | – Focus on micro-oriented investment themes, price discipline, and early value generation as drivers of returns in an elevated valuation environment | – Investment portfolio does not achieve its target investment return<br>– Increasing geo-political uncertainty could create macro-economic and market risks |
| **2018 CAPITAL CALLS PAID AND SECONDARY PURCHASES** **€43.5m** | – The Board will continue to evaluate potential commitments to future Apax Funds | – New Apax Funds not available |
| **PORTFOLIO BALANCE** (see chart below) | – The split is expected to remain overweight towards Private Equity in light of new investment activity in the Private Equity portfolio in 2018<br>– Investors should expect the proportion of Private Equity to Derived Investments to fluctuate around the longer-term over-the-cycle objective of the Company | – Apax Funds' capital drawdown and distribution rate<br>– Market conditions<br>– Differing attractiveness or performance of asset classes |
| **INVESTED PORTFOLIO** **98% of NAV** | – Remain fully or close to fully invested | – Dependent on wider market conditions that may favour portfolio divestments over new investments<br>– Timing of cash flows in the portfolio |

**PORTFOLIO BALANCE**




1. These risks are not exhaustive and should not be considered to be a definitive list. For more information see p.38.

# A conversation with the Investment Adviser

**ANDREW SILLITOE**
Co-CEO, Chairman of the AGA Investment Committee

## Q: How does AGA fit in to Apax Partners wider strategy?

**A:** AGA is strategically significant for our business and is a large and important investor in the Apax Private Equity Funds. AGA also helps to maximise the value we create from our global investment expertise by taking advantage of a wider range of insights and applying them to non-private equity opportunities.

Since IPO, AGA has invested more than €800m in attractive debt and equity opportunities that fall outside the Apax Private Equity Funds investment mandate. Also, through AGA, we have broadened the investor base that can invest in Apax sponsored products, as we can now offer access to Private Equity and Derived Investments with daily liquidity and minimal size requirements.

## Q: Why the decision to list AGA?

**A:** AGA's predecessor fund was fully invested and had a strong investment track record. It had made commitments to the Apax Private Equity Funds, and we expected it to continue to do so. We also developed our capabilities to identify credit and listed equity investments in the years leading up to the 2015 IPO. This capability translated into a diversified Derived Investments portfolio that was transferred to AGA at IPO. The IPO allowed AGA to raise more capital to continue doing both – invest in Private Equity and in Derived Investments opportunities. I also believe that AGA's double digit target returns, combined with a high dividend yield, is an attractive proposition for public shareholders.

My Partners and our employees who were shareholders in AGA at IPO accepted lock-ups, and the IPO was structured as a primary offering only. This created a strong alignment with the new shareholders investing at IPO and our team having "skin in the game" remains a key ingredient of AGA to date.

**NICO HANSEN**
Partner, Member of the AGA Investment Committee

## Q: What do you think of AGA's progress since its listing three and a half years ago?

**A:** By and large it has been a success story. AGA's IPO provided, for the first time, exposure and daily liquidity to the Apax investment expertise for both institutional and retail investors. AGA has delivered positive returns and paid out dividends of 5% of NAV annually. I think that makes AGA a product worth considering for a broad range of investors.

As an investor, you get exposure to a diversified portfolio of about a hundred positions across various asset classes. While initially AGA had a few investments that were a drag on performance, these have been worked through. 2018 was a strong year for AGA considering the falls in global equity and credit markets, and the Private Equity portfolio is delivering real operational momentum which bodes well for future value developments.

## Q: Valuations remained high for the most part of 2018 – explain how you dealt with this in Private Equity?

**A:** 2018 was defined by continued high private equity valuations and intense competition for assets. The assets most in demand were what I would call "plain vanilla" buy-outs where investors are willing to pay up for perceived "safety". The Apax Private Equity Funds pursue a different approach, and one that we think is well-suited to navigating the high-valuation environment.

First, the investment pace of the Apax Private Equity Funds can vary significantly over time and is based on the quality of opportunities. As a result, the investment rate of the funds has been considerably slower relative to 2017 and prior years as they maintained discipline in a heated market.

"AGA offers a unique exposure to an extensive portfolio of Private Equity Investments as well as exposure to Derived Investments leveraging the global expertise of Apax Partners."

**Andrew Sillitoe,** Co-CEO, Apax Partners

Second, the Apax Private Equity Funds seek investment opportunities which are differentiated or "complex". These are situations that other private equity firms might find hard to tackle, for example carve-outs or deals requiring massive operational change. Therefore, competition for these assets can be less. Apax's Operational Excellence Practice, a team of dedicated functional experts, are often significantly involved in such transactions, supporting deal teams to generate a positive operational impact in the portfolio.

Third, the Apax Private Equity Funds seek to execute investments within targeted sub-sectors where we as the Investment Adviser have a proven history of success. Building deep, specialised expertise in certain market niches allows the better calibration of opportunities, thereby reducing risk, and the execution of proven value creation strategies, increasing the probability of alpha. The majority of Private Equity Investments in 2018 have levered this sub-sector strategy.

On the flip side, the high valuation environment is a fabulous backdrop for realisations. On a look-through basis, AGA monetised Private Equity Investments of €134.9m of returned capital in 2018. As AGA's Private Equity portfolio is ripening, we would expect strong realisations to continue for the foreseeable future.

## Q: Markets corrected significantly at the end of 2018. What is your outlook for 2019 and how do you think this will impact AGA's investment approach?

**A:** On the Private Equity side, I would expect public-to-privates to play a larger role going forward than in the past two years. The correction in many public markets allows entry at levels – including take-out premiums – that are lower than in private transactions. In fact, the last deal signed by Apax IX in 2018 was the public-to-private of Trade Me, New Zealand's leading online classifieds business.

For Derived Investments, the correction opens a larger opportunity set, too. In credit, junior loans and high yield bonds are now easily reaching double digit yields, as both credit spreads and US base rates have increased significantly in the past six months. Overall, this has improved risk-reward profiles and thus we expect to see more attractive deal flow in Derived Debt Investments.

For listed equities, clearly some valuation levels have decreased recently, but the number of risk factors has risen. The trade war between China and the US, Brexit, and political uncertainties in Europe weigh on market sentiment and the macro outlook. The potentially biggest area of risk is China – not just in connection with the trade war but, more importantly, through the economic slowdown and the ever-increasing pile of public and private debt.

While we believe that the number of international risks is substantial, we feel that they are more equity than credit risks – at least in the Western world. So, we would expect that the Derived Investments portfolio will be rebalanced towards a larger debt portion, at the expense of the listed equity holdings.

**RALF GRUSS**
COO, Apax Partners,
Member of the AGA Investment Committee

## Q: As a member of the Investment Committee, can you explain the process of selecting a suitable Derived Investment?

**A:** There are four main steps in selecting a Derived Investment. The first step is the identification of the opportunity. This is largely done by our sector teams together with our AGA team.

If a potential investment looks interesting, due diligence will be performed, which is the second step. We create a dedicated deal team for each transaction that is evaluated. Therefore, there is no single portfolio adviser for AGA, but each deal has a team comprised of individuals who are best suited to evaluate the opportunity. The deal teams are staffed from the relevant sector teams globally, as well as the AGA team.

The findings are then debated in the AGA Investment Committee of the Investment Adviser; this is the third step. The AGA Investment Committee is comprised of senior representatives of Apax Partners, including our Co-CEOs. The merits of the deal are discussed with the deal team, and we form a view about which company we would recommend AGA to invest in and at what price.

Our recommendation is then reviewed by the Investment Manager of AGA, Apax Guernsey Managers Ltd, who ultimately decide on and execute all transactions; this is the fourth and final step.

*Continues overleaf*

## Q: What is the common denominator in Derived Investments?

**A:** Derived Investments focus on the Apax Partners' sectors and geographies. Around 20 investments were made this year, and in each of them we used insights and knowledge we had acquired internally as part of our private equity business. For example, AGA invested in second lien loans of Genex.

Genex was previously an Apax Private Equity Fund portfolio company and as such we had a deep insight into the business and its quality.

Other examples include the debt investments in Veritext, Rocket Software and Alexander Mann Solutions. Each was recommended to AGA because our sector teams had either followed other opportunities in the same sub-sectors or had performed due diligence on these companies as a potential Private Equity Investment.

## Q: Can you talk more specifically about how you assessed credit markets this year?

**A:** Taking a step back, as early as 2017 we had become increasingly concerned about record pricing levels and low yields in credit. Our focus has therefore been on high quality credits in defensible companies. We felt that these instruments would perform better in volatile markets. With risks to the macro-economy increasing and investor sentiment deteriorating, a "high quality" strategy also allowed AGA to hedge against a potential economic slowdown during AGA's holding period. AGA has done well with this approach during 2018, especially after markets took a turn and spreads widened.

We also kept a focus on identifying floating rate loan opportunities to benefit from the tightening cycle in the US and rising base rates. For that reason, AGA doesn't have exposure to fixed interest investments at the moment.

In terms of geographies, we also continued to prefer US credit over European opportunities, mainly because of the differences in base rates. At the beginning of the year, high yield spreads in Europe were also lower compared with the US. This situation reversed at the end of the year, so European credit could become more attractive in 2019.

## Q: Derived Debt portfolio performance has recently improved – any changes you have made to your investment approach?

**A:** The historic underperformance of AGA in credit was largely driven by investments made in Answers, FullBeauty, and Rue21 between 2013 and 2015. These three companies were Apax Fund portfolio companies exposed to fashion retail in the US or had a significant exposure to the likes of Amazon, Google and Facebook. Given extensive efforts to stabilise these businesses, these investments caused an ongoing valuation drag on Derived Debt performance up until 2018.

However, as these investments have now either been restructured or written off, the otherwise strong performance of the credit portfolio is showing again. To provide some numbers to support this: AGA has invested €319.0m in 26 transactions since the beginning of 2016. The average Gross IRR on these transactions is 16.3% to date, and all have generated a positive Total Return on a currency adjusted basis.

**GAUTAM NARAYAN**
Partner, Services
(Mumbai office)

## Q: What happened to the Indian stocks this year?

**A:** We experienced significant share price declines in Indian financial services stocks between August and October 2018. What triggered the sell-off was a default by IL&FS on its short-term debt and commercial paper.

IL&FS is a well-known Indian infrastructure construction and project lending conglomerate which was rated AAA before its crisis. The unexpected default led to reduced funding liquidity in the Indian financial sector. This was, in particular, true for Non-Bank Financial Companies (NBFCs), which rely heavily on institutional funding for their growth.

Despite sound operational performance in some of the NBFCs, many investors reduced their exposure to the segment, furthering the liquidity issues and negative sentiment. As a consequence, stock prices across the NBFC universe declined significantly.

## Q: What gave you confidence that it made sense for AGA to hold on to these Indian financial stocks despite this crisis?

**A:** The Indian financial services companies in which AGA has invested are well-capitalised and they didn't face any significant short-term liquidity needs. They also continued to perform operationally at or close to the business plans we developed when AGA invested in them.

Company-specific considerations also gave us confidence: CanFin Homes has a quasi-sovereign parent, DCB is a bank with access to retail deposits, and Repco Home Finance operates a defensible business model.

The other view we took is that the Indian government and the Reserve Bank of India would intervene to keep the liquidity issues under control – which indeed happened. In hindsight, I am pleased to report that we were correct in our analysis; all three stocks that AGA has invested in, climbed by 20-30% by year end from their low points in October although they still trade below AGA's entry price.

## Q: What is the outlook for Indian financial stocks in the coming year?

**A:** Within the Indian financial services universe, we expect private sector lenders such as banks and retail loan focused non-banks to do well. There are three main reasons for this.

First, the outlook for credit growth in India continues to be positive. According to the Reserve Bank of India, banking sector corporate credit recently grew about 14% compared to a 5% annual growth rate in the previous years. Also, retail credit continues to grow at c.17%, something we haven't seen over the past four years.

Second, I expect liquidity concerns for NBFCs to further calm down in the next few months.

Third, private sector players such as NBFCs are expected to gain further market share at the expense of the Indian state-owned banking sector.

## Q: More generally, how easy has it been to find suitable opportunities in India for AGA to invest in?

**A:** I think India is a land of opportunity and if you have local expertise on the ground, as Apax does, you know where to look. Since IPO, AGA has invested more than €64m in Indian Derived Investments, and the Apax Funds have deployed more than €800m in Indian opportunities over the last three years. These investments have been made across multiple Apax Funds. More than 78% of the total investments made were in Services and Tech & Telco, with about 22% deployed in Healthcare.

**JASON WRIGHT**
Partner, Services
(New York office)

## Q: Your team has put forward several opportunities for AGA to invest in. Can you talk us through how you go about identifying these opportunities?

**A:** The team naturally comes across Derived Investments opportunities through their due diligence work on potential private equity deals or from the insight we gain from the Apax Funds' portfolio companies. Once an idea is generated, we work closely with the AGA team to complete the due diligence on the potential investment.

## Q: Can you give a recent example?

**A:** Sure, some recent ones are Paycor, Syncsort and Rocket Software.

Let me start with Paycor, which is a payroll, and HR software provider for SMEs. We know it very well as it's an Apax Fund portfolio company so we've performed extensive due diligence. Paycor is currently focused on investing for growth and we were comfortable to recommend the Payment-In-Kind Preferred Equity for investment for two main reasons: Paycor is a provider of mission critical software which provides high quality, high margin recurring revenues with high retention rates and; the PIK Preferred Equity was a better choice compared to the debt instruments on offer of other software companies at the time that offered similar returns.

Syncsort has been in AGA's portfolio since September 2017. Syncsort was created through the combination of a software solutions provider for the mainframe server market and a provider of software for the power server market, formerly known as Vision. In 2017, the deal team considered it as an investment for the Apax Private Equity Funds at one time. Our team recommended to AGA to invest in the new second lien being raised to partially fund the transaction. The team believed that it represented an attractive risk-return opportunity because it's a defensive business with recurring revenue and high cash generation. There's also a sizeable equity cushion to cover against a downside.

Rocket Software is a provider of software solutions to the mainframe platform market, similar to Syncsort. Following the due diligence in Syncsort, the team became aware of Rocket Software and identified it as a potentially interesting future investment opportunity. During 2018 a sale process for Rocket was launched, and it was considered as an investment by the Apax Private Equity Funds. However, when the company was eventually sold to another private equity fund, the deal team thought the second lien being raised to partially fund this acquisition was worth putting forward to the AGA Investment Committee. This was because the market sector was stable with a sticky product offering and customer base, strong balance sheet and the note itself was of a high quality.

## PERFORMANCE REVIEW

# Apax Partners' ability to identify off-the-beaten-track investments has resulted in AGA delivering positive returns in challenging markets.

### QUICK READ:

Total NAV Return[1]

**7.1%**

Adjusted NAV[2]

**€930.8m**

Adjusted NAV per share

**€1.90 / £1.70**

AGA in the FTSE 250 with market cap of

**£663.0m**

Strong operational performance of the Private Equity portfolio and a positive contribution from Derived Debt

Derived Equity challenged by market dislocations and operational underperformance

### PERFORMANCE HIGHLIGHTS

2018 was characterised by volatile capital markets stemming from a slowing global economy and rising political risk. Global equities lost some $15tn from their January 2018 peak, with the worst December recorded for US equities since 1931[3]. Meanwhile, global bond markets experienced the lowest returns in a decade at -1.4%; in fact, 63 of the 80 major debt and equity markets worldwide posted negative returns in 2018[3].

Against this backdrop AGA delivered NAV[2] growth of €18.4m to €930.8m as at 31 December 2018 (Fig.3), and made two dividend pay-outs which returned €46.6m to shareholders over the course of the year. This translates into a solid positive Total NAV Return[1] of 7.1% (Fig.2).

Two of the three asset classes in which AGA invests, bucked negative market developments. In constant currency terms, Private Equity and Derived Debt both contributed positively to Total NAV Return with 9.2% and 0.4% respectively. Derived Equity's contribution was -2.9%. Whilst the negative contribution from Derived Equity is disappointing, the overall portfolio Total NAV Return[1] of 7.1% represents a solid performance in difficult markets.

### PRIVATE EQUITY HIGHLIGHTS

The Private Equity portfolio exhibited good operational momentum as portfolio companies displayed strong organic and inorganic growth in the year. On a look-through basis, AGA committed €73.3m to Private Equity Investments closed in 2018, adding eight new companies and one significant add-on to its holdings, and invested €11.1m in Apax Europe VI and VII carried interest holdings. There were significantly more distributions compared to 2017 with three strong exits from Apax VIII, being GlobalLogic, Azelis and Genex.

### DERIVED INVESTMENTS HIGHLIGHTS

**Derived Debt portfolio:**

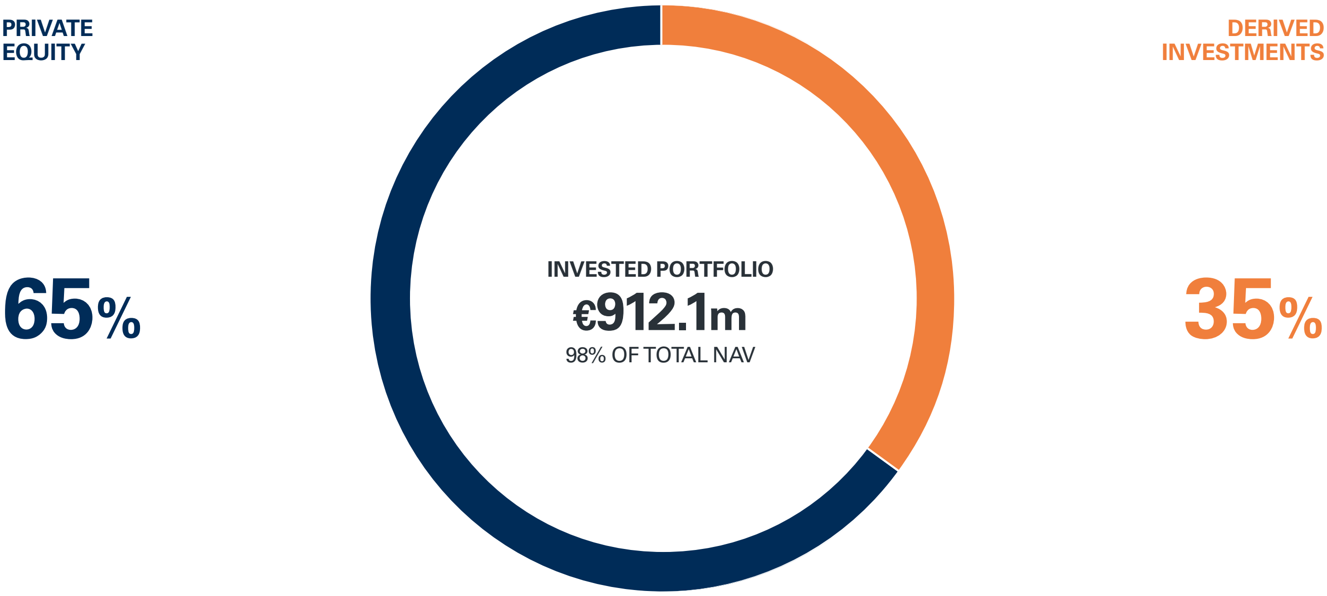
The Derived Debt portfolio is fundamentally a healthy book of loans in companies where the Investment Adviser has relevant knowledge from its private equity activities. Based on our expectation in 2017 that US base rates would rise, as well as an increasing uncertain macro environment, AGA's debt investment activity focused on US floating rate credit in high quality companies. This decision paid off in 2018 as can be seen from the performance of AGA's Derived Debt in the last quarter, when the portfolio produced a positive return in very volatile markets. During 2018, AGA also exited 12[4] debt investments, returning €112.8m at an average Gross IRR[5] of 11.0%.

**Derived Equity portfolio:**

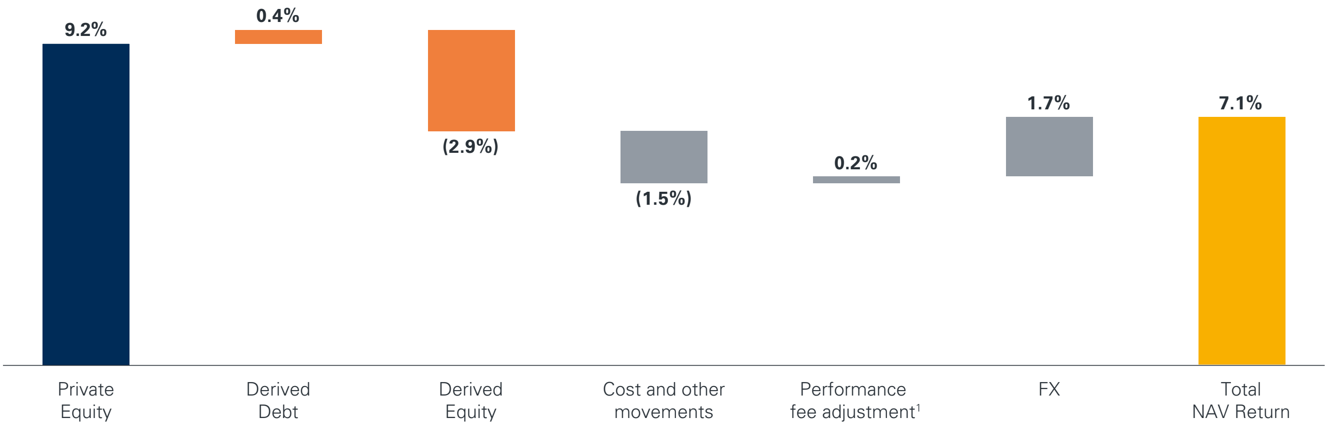
The Derived Equity portfolio had a challenging year. One reason for the disappointing performance was the generally weak market backdrop for listed equity. Furthermore, investments in Indian financial stocks (DCB, Repco Home Finance and CanFin Homes) suffered from a significant worsening of investor sentiment towards the sector, despite good underlying operating performance. Company specific issues in certain investments also caused a drag on returns with AGA's investments in OVS, VIP.com, Strides and Sophos all underperforming.

1. Total NAV Return means the movement in the Adjusted NAV per share over the period plus any dividends paid. Total Return reflects the sub-portfolio performance on a stand-alone basis. It excludes items at overall AGA level such as cash, management fees and costs. Constant currency returns calculated the same as Total NAV Return adjusted to remove the impact of FX
2. Adjusted NAV represents NAV of €930.8m adjusted for the performance fee reserve of nil at 31 December 2018
3. Deutsche Bank C-Space publication January 2019
4. Twelve debt realisations comprise of five debt positions that were called; five positions that were fully exited and two positions that amortised during the year
5. Gross IRR calculated based on aggregate euro cash flows since inception of deals realised during the year

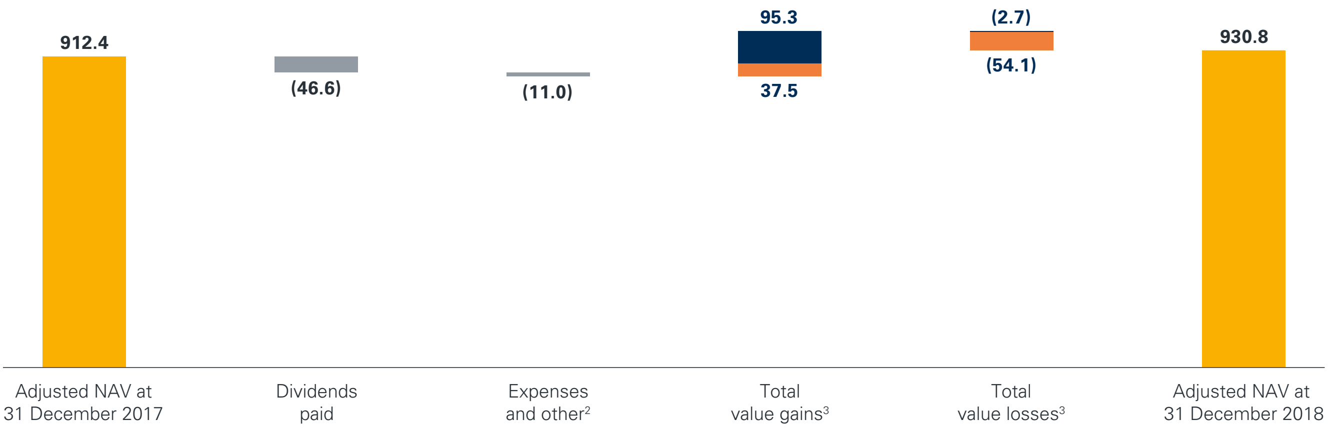
## FIG.1: Portfolio overview at 31 December 2018




## FIG.2: Total NAV Return contributions (%)




## FIG.3: Adjusted NAV development (€m)




1. Performance fee adjustment accounting for the movement in the performance fee reserve at 31 December 2018
2. Expenses and other consists of: expenses and accruals of €13.2m offset by positive performance fee movement of €2.1m and net FX gain on cash of €0.1m
3. Total value movements calculated by taking unrealised and realised movements, FX and income earned during the period. Total value gains show the positive contributors and total value losses show the negative contributors

## PRIVATE EQUITY

# Strong performance from positive operational momentum in the portfolio companies.

### QUICK READ:

Private Equity Total Return[1]

**17.4%**

LTM EBITDA growth

**22.2%**

The Apax Funds returned to AGA

**€134.9m**

Gross IRR[2] on 2018 full exits

**50.2%**

On a look-through basis, AGA invested **€73.3m** in eight new companies and one add-on investment and **€11.1m** in two carried interest positions

Strong operational performance and exits contributed to healthy returns

Maturing portfolio with

**86%**

of investments, 2014-2018 vintage

### STRONG NAV PERFORMANCE THANKS TO ACCELERATING EBITDA GROWTH

The Private Equity portfolio delivered strong performance in the year with a Total Return[1] of 17.4% (Fig.1). The main driver of value creation was earnings growth in the investee companies. FX also positively impacted performance as the US dollar strengthened relative to the euro. On a constant currency[1] basis, the Total Return[1] was 15.9%. Adjusted NAV increased from €586.1m to €591.5m (Fig.2) largely due to unrealised gains which were driven by earnings growth in the underlying portfolio.

A number of companies outperformed during the year with ThoughtWorks, AssuredPartners and Exact Software producing significant value increases (Fig.3). ThoughtWorks enjoyed a very strong start under the Apax Funds' ownership. New client wins alongside increasing demand from existing customers drove the top line, and cost reduction initiatives created a positive margin impact. The valuation of AssuredPartners increased due to accretive M&A and organic growth. The company announced 42 acquisitions in 2018 as it continues to successfully execute its M&A strategy. Meanwhile, Exact Software continued to grow profitably by attracting more customers with its cloud-based software packages having enhanced functionality.

The largest valuation declines in the portfolio were from Shriram City Union Finance ("SCUF"), One Call and Ideal Protein. SCUF's valuation decline was driven by the Indian non-bank financial sector falling out of favour, following the default of a leading player (see Q&A section p.12). One Call continued to perform below expectations as a result of pricing pressure, lower growth in high margin products, and continued investment in its new IT system, Polaris. Longer-term, Polaris is expected to increase internal efficiency and enhance customer experience. Ideal Protein is dealing with softening customer acquisition and retention rates. A new CEO has been hired to address these issues and several initiatives are underway, including improvements to its go-to-market strategy.

Overall, the Private Equity portfolio is performing strongly, delivering LTM EBITDA growth of 22.2%. We expect this operational momentum in the portfolio to continue into 2019.

### INVESTING BEHIND PROVEN STRATEGIES

On a look-through basis, AGA invested €73.3m in Private Equity Investments which closed during 2018, adding eight new companies to its portfolio, and committed a further €22.5m to a new investment in New Zealand's leading online classifieds business Trade Me which is expected to close in the first half of 2019. The pace of investment by the Apax Private Equity Funds was lower than last year reflecting investment discipline in the face of high private equity valuations in the market.

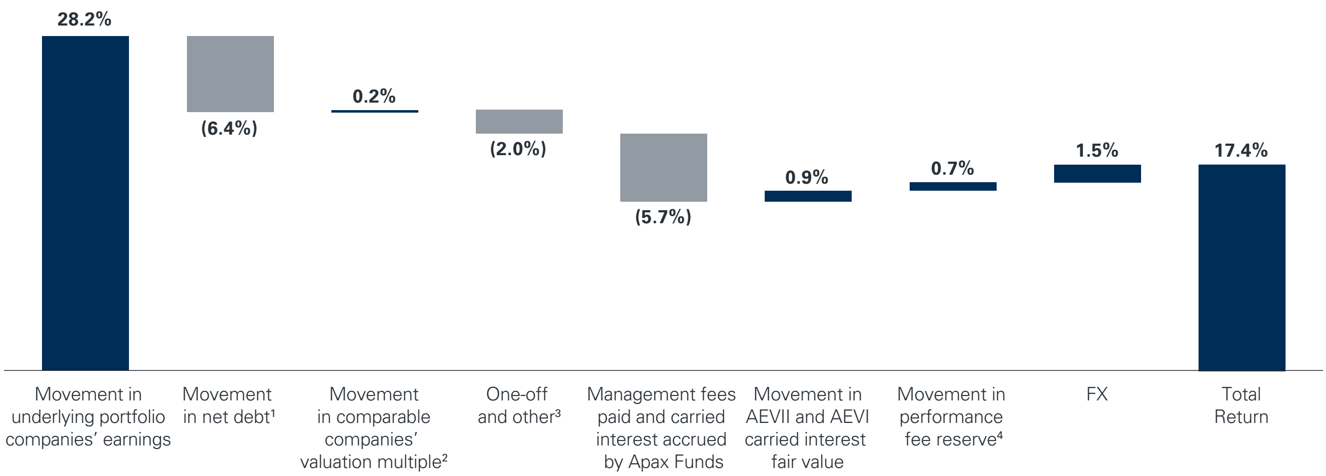
The Apax Partners' strategy to find value remains centred around leveraging sector knowledge, geographic flexibility and operational capabilities, as well as seeking out more differentiated opportunities.

Apax Partners' strong sector knowledge has its roots in its focus on four core sectors. Apax Partners also repeatedly identifies investments within targeted sub-sectors. Through building deep, specialised expertise in certain market niches, Apax Partners can: identify and approach companies ahead of competitors and often in less heavily-competed areas; better calibrate opportunities, thereby reducing risk; and deploy proven operational optimisation strategies, thereby increasing the probability of alpha.

Most of the new Private Equity Investments in 2018 followed this sub-sector led approach. For example, Healthium MedTech is a leading Indian player in the focus sub-sector of medical devices, while Paycor and Genius Sports Group are providers of software in the HR and sports data areas. Wizeline and Solita are digital transformation services businesses, and Trade Me is the leading online classified marketplace in

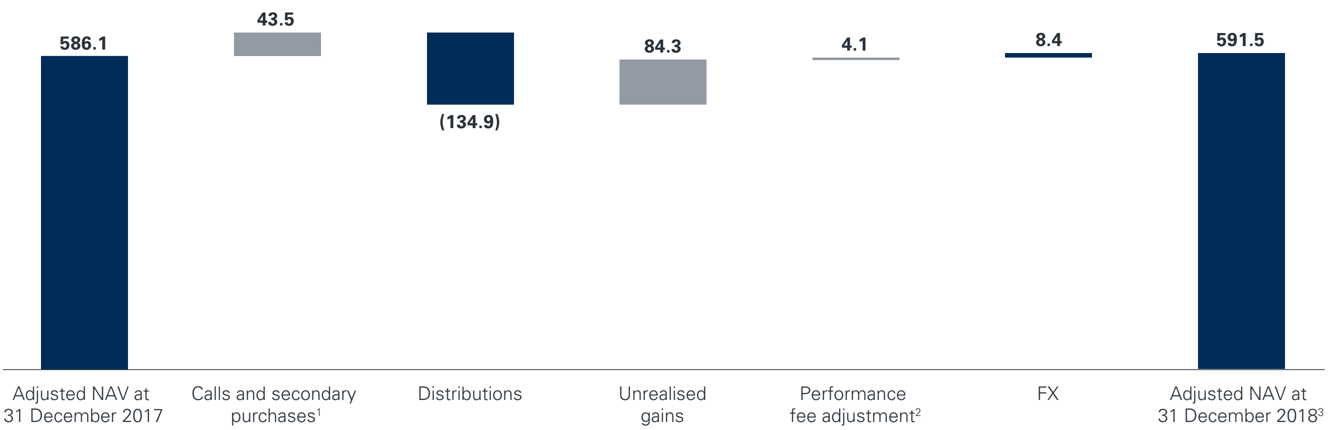
1. Total Return reflects the sub-portfolio performance on a stand-alone basis. Constant currency returns adjusted to remove the impact of FX
2. Gross IRR and Gross MOIC on full exits calculated based on the aggregate cash flows in euro across all funds for the deals realised in the year; Genex which closed in March 2018, GlobalLogic which closed in August 2018 and Azelis which closed in November 2018. Gross IRR represents concurrent Gross IRR

## FIG.1: Private Equity performance (%)



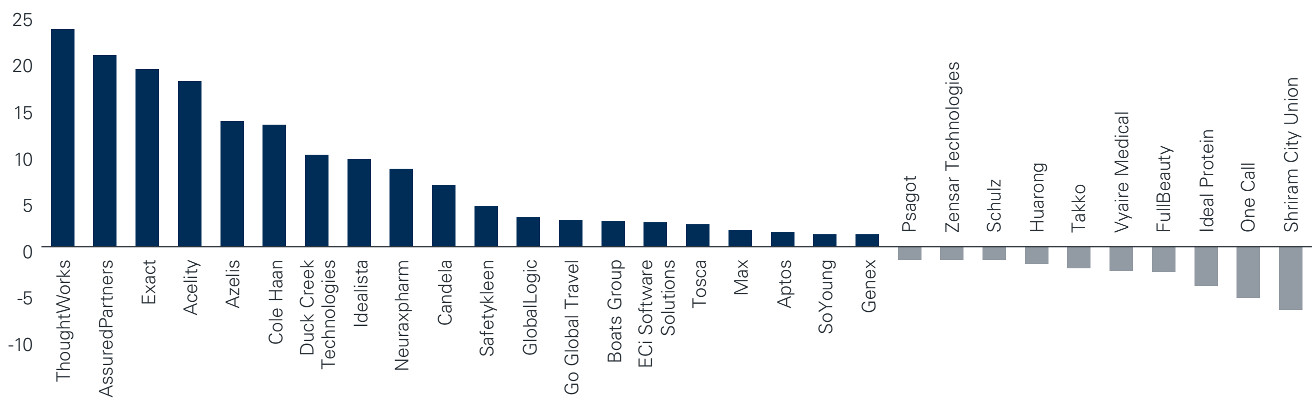

1. Represents movement in all instruments senior to equity
2. Movement in the valuation multiples captures movement in the comparable companies valuation multiples. In accordance with International Private Equity and Venture Capital Valuation ("IPEV") guidelines, the Apax Funds use a multiples based approach where an appropriate valuation multiple (based on both public and private market valuation comparators) is applied to maintainable earnings, which is often but not necessarily represented by EBITDA to calculate Enterprise Value
3. Mainly dilutions from the management incentive plan as a result of growth in the portfolio's value
4. Performance fee adjustment accounting for the movement in the performance fee reserve at 31 December 2018

## FIG.2: Private Equity Adjusted NAV development (€m)




1. Included in the above were secondary purchases of €11.1m that relate to the purchase of two carried interest holdings (add-on of €7.7m in AEVII and €3.4m into a new carried interest holding in AEVI)
2. Performance fee adjustment accounting for the movement in the performance fee reserve at 31 December 2018
3. Includes AGA's exposure to carried interest holdings in AEVII and AEVI which were respectively valued at €32.1m and €3.6m at 31 December 2018

## FIG.3: Private Equity top 30 fair value movements[1] (€m)




1. Represents the largest fair value movements in the underlying Private Equity portfolio over the period adjusted for purchases and sales. The fair value movement uplift related to the discount on the purchase of carried interest holdings in both AEVI and AEVII has been excluded from the above

New Zealand. All of these investments are in sub-sectors in which the Apax Private Equity Funds have made multiple successful investments in previous years.

## SUCCESSFUL REALISATIONS

AGA realised a total of €134.9m from its Private Equity portfolio, significantly more than in the prior year. There were three strong full exits from the Apax VIII fund. GlobalLogic delivered a 5.9x Gross MOIC[1] and a 56% Gross IRR[1] with a 17% uplift[2] on exit to the last Unaffected Valuation[2]. The company was repositioned to focus on digital services, with improved go-to-market strategies and hired more employees in key functions. As a result, growth accelerated with both revenue and EBITDA more than doubling in five years. The sale of Azelis delivered a 3.6x Gross MOIC[1] and a 50% Gross IRR[1] with a 24% uplift[2] on exit to the last Unaffected Valuation[2]. During Apax VIII's ownership, Azelis made one transformational acquisition and 12 tuck-in acquisitions which broadened geographic reach and product offering significantly, making Azelis a global market leader in specialty chemicals distribution. The acquisitions also added a variety of additional services, enabling Azelis to provide superior solutions to its customers. The disposal of Genex generated a 2.8x Gross MOIC[1] and 32% Gross IRR[1] with a 13% uplift[2] on exit to the last Unaffected Valuation[2].

In addition to the full exits above, several portfolio companies were refinanced in order to optimise capital structures and/or fund dividends (see p.20 for details).

## APAX FUNDS UPDATE

AGA's Private Equity exposure is spread across six Apax Funds with vintages from 2005 to 2017.

Apax IX, the global buyout fund currently being invested, was raised in 2017. The fund is performing well and is diversified across sectors and geographies with a mix of value investments bought at attractive absolute multiples, and high-growth businesses acquired at reasonable relative multiples. Including an investment signed in January 2019 to invest in Fractal Analytics, a global provider of artificial intelligence services to Fortune 500 companies, Apax IX has made 12 investments to date.

Apax VIII, which was raised in 2012, has started to deliver strong realisations such as the previously highlighted exits of GlobalLogic, Azelis and Genex. As the fund matures, we expect further NAV expansion and exits in the coming years. The average valuation uplift[3] of the eight full exits was 20%.

Post year end, Apax VIII's strong realisation momentum continued and the fund announced agreements to sell AssuredPartners and Exact Software in February 2019, representing uplifts[3] of 14% and 34% respectively compared to their December 2018 valuations. Both transactions are subject to customary closing conditions.

Apax Europe VII and Apax Europe VI continue to actively evaluate exit opportunities and monetise their portfolios. In addition to the limited partnership interests, AGA also acquired carried interest entitlements in both funds. During 2018, €11.1m was invested in carried interests in Apax Europe VI and Apax Europe VII. The average valuation uplift[3] for Apax Europe VII with 18 exits was 28% and the average valuation uplift[3] for Apax Europe VI with 16 exits, was 26%.

The Apax Mid-Market Israel Fund ("AMI") and the Apax Digital Fund ("ADF") remain focused on new investments and growing their existing portfolios. Both funds have healthy pipelines of attractive opportunities under review which will further diversify AGA's portfolio. AMI made two investments in the year. ADF also completed two new investments.

### VALUATION OF PRIVATE EQUITY

1. The Apax Funds' investments are valued on a quarterly basis to reflect their latest fair value.
2. Fair value of Apax Funds' private investments are largely determined using public comparatives trading and/or transaction comps as appropriate.
3. In the Apax Funds, the majority of fair value movements are reported as unrealised given that gains or losses on exits signed, but not closed, are already reflected in the quarter-end valuations.

## OPERATIONAL METRICS

2018 has been another year of good operating performance in the majority of portfolio companies, and both organic and inorganic earnings increases were the main drivers of value creation.

Last Twelve Months ("LTM") revenue and EBITDA growth[4] were 14.5% and 22.2% respectively, compared to 12.8% and 17.9% at the same time last year. Organic growth constitutes a material part of this performance. Excluding significant M&A, LTM revenue and EBITDA grew by 9.8% and 15.2%, respectively.

The weighted average valuation multiple[4] increased from 13.8x LTM EBITDA to 14.5x LTM EBITDA, reflecting an uplift in valuation multiples used to value the Private Equity portfolio. Portfolio companies in higher growth Tech & Telco and Digital sectors have higher relevance in the portfolio.

The weighted average leverage[4] of portfolio companies decreased from 4.3x to 4.0x LTM EBITDA over the period. This is due to EBITDA growth outpacing changes in absolute levels in net debt.

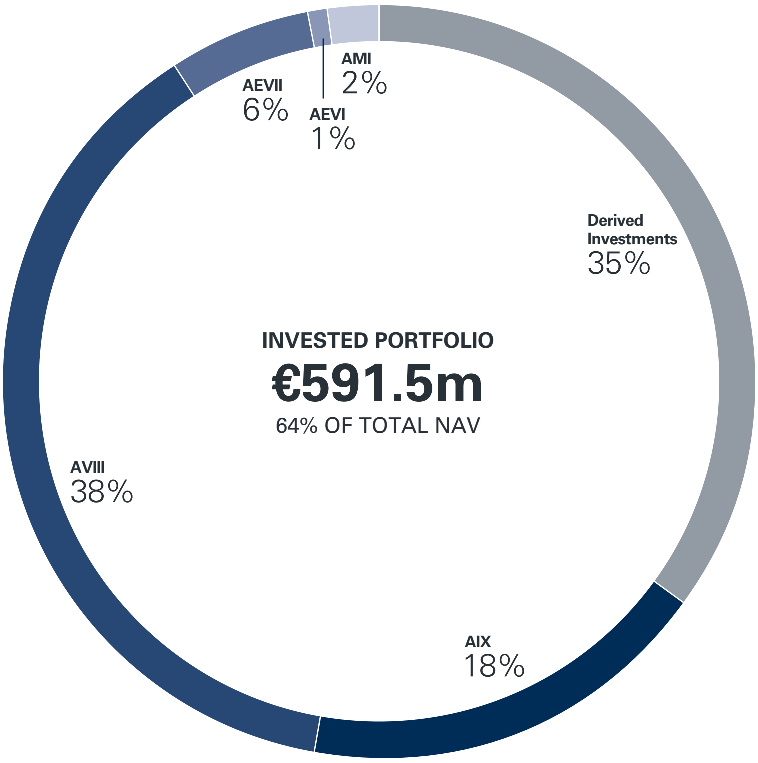
## MARKET OUTLOOK

Despite recent corrections in equity markets, private equity valuations continue to remain frothy. Whilst valuations of the Private Equity portfolio would not be insulated from a de-rating of market valuations, we believe the Apax Private Equity Funds approach is particularly well-suited to generate value in this "late-cycle" environment for a number of reasons:

a. A high level of discipline is employed with regard to entry multiples paid;
b. There are no particular capital deployment targets but a high bar for risk-reward-profiles is maintained (and many unreasonably priced "plain vanilla" private equity deals are not invested in as a consequence);
c. "Differentiated" investment situations where businesses can be transformed or repositioned are the preferred opportunities;
d. Apax Partners sub-sector expertise actively targets opportunities where proven strategies can be deployed;
e. The high valuation backdrop also provides an opportunity for achieving compelling exits.

1. Performance as at 31 December 2018, including unrealised value and total realised proceeds. Gross MOICs and Gross IRRs represent return to the fund which invested the most across all the Apax Funds into the deal. AVIII and AIX performances represent the euro tranche returns
2 Valuation uplifts on exits are calculated based on the total actual or estimated sales proceeds and income as appropriate since the last Unaffected Valuation. Unaffected Valuation is determined as the fair value in the last quarter before exit, when valuation is not affected by the exit process (i.e. because an exit was signed, or an exit was sufficiently close to being signed that the Apax Funds incorporated the expected exit multiple in to the current valuation)
3. Average Fund valuation uplifts are weighted by the fair value of the Unaffected Valuations. It includes full exits and the significant partial exit of Sophos since 2014

## FIG.4: Private Equity portfolio at 31 December 2018




### Apax IX ("AIX")

| | |
|---|---|
| AGA NAV | €160.2m |
| % of AGA PE portfolio | 31% |
| Vintage | 2016 |
| Commitment | €154.5m + $175m |
| Invested and committed | 55% |

### Apax VIII ("AVIII")

| | |
|---|---|
| AGA NAV | €342.3m |
| % of AGA PE portfolio | 56% |
| Vintage | 2012 |
| Commitment | €159.5m +$218.3m |
| Invested and committed | 103% |

### Apax Europe VII ("AEVII")

| | |
|---|---|
| AGA NAV | €59.5m |
| % of AGA PE portfolio | 8% |
| Vintage | 2007 |
| Commitment | €86.5m |
| Invested and committed | 108% |

### Apax Europe VI ("AEVI")

| | |
|---|---|
| AGA NAV | €5.3m |
| % of AGA PE portfolio | 1% |
| Vintage | 2005 |
| Commitment | €10.6m |
| Invested and committed | 107% |

### AMI Opportunities Fund ("AMI")

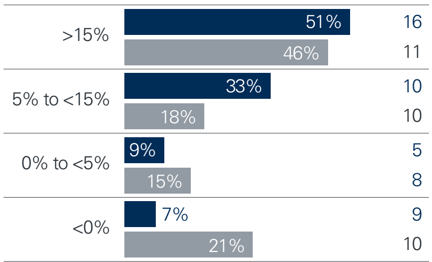
| | |
|---|---|
| AGA NAV | €20.6m |
| % of AGA PE portfolio | 3% |
| Vintage | 2015 |
| Commitment | €25.6m |
| Invested and committed | 55% |

### Apax Digital Fund ("ADF")

| | |
|---|---|
| AGA NAV | €3.6m |
| % of AGA PE portfolio | 1% |
| Vintage | 2017 |
| Commitment | $50m |
| Invested and committed | 18% |

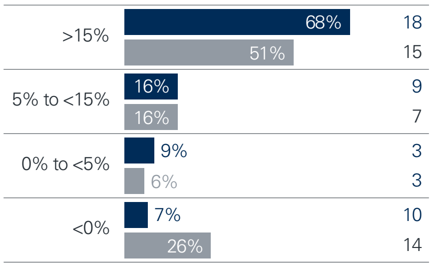
### Portfolio year-over-year LTM revenue growth[4]:

December 2018: 14.5% vs December 2017: 12.8%



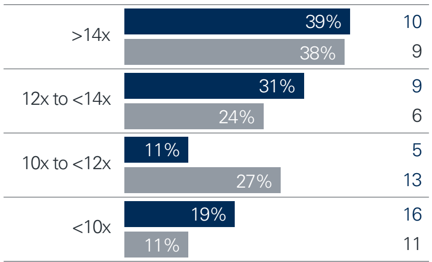

### Portfolio year-over-year LTM EBITDA growth[4]:

December 2018: 22.2% vs December 2017: 17.9%



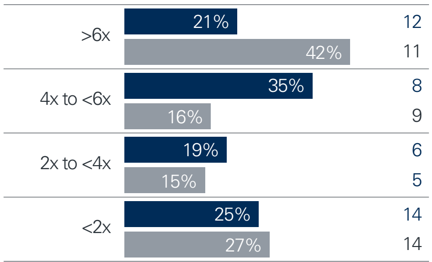

### Enterprise Value/EBITDA valuation multiple[4]:

December 2018: 14.5x vs December 2017: 13.8x



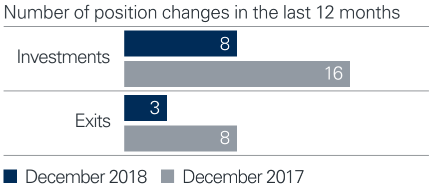

### Net debt/EBITDA multiple[4]:

December 2018: 4.0x vs December 2017: 4.3x




### Investment activity[5]:

Number of position changes in the last 12 months




**Note:** These operational metrics represent a snapshot of the portfolio as at period end, hence they do not capture the performance of exited investments in the reporting period

4. At December 2017 and December 2018, nine and thirteen investments were respectively excluded as these are financial services companies often valued on book value or for which earnings financials are not available e.g. complex carve-outs or growth investments. The increase was due to new portfolio additions, and the exclusion of Vyaire Medical due to short-term fluctuations in EBITDA. December 2018 figures including Vyaire are 13.9% LTM revenue growth, 17.7% LTM EBITDA growth, 15.8x EV/EBITDA multiple, and 4.7x net debt/EBITDA multiple
5. New closed investments and closed exits in 2018 - see page 20 for full list of acquisitions and disposals

| **ACQUISITIONS** Closed[1] | **COST[2]** |
|---|---|
| **Apax Europe VI**<br>New carry position in AEVI | €3.4m |
| **Apax Europe VII**<br>Add-on position to the carry held in AEVII | €7.7m |
| **Authority Brands**<br>A leading franchisor of home services in US, Canada and Latin America (AIX, North America, Services) | €8.4m |
| **Genius Sports Group**<br>Leader in provision of information, odds and software for sports betting operators and sports leagues (AIX, UK, Tech & Telco) | €9.7m |
| **Global-e**<br>Provider of solutions to online retailers who want to sell outside their home market (AMI, Israel, Tech & Telco) | €1.0m |
| **Healthium**<br>Independent medical devices player in India (AIX, India, Healthcare) | €7.1m |

| **ACQUISITIONS** Closed[1] | **COST[2]** |
|---|---|
| **Paycor**<br>Provider of SaaS Payroll and Human Capital Management software to small and medium-sized businesses (AIX, North America, Tech & Telco) | €18.7m |
| **Ramet Trom**<br>Producer and supplier of prefabricated elements for the infrastructure and construction sectors in Israel (AMI, Israel, Services) | €1.7m |
| **Solita**<br>Finland's largest digital transformation services company, with particular expertise in data and analytics (ADF, Europe, Digital) | €3.3m |
| **Vyaire Medical**<br>Respiratory devices and consumables manufacturer (AVIII, North America, Healthcare) (follow-on investment) | €17.8m |
| **Wizeline**<br>High-growth product innovation and digital transformation-focused IT services provider (ADF, North America, Digital) | €1.4m |

| **DIVESTMENTS** Full exits | GROSS MOIC[3] | GROSS IRR[3] |
|---|---|---|
| **Genex**<br>Provider of cost containment services to the workers' comp, disability and auto industries (AEVII & AVIII, North America, Healthcare) | 2.8x | 32% |
| **GlobalLogic**<br>An outsourced product development services firm (AVIII, North America, Tech & Telco) | 5.9x | 56% |
| **Azelis**<br>Global distributor of specialty chemicals and related services (AVIII, Europe, Services) | 3.6x | 50% |

| **DIVESTMENTS** Partial exits, IPOs and others | | CASH PROCEEDS TO APAX FUNDS |
|---|---|---|
| **Huarong**<br>A Chinese asset management company (AEVII & AVIII, China, Services) | Recapitalised | €70.1m |
| **Zap Group**<br>The leading consumer internet group in Israel (AMI, Israel, Tech & Telco) | Dividend | €6.3m |
| **Acelity**<br>Global medical technology company (AEVII, North America, Healthcare) | Dividend | €37.7m |
| **Boats Group**<br>Digital marketplace and solutions for recreational marine industry (AIX, North America, Services) | Recapitalised | €36.2m |
| **Max**<br>The largest general discount retail chain store in Israel (AMI, Israel, Consumer) | Dividend | €5.9m |

1. Wizeline closed in March 2018, Vyaire Medical closed in April 2018, Global-e closed in April 2018, Ramet Trom closed in May 2018, Solita closed in June 2018, Healthium MedTech closed in June 2018, Genius Sports Group closed in September 2018, Authority Brands closed in September 2018 and Paycor closed in November 2018
2. Cost is AGA's indirect exposure to the underlying portfolio companies held by the Apax Funds. Costs may change following final close of the deal
3. Performance as at 31 December 2018, including unrealised value and total realised proceeds. Gross MOICs and Aggregate Gross IRRs represent return to the fund which invested the most across all the Apax Funds into the deal. AVIII and AIX performances represent the euro tranche returns

## DIVESTMENTS Partial exits, IPOs and others

**Psagot**
The largest investment house in Israel (AEVII, Israel, Services)
CASH PROCEEDS TO APAX FUNDS
**Recapitalised** **€71.9m**

**EVRY**
Nordic IT services provider (AVIII, Europe, Tech & Telco)
CASH PROCEEDS TO APAX FUNDS
**Dividend** **€21.3m**

**Tivit**
A leader in integrated IT outsourcing services in Latin America (AEVII & AEVI, Rest of world, Tech & Telco)
CASH PROCEEDS TO APAX FUNDS
**Dividend** **€53.4m**

**Idealista**
Leading real estate classified marketplace in Spain (AVIII, Europe, Consumer)
CASH PROCEEDS TO APAX FUNDS
**Dividend** **€6.5m**

**Zensar**
Technology services provider to global clients in manufacturing, retail and hi-tech verticals (AVIII, India, Tech & Telco)
CASH PROCEEDS TO APAX FUNDS
**Recapitalised** **€57.3m**

**Go Global Travel**
Leading global B2B travel technology and service provider(AMI, Israel, Tech & Telco)
CASH PROCEEDS TO APAX FUNDS
**Dividend** **€7.0m**

**Ten**
Leading discount gas stations operator in Israel (AMI, Israel, Services)
CASH PROCEEDS TO APAX FUNDS
**Dividend** **€6.5m**

## TOP 30 PRIVATE EQUITY INVESTMENTS - AGA'S INDIRECT EXPOSURE

| | FUND | INITIAL PURCHASE YEAR | GEOGRAPHY | VALUATION €M | % OF NAV |
|---|---|---|---|---|---|
| AssuredPartners | AVIII | 2015 | North America | 68.8 | 7% |
| Exact Software | AVIII | 2015 | Europe | 51.9 | 6% |
| ThoughtWorks | AIX | 2017 | North America | 39.8 | 4% |
| Idealista | AVIII | 2015 | Europe | 34.9 | 4% |
| Vyaire Medical* | AVIII | 2016 | North America | 34.1 | 4% |
| Acelity | AEVII | 2011 | North America | 32.1 | 3% |
| Engineering | AVIII | 2016 | Europe | 31.1 | 3% |
| Cole Haan | AVIII | 2013 | North America | 30.6 | 3% |
| Unilabs | AEVI & AIX | 2007 & 2017 | Europe | 29.7 | 3% |
| Neuraxpharm Group | AVIII | 2016 | Europe | 26.8 | 3% |
| Duck Creek Technologies | AVIII | 2016 | North America | 26.1 | 3% |
| EVRY* | AVIII | 2015 | Europe | 25.5 | 3% |
| Wehkamp | AVIII | 2015 | Europe | 19.3 | 2% |
| Paycor* | AIX | 2018 | North America | 18.6 | 2% |
| Safetykleen* | AIX | 2017 | United Kingdom | 18.5 | 2% |
| Candela | AIX | 2017 | North America | 18.5 | 2% |
| Quality Distribution* | AVIII | 2015 | North America | 17.0 | 2% |
| MATCHESFASHION.COM | AIX | 2017 | United Kingdom | 15.3 | 2% |
| ECi Software Solutions* | AIX | 2017 | North America | 12.1 | 1% |
| Shriram City Union | AVIII | 2015 | India | 11.0 | 1% |
| Tosca Services | AIX | 2017 | North America | 9.0 | 1% |
| Genius Sports Group | AIX | 2018 | United Kingdom | 8.9 | 1% |
| Authority Brands | AIX | 2018 | North America | 8.3 | 1% |
| Guotai Junan Securities | AIX | 2017 | China | 8.0 | 1% |
| Healthium | AIX | 2018 | India | 7.9 | 1% |
| Boats Group* | AIX | 2016 | North America | 7.8 | 1% |
| Tivit | AEVI & AEVII | 2010 | Rest of world | 7.5 | 1% |
| Attenti | AIX | 2017 | Israel | 6.6 | 1% |
| Go Global Travel | AMI | 2017 | Israel | 6.5 | 1% |
| Psagot | AEVII | 2010 | Israel | 6.3 | 1% |
| Other investments | | | | 54.1 | 6% |
| **Total gross investments** | | | | **692.6** | **76%** |
| Carried interest | | | | (57.3) | -6% |
| Capital call facilities and other | | | | (43.8) | -5% |
| **Total Private Equity** | | | | **591.5** | **65%** |

* AGA also holds these companies in the Derived Investments portfolio

CASE STUDY

# Transformational ownership in action

**INVESTMENT DETAILS**

Date of investment
**December 2013**

Fund
**AVIII**

Sector
**Tech & Telco**

Region
**North America**

Status
**Realised**

**GROSS MOIC/ GROSS IRR**

**5.9x/ 56%**

GlobalLogic is a leader in digital product engineering services. The company helps blue chip clients (such as Microsoft, Coca-Cola, Volvo and Verizon) design, build, and deliver their digital products. Headquartered in San Jose, USA, GlobalLogic employs more than 12,000 people across North America, South America, Europe and Asia.

The Apax Funds acquired GlobalLogic in December 2013 having recognised the significant long-term growth outlook for the outsourced product development industry. GlobalLogic was well-positioned to capitalise on this growth due to its best-in-class global delivery capabilities, well-established client base and experienced management team.

Together with management, the Apax Funds supported investment in sales and marketing capabilities to both seek out and develop areas of expertise. Through both organic growth and M&A, the company expanded into new geographies across the world.

A best-in-class Board of Directors was put in place, and the second layer of management was upgraded to support GlobalLogic's growth aspirations. Lastly, Apax's Operational Excellence Practice supported the business in several ways, including redefining their internal IT strategy and leading a finance improvement initiative.

The result of these initiatives saw an acceleration in growth as both revenue and EBITDA more than doubled during the Apax Funds' ownership.

The Apax Funds sold their stake in GlobalLogic across two tranches: half was sold in January 2017; and the remaining stake was sold in August 2018 in a transaction which valued GlobalLogic at over $2bn.

"The growth strategy for GlobalLogic was scaling the business to support its long-term growth aspirations, and offering complex engineering expertise across diversified customer industries on a truly global scale."

**Rohan Haldea**
Apax Partners

CASE STUDY

# Growing potential

## INVESTMENT DETAILS

Date of investment
**October 2017**

Fund
**AIX**

Sector
**Services**

Region
**North America**

Status
**Unrealised**

## CONTRIBUTION TO AGA NAV

**€9.0m**

Tosca is a leading provider of supply chain solutions and reusable packaging to the perishable food markets in the United States. The company is headquartered in Atlanta, USA. One of the key services it provides to grocery retailers and suppliers is the rental and sale of reusable plastic containers ("RPCs") to transport produce. The Apax Funds acquired the business in October 2017 through a bilateral transaction.

Ashish Karandikar, a Partner at Apax Partners who led the deal, said: "Tosca is a great example of a typical Apax deal: a growth asset in an industry we know well.

Within this market, Tosca stood out due to its strong management team and excellent track record of innovation and growth. The investment thesis is to back a differentiated player to continue to deliver innovation-led growth. There are significant opportunities for the company to continue to innovate and are delighted the investment has got off to a strong start."

Since acquisition, the Investment Adviser has been working with management to invest in the business to support growth. This has included increasing its pool of RPCs available to grocery retailers, as well as the opening of a new service centre to support higher demand. In addition, the company has improved margin by focusing its sales mix on higher-margin products such as meat and eggs.

"Apax has significant experience in route-based services business, including within the RPC sector directly through a previous investment the Apax Funds made in IFCO Systems. Through this institutional knowledge we assessed the North American RPC sector was attractive. It has strong growth momentum driven by grocery retailers looking to RPCs to reduce costs, high barriers to entry, and recession-resilient characteristics."

**Ashish Karandikar**
Apax Partners

## DERIVED INVESTMENTS

# The Derived Debt portfolio delivered positive results throughout the year whilst the performance of Derived Equity was disappointing.

### QUICK READ:

Derived Investments Total Return[1]

**-6.0%**

Fully exited 12[2] debt investments generating **€112.8m**. 12[2] exits in equities with proceeds of **€63.7m**

Gross IRR[3] on Derived Debt exits **11.0%** and Gross MOIC[3] **1.2x.** Gross IRR[3] on Derived Equity exits **-15.8%** and Gross MOIC[3] **0.9x**

Eleven new investments in debt and eleven[4] equity investments amounting to

**€212.5m**

The quality of the Derived Debt portfolio allowed for outperformance against credit markets. Listed equity investments disappointed and could not withstand market volatility.

Portfolio split: Derived Debt **56%**, Derived Equity **44%**

### DIVERGING PERFORMANCE IN DERIVED INVESTMENTS

Returns in the Derived Investments portfolio diverged during the year. The Derived Debt portfolio produced a solid performance against a very difficult market backdrop with both spreads widening and increasing base rates in the US. Following strong returns in prior years, Derived Equity had a more challenging year accumulating realised and unrealised losses. Given the relatively high share of Derived Equity as a proportion of Derived Investments, the overall Total Return[1] in Derived Investments was -6.0% (Fig.1). The sub-portfolio Total Return for Derived Debt was 4.5% and for Derived Equity -17.6%. FX added positively to performance as the US dollar strengthened relative to the euro. On a constant currency[1] basis, the Total Return[1] was -8.0% and for the sub-portfolios it was 0.3% for Derived Debt and -17.4% for Derived Equity. Adjusted NAV increased from €307.2m to €320.6m (Fig.2) largely due to net investments of €36.0m.

### DEBT PORTFOLIO REVIEW: A HEALTHY BOOK OF MAINLY US SECOND LIEN LOANS

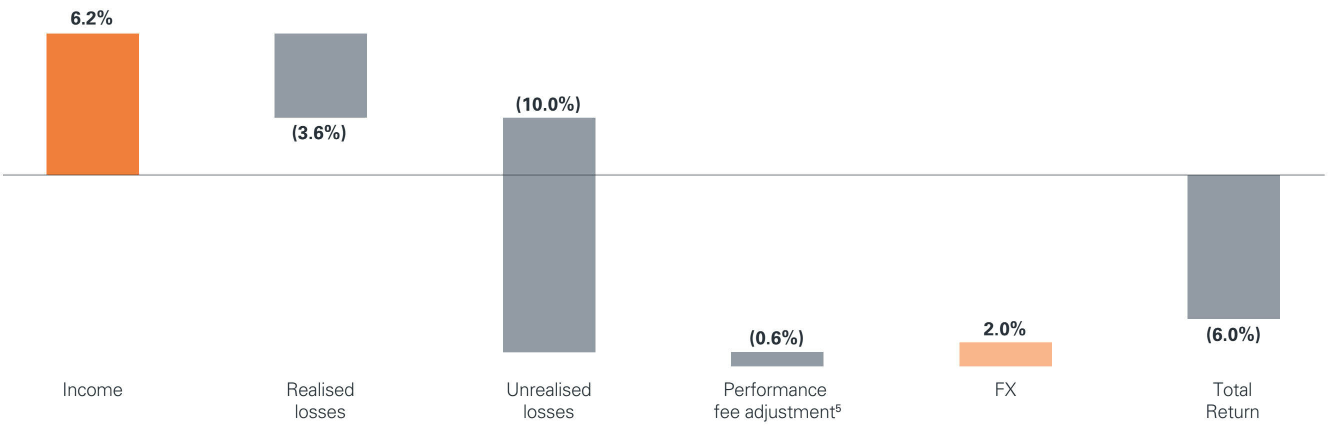
Credit markets became significantly more volatile during 2018. US fixed rate investors suffered losses from rising interest rates, and high yield spreads widened throughout the year in Europe with the US markets following in the second half. Volatility in credit markets intensified, during the fourth quarter.

Against this backdrop AGA's Derived Debt portfolio was well positioned, being invested primarily in US floating rate loans of high quality issuers. AGA intentionally has not invested in fixed rate instruments in the past 24 months which has kept duration risk in the portfolio at a minimum. AGA made two new investments in the UK (ERM and Alexander Mann). Both investments are US dollar denominated, and the investment in Alexander Mann is a first lien loan which we believe is the best position in the company's capital structure in the light of continuing Brexit risks.

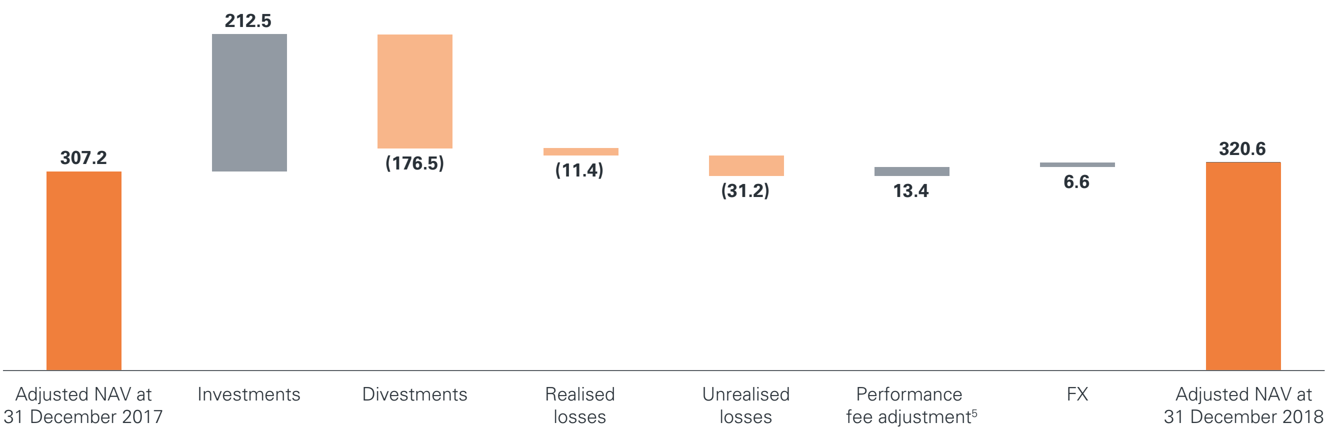
Performance of the Derived Debt portfolio continued to be impacted by a second lien loan investment in the US fashion catalogue retailer FullBeauty, which was made in 2015. The majority of losses in AGA's credit portfolio result from this unsuccessful investment. FullBeauty concluded a restructuring at the end of 2018 with a remaining fair market value at 31 December 2018 of €2.5m.

In total, €109.8m was deployed in eleven new debt investments during the year. AGA also fully exited 12[2] debt investments generating proceeds of €112.8m with a Gross IRR[3] of 11.0%. As many of these debt investments were US dollar denominated, the constant currency[1] Gross IRR[3] achieved was 10.0%.

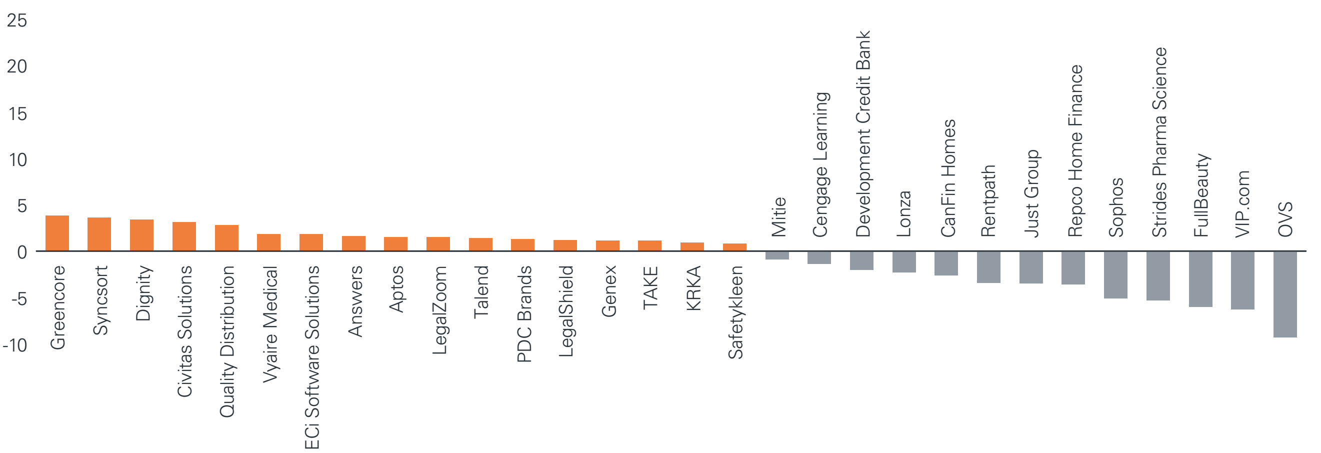
## FIG.1: Derived Investments performance (%)




## FIG.2: Derived Investments Adjusted NAV development (€m)

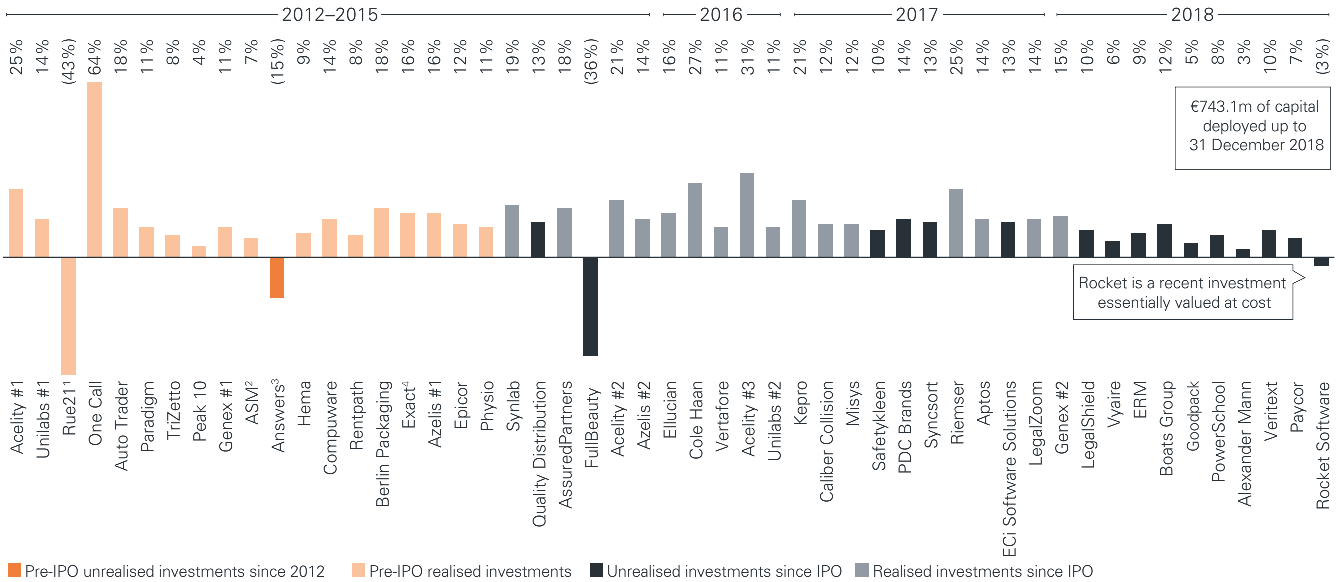



## FIG.3: Derived Investments top 30 fair value movements[6] (€m)




1. Total Return reflects the sub-portfolio performance on a stand-alone basis. Constant currency returns adjusted to remove the impact of FX
2. Twelve debt realisations comprise of five debt positions that were called; five positions that were fully exited and two positions that amortised during the year
3. Gross IRR and Gross MOIC calculated based on the aggregate euro cash flows since inception for deals realised during the year (inclusive of partial exits)
4. Eleven equity investments comprising nine new equity positions, one add-on position, and one position received as part of a demerger of another position
5. Performance fee adjustment accounting for the movement in the performance fee reserve at 31 December 2018
6. Fair value movements include realised movements, unrealised movements and income earned for each respective position during the year ended 31 December 2018

## FIG.4: AGA's strong debt investment track record




Gross IRR is shown in constant currency. Local currency cashflows converted to euro using FX rates of the first cash flow for each respective position

1. Includes initial 2013 investment, 2015 follow-on, 2017 Debtor-In-Possession investment and equity received upon emergence from Chapter 11 bankruptcy
2. ASM = Advantage Sales and Marketing
3. Includes first lien and second lien investments made in 2014 and second lien term loan, equity and warrants received upon emergence in 2017
4. Included first lien and second lien investments made in early 2015

### AGA CREDIT INVESTMENT TRACK RECORD (FIG.4).

Since January 2012, AGA and its predecessor fund have deployed a total of €743.1m in Derived Debt Investments in 51 investments[5].

All but three of these investments have produced positive returns. In 2016, we adjusted our investment process following the investments made in Rue21, Answers, and FullBeauty which were all made in the 2013-2015 time period: the bar for AGA investments in primary debt issuances of Apax Private Equity Fund portfolio companies was raised significantly.

Since 1 January 2016, AGA has made debt investments of €319.0m in 26 different investments[5]. These investments have generated a Gross IRR of 16.3%[6] to date, (13.9%[6] excluding FX movements), and the realised deals of the post-2016 portfolio have already generated a Gross IRR of 19.0%[6] (16.7%[6] excluding FX movements) with €182.2m of capital and interest returned to AGA.

### EQUITIES PORTFOLIO REVIEW: EMERGING MARKET VOLATILITY CHALLENGED RETURNS

2018 was a very challenging year for listed equity investments. Most equity markets across the globe saw significant declines over the year. In addition to the general market decline, some sub-sectors in which AGA has made investments were particularly hit: peak to trough declines were 29.0% for Indian small cap stocks and 28.2% for retail in Europe[7].

Against this market backdrop, the Derived Equity portfolio was actively managed during the year. Nine new investments were made, almost half of them in the Services sector. The UK and Europe represented six of these holdings, while North America and India added another three positions. Twelve[8] equity exits generated proceeds of €63.7m with a Gross IRR[9] of (15.8%). Overall performance in Derived Equity was disappointing. However, there were notable differences across the portfolio:

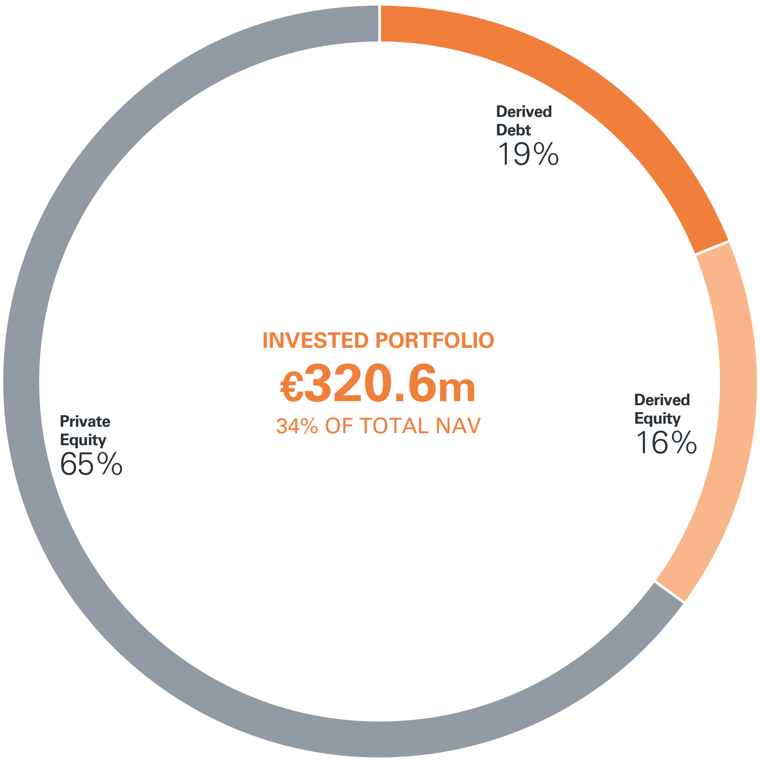
– **Performing investments:** Greencore, Dignity and Civitas Solutions were the top equity performers (Fig.3) in 2018. For Dignity, our investment thesis played out very quickly leading to a short holding period and a Gross MOIC of 1.4x. Greencore and Civitas Solutions remained in the portfolio at year end, with Civitas Solutions announcing it has agreed a take-private transaction and Greencore offering a share buy-back following the disposal of its US business.

– **Market dislocation:** AGA's investments in Indian financial services contributed half of the unrealised equity losses for the year. The Non-Bank Financial Companies sector in India was hit particularly hard due to liquidity issues (see interview with the Investment Adviser on page 12). AGA's Indian financial positions in DCB, Repco Home Finance and CanFin Homes however all have strong underlying fundamental characteristics and we believe that the market's liquidity tightness will abate over time. The valuation of Just Group was impacted by the market's concerns regarding regulatory changes. These concerns began to reduce by year end and the shares have started to appreciate since.

– **Operational underperformance:** Operational performance issues in OVS, an Italian fashion retailer, and VIP.com, a Chinese online retailer, emerged during 2018. Following a re-diligence of these investments by the Investment Adviser, we decided to exit both positions in the fourth quarter of 2018. Strides Pharma Science, an Indian healthcare business, and Sophos, a UK-listed security software business, both underperformed market expectations. Following a management shake-up in Strides its share price started to recover towards the end of the year.

5. Excluding follow-ons into investments initially made before respective period shown
6. Gross IRR calculated based on the aggregate euro cash flows of debt investments for period noted, whilst constant currency Gross IRR calculated based on cash flows converted to euro using FX rates on the first cashflow date for each respective investment
7. Bloomberg

## FIG.5: Derived Investments portfolio at 31 December 2018




## OPERATIONAL METRICS

**Derived Debt**

Operational performance in the Derived Debt portfolio, measured by LTM EBITDA growth[10], remained solid at 7.9%. The average debt yield to maturity[10] decreased to 10.8%, mainly due to the exclusion of FullBeauty as the position has moved into restructuring, offset by increases in LIBOR during the period. 68% of Derived Debt value was yielding 10% to maturity[11] or higher.

**Derived Equity**

Average LTM earnings growth[12] in the Derived Equity portfolio increased from 12.0% to 19.2%. The average price-to-earnings multiple[12] for the Derived Equity portfolio decreased to 18.5x mainly due to the global equities market correction in the fourth quarter.

## MARKET OUTLOOK

The market correction during 2018 started to generate more interesting opportunities for Derived Investments, especially in credit, as conditions became more investor-friendly. US high yield spreads widened from 363bps to 539bps[11] and we have seen spreads also widen for junior loans. In Europe, the widening of high yield spreads has been even more pronounced at 287bps to 507bps[12]. As a result, 2019 should offer more interesting investment opportunities in debt than prior years. Market volatility has increased and is likely to remain high, which should enable AGA to exploit more dislocations. Similar considerations apply to listed equities, although the number of political risks (trade wars, Brexit, China etc.) suggest more caution is required for this asset class.

8. Twelve equity positions comprise of nine full disposals; three partial exits (of which one was a stock demerger)
9. Gross IRR and Gross MOIC calculated based on the aggregate euro cash flows since inception for deals realised during the year (inclusive of partial exits)
10. Gross Asset Value weighted average of the respective metric across the Derived Investments Debt portfolio. (FullBeauty was excluded from 2018 as the position went into restructuring)
11. Gross Asset Value weighted average of the current full year income (annual coupon/clean price as at the respective date) for each debt position in the Derived Debt portfolio as at the respective date
12. Gross Asset Value weighted average of the respective metric across the Derived Investments Equity portfolio. (Cengage, Answers, Solara, Mitie and QAD were excluded from both LTM earnings growth and P/E ratio; additionally Mitie was excluded from LTM earnings growth. In prior period, Solara was included in Strides Pharma Science following its demerger in 2Q18
13. MSCI India Small Cap and Europe Retailing Index
14. BAML High Yield USD and EUR indices
15. New closed investments in 2018 – see p.30 for full list of acquisitions
16. Represents full exits only during 2018 – see p.30 and p.31 for list of disposals

### Debt year-over-year LTM EBITDA growth[10]:

December 2018: 7.9% vs December 2017: 6.2%

| | December 2018 | Count | December 2017 | Count |
|---|---|---|---|---|
| >15% | 35% | 5 | 18% | 3 |
| 5% to <15% | 25% | 4 | 27% | 4 |
| 0% to <5% | 21% | 3 | 26% | 3 |
| <0% | 19% | 2 | 29% | 5 |

### Debt YTM[10]:

December 2018: 10.6% vs December 2017: 11.6%

| | December 2018 | Count | December 2017 | Count |
|---|---|---|---|---|
| >12% | 12% | 1 | 7% | 2 |
| 10% to <12% | 56% | 9 | 48% | 7 |
| 8% to <10% | 32% | 5 | 35% | 5 |
| <8% | 0% | 0 | 10% | 1 |

### Additional debt statistics:

Average across the portfolio

| | December 2018 | December 2017 |
|---|---|---|
| Years to maturity | 6.3 | 6.2 |
| Income yield[11] | 10.3% | 10.8% |

### Equity year-over-year LTM earnings growth[12]:

December 2018: 19.2% vs December 2017: 12.0%

| | December 2018 | Count | December 2017 | Count |
|---|---|---|---|---|
| >15% | 48% | 6 | 32% | 4 |
| 5% to <15% | 24% | 3 | 42% | 4 |
| 0% to <5% | 0% | | 0% | |
| <0% | 28% | 3 | 26% | 3 |

### Equity P/E ratio[12]:

December 2018: 18.5x vs December 2017: 29.0x%

| | December 2018 | Count | December 2017 | Count |
|---|---|---|---|---|
| >20x | 23% | 3 | 54% | 6 |
| 15x to <20x | 17% | 2 | 19% | 2 |
| 10x to <15x | 51% | 6 | 19% | 2 |
| <10x | 9% | 1 | 8% | 1 |

### Investment activity:

Number of position changes in the last 12 months

| | December 2018 | December 2017 |
|---|---|---|
| Investments[15] | 21 | 27 |
| Exits[16] | 19 | 25 |

■ December 2018 ■ December 2017

| ACQUISITIONS[1] | COST[2] |
|---|---|
| **CanFin Homes** House financing company (India, Services, listed equity) | €8.2m |
| **Civitas Solutions** Provider of health and human services to patients with intellectual disabilities (North America, Healthcare, listed equity) | €12.1m |
| **Dignity** UK funeral services provider (UK, Services, listed equity) | €8.1m |
| **Greencore** International producer of convenience foods (Europe, Consumer, listed equity) | €11.4m |
| **Just Group** UK retirement specialist (UK, Services, listed equity) | €14.1m |
| **Lonza** Pharmaceutical contract development and manufacturing organisation (Europe, Healthcare, listed equity) | €9.9m |
| **Mitie** Facilities management company (UK, Services, listed equity) | €10.0m |
| **OVS** Italian family apparel retailer (Europe, Consumer, listed equity) | €12.5m |
| **QAD** Provider of ERP software to manufacturing companies (North America, Tech & Telco, listed equity) | €7.3m |
| **Repco Home Finance** House financing company (India, Services, listed equity) (add-on position) | €7.9m |
| **Alexander Mann** Talent acquisition and management solutions (UK, Services, first lien) | €12.4m |
| **Boats Group** Online marketplace and provider of software solutions for the recreational marine industry (North America, Services, second lien) | €6.7m |

| ACQUISITIONS[1] | COST[2] |
|---|---|
| **ERM** Global provider of environmental, health, safety, risk, social consulting services and sustainability related services (UK, Services, second lien) | €1.7m |
| **Genex** Provider of cost containment services to the workers' compensation, disability and auto industries (North America, Healthcare, second lien) | €6.0m |
| **Goodpack** Container leasing and logistics company (North America, Services, second lien) | €3.4m |
| **LegalShield** Provider of subscription-based legal insurance plans and identity theft protection plans to individuals (North America, Services, second lien) | €8.0m |
| **Paycor** Provider of SaaS Payroll and Human Capital Management software to SMEs (North America, Tech & Telco, preferred shares) | €21.5m |
| **PowerSchool** Market leader in US K-12 education software (North America, Tech & Telco, second lien) | €12.8m |
| **Rocket Software** Software provider for legacy IT infrastructure (North America, Tech & Telco, second lien) | €17.4m |
| **Veritext** Provider of deposition and legal litigation support solutions and services (North America, Services, second lien) | €4.4m |
| **Vyaire Medical** Global leader in the respiratory diagnostics, ventilation, and anaesthesia delivery and patient monitoring market segments (North America, Healthcare, first lien) | €15.5m |

| DIVESTMENTS[3] | GROSS MOIC | GROSS IRR |
|---|---|---|
| **Altair Engineering** Product design and development, engineering software and cloud computing software company (North America, Tech & Telco, listed equity) | 1.9x | 1883% |
| **Banca Farmafactoring** Italian factoring business (Europe, Services, listed equity) | 0.9x | (12%) |
| **China Cinda Asset Management** Chinese merchant bank and asset management company (China, Services, listed equity) | 0.8x | (9%) |
| **Dignity** UK funeral services provider (UK, Services, listed equity) | 1.4x | 522% |
| **OVS** Italian family apparel retailer (Europe, Consumer, listed equity) | 0.3x | (89%) |
| **Rue21 Equity[4]** A specialty retailer of value-priced apparel for ages ranging from pre-teens to mid-thirties (North America, Consumer, equity) | 0.4x | (52%) |
| **TAKE** Technology services provider (India, Tech & Telco, listed equity) | 1.1x | 4% |
| **Talend** Open source SaaS provider of data management solutions (North America, Tech & Telco, listed equity) | 1.2x | 36% |
| **VIP.com** Largest independent online discount retailer in China (China, Consumer, listed equity) | 0.5x | (42%) |

1. In April 2018, AGA's investment in Strides Pharma Science (formally Strides Shasun) demerged and the Company received shares in a new investment Solara that subsequently listed on the National Stock Exchange of India in June 2018. This resulted in a partial realisation of Strides Pharma Science and a new investment in Solara, which has been excluded from the above
2. Represents the cost acquired during 2018
3. Each position's Gross IRR and MOIC calculated based on euro cashflows since the initial purchase date of the investment
4. Rue21 debt was initially purchased in 2013 with a follow-on investment in 2015. Subsequently, the initial rue21 first lien debt restructured in September 2017 and AGA received new debt and equity. These were sold in December 2018 and the Gross IRR and Gross MOIC for the restructured assets shown above. On an aggregate basis, the Gross IRR and MOIC if the asset was treated as a continuation was -44% and 0.2x respectively

## DIVESTMENTS[3]

**Advantage Sales & Marketing**
Provider of outsourced sales and marketing services for the consumer packaged goods industry
(North America, Consumer, second lien)
GROSS MOIC 1.3x
GROSS IRR 9%

**Aptos**
Provider of technology and professional solutions for retailers
(North America, Tech & Telco, first lien)
GROSS MOIC 1.1x
GROSS IRR 16%

**Genex (2014)**
Provider of cost containment services to the workers' compensation, disability and auto industries
(North America, Healthcare, second lien)
GROSS MOIC 1.4x
GROSS IRR 13%

**Genex (2018)**
Provider of cost containment services to the workers' compensation, disability and auto industries
(North America, Healthcare, second lien)
GROSS MOIC 1.2x
GROSS IRR 33%

**LegalZoom**
Personalised online legal solutions and legal documents for small businesses and families
(North America, Services, second lien)
GROSS MOIC 1.2x
GROSS IRR 18%

**Misys**
Provider of financial services software
(Europe, Tech & Telco, second lien)
GROSS MOIC 1.0x
GROSS IRR (6%)

**Rentpath**
Provider of financial services software
(Europe, Tech & Telco, second lien)
GROSS MOIC 1.3x
GROSS IRR 10%

**Riemser**
German based speciality pharmaceutical company
(Europe, Healthcare, first lien)
GROSS MOIC 1.1x
GROSS IRR 25%

**Rue21[4]**
A specialty retailer of value-priced apparel for ages ranging from pre-teens to mid-thirties
(North America, Consumer, first lien)
GROSS MOIC 0.8x
GROSS IRR (73%)

**Vertafore**
Provider of insurance software solutions
(North America, Tech & Telco, second lien)
GROSS MOIC 1.2x
GROSS IRR 9%

## TOP 30 DERIVED INVESTMENTS

| | INSTRUMENT | GEOGRAPHY | SECTOR | VALUATION €M | % OF NAV |
|---|---|---|---|---|---|
| Syncsort | 2L term loan | North America | Tech & Telco | 21.7 | 2% |
| Paycor* | Preferred shares | North America | Services | 21.6 | 2% |
| KRKA | Listed equity | Europe | Healthcare | 20.3 | 2% |
| Quality Distribution* | 2L term loan | North America | Services | 17.3 | 2% |
| Rocket Software | 2L term loan | North America | Tech & Telco | 17.1 | 2% |
| Vyaire Medical* | 1L term loan | North America | Healthcare | 16.5 | 2% |
| Civitas Solutions | Listed equity | North America | Healthcare | 15.2 | 2% |
| Sinopharm | Listed equity | China | Healthcare | 13.0 | 1% |
| ECi Software Solutions* | 2L term loan | North America | Tech & Telco | 13.0 | 1% |
| PowerSchool | 2L term loan | North America | Tech & Telco | 13.0 | 1% |
| Alexander Mann | 1L term loan | United Kingdom | Services | 12.4 | 1% |
| Greencore | Listed equity | Europe | Consumer | 10.7 | 1% |
| Just Group | Listed equity | United Kingdom | Services | 10.6 | 1% |
| Sophos* | Listed equity | United Kingdom | Tech & Telco | 10.0 | 1% |
| Development Credit Bank | Listed equity | India | Services | 9.9 | 1% |
| Safetykleen* | 2L term loan | United Kingdom | Services | 9.5 | 1% |
| PDC Brands | 2L term loan | North America | Consumer | 8.7 | 1% |
| LegalShield | 2L term loan | North America | Services | 8.6 | 1% |
| Answers | Equity | North America | Services | 7.7 | 1% |
| Lonza | Listed equity | Europe | Healthcare | 7.6 | 1% |
| Strides Pharma Science | Listed equity | India | Healthcare | 7.6 | 1% |
| QAD | Listed equity | North America | Tech & Telco | 7.1 | 1% |
| Boats Group* | 2L term loan | North America | Services | 6.9 | 1% |
| Repco Home Finance | Listed equity | India | Services | 6.6 | 1% |
| CanFin Homes | Listed equity | India | Services | 5.5 | 1% |
| Veritext | 2L term loan | North America | Services | 4.3 | 1% |
| Mitie | Listed equity | United Kingdom | Services | 4.2 | 1% |
| EVRY* | Listed equity | Europe | Tech & Telco | 3.9 | 0% |
| Goodpack | 2L term loan | North America | Services | 3.4 | 0% |
| FullBeauty* | 2L term loan | North America | Consumer | 2.5 | 0% |
| Other investments | | | | 4.2 | 0% |
| **Total Derived Investments** | | | | **320.6** | **34%** |

* Investments also held by Apax Funds
1L - first lien
2L - second lien

CASE STUDY

# Realising opportunities

## INVESTMENT DETAILS

Date of investment
**November 2017**

Instrument
**Debt, second lien loan**

Sector
**Services**

Region
**North America**

Status
**Realised**

## GROSS MOIC/IRR

**1.2x/ 18%**

A leading provider of online legal products and services in the US, LegalZoom caters mainly to SMEs. Its core products include compliance services and attorney advice, intellectual property registration, family estate planning as well as transaction related products related to new entity formation.

The Apax Services team continuously seek out opportunities in sub-sectors such as the digital arena for the Apax Funds to invest in. As part of these activities, they learned of LegalZoom's refinancing plans to fund a dividend to its shareholders through the issuance of a second lien loan.

The Apax Funds had not previously considered the company as a private equity investment but the derived insight came from the Apax Partners' considerable experience investing in digital and online business models, notably, AutoTrader, Bankrate, SouFun, Dealer.com, Trader Corporation and more recently Idealista. Apax's proven expertise in digital business models includes over €2bn of equity invested in digital marketplace businesses by the Apax Funds.

"The Investment Committee put forward the recommendation to AGA to invest in the second lien note as LegalZoom has a strong product which is vital to SMEs, the platform is easy to use and is competitively priced. LegalZoom is a trusted brand and all these elements have created high barriers to entry for newcomers. Coupled with stable revenues, the team was confident of the risk/return profile."

**Roy Mackenzie**
Apax Partners

CASE STUDY

# The value of software

**INVESTMENT DETAILS**

Date of investment
**June 2018**

Instrument
**Debt, second lien loan**

Sector
**Tech & Telco**

Region
**North America**

Status
**Unrealised**

**CONTRIBUTION TO AGA NAV**

**€13m**

PowerSchool is a market-leading technology platform provider of education software ranging from pre-school to high school. Its products include Student Information Systems, Enterprise Resource Planning for administrative functions, Learning Management Systems and Human Capital Management software.

The Apax Funds had considered PowerSchool as a potential Private Equity Investment. The deal team continued to monitor the company, with AGA ultimately investing in the second lien note which was issued to help finance Onex and Vista's combination of PowerSchool and PeopleAdmin.

The Apax Partners' derived insight was gained from the private equity due diligence. Apax has a deep understanding of the market in which the company operates. AGA had also invested in this space before; for example, Ellucian, a higher education software provider, which was a very successful realisation for the Derived Investments portfolio.

Software is a key sub-sector for Apax and one where it has significant experience. The Apax Funds invested over €3bn of equity in the sub-sector to date. This includes in companies in the Enterprise Resource Planning ("ERP") space (ECi Software Services, Exact Software), a leading provider of security software solutions (Sophos), a large US player in payroll and HR-related software (Paycor), and software solutions for retailers (Aptos, Epicor) and insurance carriers (Duck Creek Technologies).

"The opportunity was recommended to AGA as PowerSchool represents a high quality, defensible business, with a stable revenue and customer base, given the mission critical functionality and high barriers to entry. It is also a clear leader in a non-cyclical end-market. All of these factors make it an attractive risk/return profile for a second lien."

**Jason Wright**
Apax Partners

RESPONSIBLE INVESTING

# Delivering sustainable returns

Apax is committed to delivering returns ethically and responsibly. In this section, Apax summarises its approach to advising on responsible investing.

## A CLEAR COMMITMENT

Apax recognised the value a responsible investment strategy could bring not only in maximising economic returns for investors, but also in delivering a net benefit to society and the environment. Apax Partners has been a signatory to the Principles for Responsible Investing (UNPRI) since 2011. Together with the management teams in the Apax Funds portfolio companies, Apax has over the years identified and capitalised on a wide range of ESG initiatives designed to create stronger, more robust businesses by mitigating risks, enhancing value and improving sustainability.

Its comprehensive sustainability programme is fully embedded in the investment process – from identifying ESG risks pre-acquisition, through to working with portfolio companies post-acquisition, and to monitoring their ESG indicators. The goal throughout is to achieve a better understanding of the operations of each portfolio company, to assess their ability to manage ESG considerations, and to put in place appropriate risk mitigation and value creation initiatives.

Our approach is to continually assess the possible impact of CSR issues, in order to help release the full potential of investments, while providing a net benefit to society.

From a practical perspective, our ability to assess and influence CSR matters in portfolio investments differs between Private Equity Investments and Derived Investments. This is because Private Equity Investments are characterised by longer hold periods and, often, controlling stakes, whereas Derived Investments tend to have shorter hold periods and usually involve non-control positions.

Whilst this can limit our ability to influence CSR initiatives within the Derived Investments, we remain focused on CSR issues and consider these as part of the overall investment thesis.

## DEDICATED OPERATIONAL VALUE ADD

Apax's Operational Excellence Practice (OEP) is a team of operational and functional experts who work on specific areas within the Funds' portfolio to target step-change results. The OEP helps the Funds identify value creation opportunities during due diligence and generate operational impact during ownership by the Funds.

The involvement of Apax's OEP, whether it is through due diligence, procurement efficiencies or optimising processes, plays an integral role in the success of the Firm's responsible investment programme.

### SUPPORTING ESG STEWARDSHIP INITIATIVES

This past year there were again many examples of ESG efforts coming to fruition across the Apax Funds portfolio: from the impressive reductions in electricity consumption at data centres, the noteworthy savings in paper usage achieved through reuse programmes by retail companies, to the important work being done around strengthening human capital and talent. The goal of Apax's ESG stewardship initiatives for the Fund portfolio companies is to help protect the planet while improving efficiency, reducing costs, increasing workforce stability, and preserving the companies' ability to do business in the future.

### MODERN SLAVERY[1]

Given the nature of our advisory business, we believe there is a very low risk of slavery or human trafficking in connection with our activities. Our key suppliers are professional services firms who provide operational, commercial and financial advice for the review of investments made by the Funds. We expect all those in our supply chain and our contractors to comply with our values and we are progressing and revising our contracting processes to reflect this expectation. We are committed to implementing and enforcing effective systems and controls to safeguard against slavery and human trafficking taking place in our business or supply chains. Specifically, we look to ensure that our global team receives training to understand the risks of modern slavery and we intend to include anti-slavery and human trafficking measures in our Global Business Standards.

### APAX'S CULTURE EMPHASISES ETHICAL RESPONSIBILITY

Apax has a distinct culture with four values that guide decision-making and support its goal of delivering strong returns to investors. One of the values, "We choose right over easy", recognises the Firm's actions and recommendations have the potential to affect many stakeholders. This value therefore highlights Apax's duty to treat its stakeholders with respect and to "do the right thing". The Firm aims to act without compromising on principles, recognising that enduring relationships are based on trust, honesty and transparency. This approach underpins Apax's responsible investment programme.

1. www.apax.com/media/620781/ UK-Modern-Slavery-and-HumanTrafficking-Statement-approved-.pdf

## A distinctive feature of our sustainability programme is the annual collection of around 100 ESG related KPIs from the Apax Funds' underlying portfolio companies.

### INTEGRATION OF THE SUSTAINABILITY FRAMEWORK INTO THE INVESTMENT PROCESS

#### ACTIVE OWNERSHIP

- Apax has a well-defined responsible investment policy
- Apax coordinates its sustainability efforts through a Sustainability Committee which meets on a monthly basis
- Apax focuses on being active owners and incorporating ESG issues into its ownership policies and practices relating to the Apax Funds portfolio companies

#### PRE-INVESTMENT

- Apax's teams undertake standard ESG due diligence for each new investment made by the Apax Funds
- Apax's Sustainability Committee reviews the findings of the ESG due diligence process and incorporates these into the final Investment Committee documentation prior to each new commitment
- The objective is to create a high degree of awareness upfront with regard to potential ESG issues which can contribute to value creation at a very early stage

#### POST-INVESTMENT

- Pre-investment due diligence is backed up post-investment by an annual ESG KPI collection cycle
- Apax is able to capture the ESG footprint of the Apax Funds portfolio companies and establish possible areas of materiality where Apax's teams together with the OEP can create value
- The key goal for Apax Partners is to get a better understanding of the materiality of certain ESG KPIs to the overall operations of a portfolio company

For further details and the latest Sustainability report, please refer to:
www.apax.com/media/630557/apax-partnerssustainability-report-5th-edition-final.pdf

RISK MANAGEMENT FRAMEWORK

# Identify, evaluate and mitigate

"The Board and Audit Committee monitor the Company's principal risks on a quarterly basis and a detailed review is undertaken at least annually."

The Board has established a set of risk management policies, procedures and controls, and maintains oversight through regular reviews by the Board and the Audit Committee.

The risk governance framework is designed to identify, evaluate and mitigate the risks identified by the Board as being of significant relevance to the Company's business model and to reflect its risk profile and risk appetite. The underlying process aims to assist the Board to understand and where possible mitigate, rather than to eliminate, these risks to the Company and, therefore, can only provide reasonable and not absolute assurance against loss.

The Board regularly reviews a register of principal risks and uncertainties (the "Risk Register") maintained on behalf of the Board by the Company Secretary. The Risk Register serves as a detailed assessment undertaken by the Board of the Company's exposure to risks in three core categories: financial risks, strategic and business risks, and operating risks.

## OWNERSHIP AND GOVERNANCE

While the Board remains ultimately responsible for the identification and assessment of risk, as well as implementing and monitoring procedures to control such risks, and for reviewing these on a regular basis, the Board naturally places reliance on its key service providers, to whom it has delegated aspects of the day-to-day management of the Company. This includes the design and implementation of controls over specific risks.

The Board undertakes an annual review of its risk appetite, considering recommendations from the Audit Committee and key service providers responsible for implementing the controls related to risks identified by the Board, as noted above. The Board considers strategic and business risk at each quarterly Board meeting and more frequently if necessary.

## INVESTMENT PERFORMANCE

In accordance with the Investment Management Agreement between the Company and the Investment Manager, responsibility for delivering investment performance in line with the Company's strategic and business objectives, as well as remaining within the parameters of its investment risk appetite, is delegated to the Investment Manager.

Specific investment decisions are taken by the Investment Manager within parameters of authority approved by the Board, while separate risk functions within the Investment Manager support and review decision-making.

## RISK ASSESSMENT

In assessing each category of risk, the Board considers systemic and non-systemic risks as well as the control framework established to reduce the likelihood and impact (the "residual risk rating") of individual inherent risks. The Board does not consider political risk in isolation, but incorporates it within its consideration of other principal risks. The Board is not, practically, in a position to consider every risk. However, where possible, it does seek to identify and assess remote and emerging risks which might have a significant consequence and/or likelihood or might not be manageable within the current control environment.

In considering the framework around the policies and procedures adopted to reduce the potential impact of individual risks, the Board takes account of the nature, scale and complexity of the Company, its investment objectives and strategy, and the role of the key service providers.

The wider control environment of the Company includes the policies and procedures adopted by the key service providers. The Board considers these policies and procedures in its assessment of individual risks and emerging risks. The Board seeks periodic assurance from its main service providers on the robustness of their control environments and, based on such assurances, will assess the suitability, adequacy and relevance of those policies and procedures.

Individual risks are assessed based on the likelihood of occurrence and consequential impact. For the avoidance of doubt, likelihood and consequence are assessed after taking into account the mitigating effect of the control framework. Risks are then ranked in order of residual risk rating likelihood and then consequence. Judgement is applied in determining which risks rank above the others where such risks have the same residual risk rating, likelihood and consequence.

Emerging risks are identified and assessed as part of the quarterly review undertaken by the Board and Audit Committee. These are risks that may have a material effect on the Company if they occur. Where possible, mitigating measures are considered by the Board but due to the unknown nature of future events the impact of these risks may not materialise.

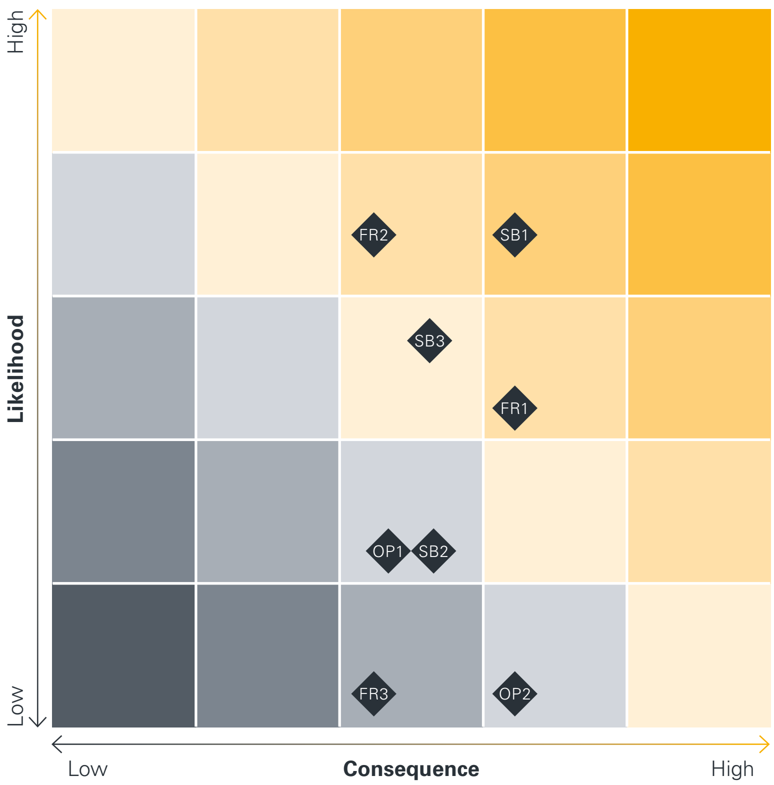
The Board recognises that it has limited control over many of the risks it faces, such as macro-economic events and changes in the regulatory environment, and it periodically reviews the potential impact of such ongoing risks on the business and actively considers them in its decision-making.

# Principal risks

## The Board is ultimately accountable for effective risk management within the Company.

The Audit Committee has undertaken an exercise to identify, assess and manage the risk within the Company. The principal risks identified have been assessed based on residual likelihood and consequence and are summarised on the heat map below:

### IDENTIFYING RISK




| FINANCIAL | STRATEGIC AND BUSINESS | OPERATING |
|---|---|---|
| FR1: Liquidity risk | SB1: Company performance | OP1: Continuity risk |
| FR2: Currency risk | SB2: Regulatory, tax and legislative risk | OP2: Service provider risk |
| FR3: Portfolio risk | SB3: Discount to NAV | |

## The Company's principal risks are split between three main risk categories:

FR Financial risks

SB Strategic and business risks

OP Operating risks

Assessment of the main principal risks has been summarised in the adjacent table.

| ITEM | RISK |
|---|---|
| FR1 | **LIQUIDITY RISK** Decreases in the value of investments due to market weakness may affect the pace and value of realisations, leading to reduced liquidity and/or ability to maintain credit facilities and meet covenant requirements. |
| FR2 | **CURRENCY RISK** The Company has established a global investment mandate and has appointed an Investment Manager whose policy it is not to hedge currency exposures. Movements in exchange rates create NAV volatility when the value of investments is translated into the Company's reporting currency (the euro). |
| FR3 | **PORTFOLIO RISK** Composition of the investment portfolio may fall outside of the investment policy, strategy and objectives, without the prior knowledge, consent or awareness of the Board or shareholders. |
| SB1 | **COMPANY PERFORMANCE** The target return and target dividend yield are based on estimates and assumptions. The actual rate of return may be lower than targets. |
| SB2 | **REGULATORY, TAX AND LEGISLATIVE RISK** Regulatory, tax or legislative changes may impact the Company. |
| SB3 | **DISCOUNT TO NAV** Persistent high discount to NAV may create dissatisfaction amongst shareholders. |
| OP1 | **CONTINUITY RISK** Business continuity, including service providers, may be impacted by natural disaster, cyber-attack, infrastructure damage or other "outside" factors. |
| OP2 | **SERVICE PROVIDER RISK** Control failures at key service providers may result in decreased service quality, loss of information, information security breach, theft or fraud. |

Increase  No change  Decrease

| CURRENT YEAR ASSESSMENT | MITIGATING MEASURES | RISK STATUS |
|---|---|---|
| The Board has assessed liquidity in stressed conditions as part of its assessment to continue as a going concern. The viability statement on page 58 contains further details. In addition, please refer to note 13 on liquidity risk in the financial statements. | – Diversification of the investment portfolio provides multiple avenues for liquidity<br>– Cash flow modelling is prepared and tested under various stress test scenarios<br>– Revolving credit facility renewed for a further three years and is available in the event of substantial liquidity issues | |
| Foreign exchange markets remained volatile in 2018 resulting in large exchange rate movements, particularly the US dollar against the euro. Please refer to note 13 on currency risk in the financial statements where the Company's sensitivity to movements in exchange rates has been assessed. | – The Investment Manager has implemented an investment framework to manage and monitor the investment portfolio of the Company<br>– Currency exposure analysis and monitoring forms part of the investment framework<br>– The Investment Manager maintains a monitoring tool that constantly tracks portfolio exposures | |
| The current portfolio remains well diversified between Private Equity and Derived Investments, in line with the investment strategy. A summary of the top 30 assets for the Private Equity portfolio and Derived Investments portfolio is given on pages 21 and 31 respectively. | – Regular detailed reporting from the Investment Manager, including at quarterly Board meetings, keeps the Board appraised of the composition of the investment portfolio | |
| The Company paid an interim dividend in September 2018 of 2.5% of 30 June 2018 NAV and the Board has approved a further final dividend of 2.5% of 31 December 2018 NAV in line with its stated dividend policy. Total NAV Return for 2018 was 7.1% – please refer to the portfolio review section from page 14 for further details. | – Investment performance is monitored by the Board<br>– Performance, positioning and investment restrictions are monitored constantly by the Investment Manager | |
| General Data Protection Regulation ("GDPR") was implemented by the EU during the year. Advice was sought by the Board from legal counsel and all necessary changes were implemented by the Company's service providers to ensure compliance with the regulation. | – Service providers have controls in place to monitor and review changes that may impact the Company<br>– Professional advisers are engaged through primary service providers, if required | |
| The Company's shares traded at an average discount of 16.9% during the year. In line with the prospectus, this was closely monitored by the Board and it was deemed that a share repurchase scheme was not required in the current year. The Board will continue to actively monitor the discount in future periods. | – The Board receives regular reports from its corporate broker and the Investment Adviser's investor relations team on a quarterly basis<br>– These reports provide insight into shareholder sentiment, movements in the NAV/share price discount and an assessment of discount management strategies if required | |
| There were no threats to business continuity registered by any of the service providers. | – All key service providers have in place adequate business continuity procedures which are tested on a regular basis and subject to minimum regulatory standards in their jurisdictions | |
| Control failures at key services are reported and reviewed. There were no material issues identified as part of the formal review conducted by the Board. | – The Board conducts a formal review of all key service providers on an annual basis<br>– All key service providers have controls and procedures in place to mitigate risks related to the loss of information, security breaches, theft and fraud | |

# AGA BOARD OF DIRECTORS

## TIM BREEDON CBE
**Chairman**

**Tenure**
3 years, 8 months

**Skills and experience**
Tim Breedon joined the AGA Board on 28 April 2015. He worked for the Legal & General Group plc for 25 years, most recently as Group Chief Executive between 2006 and 2012. He was a Director of the Association of British Insurers ("ABI"), and also served as its Chairman between 2010 and 2012. He served as Chairman of the UK government's non-bank lending task force, an industry-led task force that looked at the structural and behavioural barriers to the development of alternative debt markets in the UK. He was previously lead Non-Executive Director of the Ministry of Justice between 2012 and 2015. Tim was formerly a Director of the Financial Reporting Council and was on the Board of the Investment Management Association. He has over 25 years of experience in financial services and has extensive knowledge and experience of regulatory and government relationships. He brings to the Board experience in asset management and knowledge of leading a major financial services company.

**Current appointments**
Non-Executive Director of Barclays plc, Chairman of Northview Group.

**Qualifications**
A graduate of Oxford University and an MSc in Business Administration from the London Business School.

## SUSIE FARNON
**Non-Executive Director**

**Tenure**
3 years, 5 months

**Skills and experience**
Susie Farnon joined the AGA Board on 22 July 2015 and was appointed as Chairman of its Audit Committee on 1 July 2016 and elected as Senior Independent Director on 18 November 2016. She served as President of the Guernsey Society of Chartered and Certified Accountants, as a member of The States of Guernsey Audit Commission and as a Commissioner of the Guernsey Financial Services Commission. Susie was a Banking and Finance Partner with KPMG Channel Islands from 1990 until 2001 and was Head of Audit at KPMG in the Channel Islands from 1999 until 2001.

**Current appointments**
Non-Executive Director of HICL Infrastructure Fund Limited, Standard Life Investments Property & Income Trust Limited, Breedon Group plc, Real Estate Credit Investments Ltd, BH Global Limited and Bailiwick Investments Limited. Board member of The Association of Investment Companies.

**Qualifications**
Fellow of the Institute of Chartered Accountants of England and Wales.

## CHRIS AMBLER
**Non-Executive Director**

**Tenure**
3 years, 8 months

**Skills and experience**
Chris Ambler joined the AGA Board on 28 April 2015. He has experience in a number of senior positions in the global industrial, energy and materials sectors working for major corporations including ICI/Zeneca, The BOC Group and Centrica/ British Gas, as well as in strategic consulting roles.

**Current appointments**
Chief Executive of Jersey Electricity Plc, Non-Executive Director of Foresight Solar Fund Limited.

**Qualifications**
First class honours degree from Queens' College, Cambridge and an MBA from INSEAD. Chartered Director, Chartered Engineer and a Member of the Institution of Mechanical Engineers.

## MIKE BANE
**Non-Executive Director**

**Tenure**
5 months

**Skills and experience**
Mike Bane joined the AGA Board on 3 July 2018. Mike has more than 35 years of audit and advisory experience in the asset management industry. He has been resident in Guernsey for over 20 years and, before retiring from the partnership in June 2018, was a member of Ernst & Young's EMEIA Wealth and Asset Management Board. Prior to Ernst & Young, Mike worked for PwC, in London and Guernsey.

**Current appointments**
Non-Executive Director of HICL Infrastructure Group Limited.

**Qualifications**
A graduate of Oxford University and a Chartered Accountant.

# AGA INVESTMENT COMMITTEE

## ANDREW SILLITOE
**Co-CEO\Apax Partners**
**Chairman of the AGA Investment Committee**

**Tenure**
3 years, 8 months

**Skills and experience**
Andrew Sillitoe joined Apax Partners in 1998 and has focused on the Tech & Telco sector in that time. Andrew has been involved in a number of deals, including Orange, TIVIT, TDC, Intelsat, Inmarsat and King Digital Entertainment PLC.

Prior to joining Apax Partners, Andrew was a consultant at LEK where he advised clients on acquisitions in a number of sectors.

**Current appointments**
Co-CEO of Apax Partners and a partner in its Tech & Telco team. Member of the Apax Partners' Executive, Investment and Approval Committees.

**Qualifications**
MA in Politics, Philosophy and Economics from Oxford University and an MBA from INSEAD.

## MITCH TRUWIT
**Co-CEO\Apax Partners**

**Tenure**
3 years, 8 months

**Skills and experience**
Mitch Truwit joined Apax Partners in 2006 and has been involved in a number of transactions including HUB International, Advantage Sales and Marketing, Bankrate, Dealer.com, Trader Canada, Garda and Answers.

Prior to joining Apax Partners, Mitch was the President and CEO of Orbitz Worldwide, a subsidiary of Travelport, between 2005 and 2006, and was the Executive Vice President and Chief Operating Officer of priceline.com between 2001 and 2005.

**Current appointments**
Co-CEO of Apax Partners and a partner in its Services team. Member of the Apax Partners Executive and Investment Committees and a Trustee of the Apax Foundation.

**Qualifications**
BA in Political Science from Vassar College and an MBA from Harvard Business School.

## NICO HANSEN
**Partner\Apax Partners**

**Tenure**
3 years, 8 months

**Skills and experience**
Nico Hansen joined Apax Partners in 2000, specialising in the Tech & Telco sector. He has both led and participated in a number of key deals, including Kabel Deutschland, Sulo, Versatel, Bezeq, Capio, Tnuva, HUB International and Trizetto.

Prior to joining Apax Partners, Nico was a consultant with McKinsey & Company where he specialised in advising clients in the telecoms sector.

**Current appointments**
Partner at Apax Partners, a member of its Investment Committee and chairs its Approval Committee.

**Qualifications**
MA in Economics from the University of Göttingen and a PhD in Economics from the University of Bonn.

## RALF GRUSS
**COO\Apax Partners**

**Tenure**
3 years, 8 months

**Skills and experience**
Ralf Gruss joined Apax Partners in 2000 and is a former member of the Apax Partners Services team. Ralf has been involved in a number of deals, including Kabel Deutschland, LR Health and Beauty Systems and IFCO Systems.

Prior to joining Apax Partners, Ralf was a consultant with Arthur D. Little International Inc., where he specialised in advising clients in the financial services sector.

**Current appointments**
Chief Operating Officer of Apax Partners and a partner at Apax.

**Qualifications**
Diploma in Industrial Engineering and Business Administration from the Technical University in Karlsruhe. He also studied at the University of Massachusetts and the London School of Economics.

## ROY MACKENZIE
**Partner\Apax Partners**

**Tenure**
7 months

**Skills and experience**
Roy Mackenzie joined Apax Partners in 2003. He led the investments in Sophos and Exact and was responsible for Apax's investment in King Digital Entertainment. In addition, Roy worked on the investments in Epicor, NXP and Duck Creek.

Prior to joining Apax Partners, Roy spent most of his career at McKinsey & Co., where he specialised in the technology sector. He has also held operating roles at Psion Plc. and nSine Technology Inc.

**Current appointments**
Partner at Apax Partners and a partner in its Tech & Telco team.

**Qualifications**
M.Eng in Electrical Engineering from Imperial College, London and an MBA from Stanford Graduate School of Business.

# INVESTMENT MANAGER BOARD

## PAUL MEADER
**Director**

**Tenure**
3 years, 8 months

**Skills and experience**
Paul Meader has acted as Non-Executive Director of several insurers, London and Euronext listed investment companies, funds and fund managers in real estate, private equity, hedge funds, debt, structured product and multi-asset funds. He is a senior investment professional with over 30 years of multi-jurisdictional experience, 14 years of which were at chief executive level.

Paul was Head of Portfolio Management at Collins Stewart (now Canaccord Genuity) between 2010 and 2013 and was the Chief Executive of Corazon Capital Group from 2002 to 2010. Paul was Managing Director at Rothschild Bank Switzerland C.I. Limited from 1996 to 2002 and previously worked for Matheson Investment Management, Ulster Bank, Aetna Investment Management and Midland Montagu (now HSBC).

**Current appointments**
Paul Meader is also a non-executive director of a number of other companies in fund management and insurance.

**Qualifications**
MA (Hons) in Geography from Oxford University and a Chartered Fellow of the Chartered Institute of Securities and Investment.

## MARTIN HALUSA
**Director**

**Tenure**
3 years, 8 months

**Skills and experience**
Martin Halusa was Chairman of Apax Partners from January 2014 to March 2016, after ten years as Chief Executive Officer of the firm (2003-2013).

In 1990, he co-founded Apax Partners in Germany as Managing Director. His investment experience has been primarily in the telecommunications and service industries.

Martin began his career at The Boston Consulting Group ("BCG") in Germany, and left as a Partner and Vice President of BCG Worldwide in 1986. He joined Daniel Swarovski Corporation, Austria's largest private industrial company, first as President of Swarovski Inc (US) and later as Director of the International Holding in Zurich.

**Current appointments**
No other appointments.

**Qualifications**
A graduate of Georgetown University, an MBA from the Harvard Business School and a PhD in Economics from the Leopold-Franzens University in Innsbruck.

## ANDREW GUILLE
**Director**

**Tenure**
3 years, 8 months

**Skills and experience**
Andrew Guille has held directorships of regulated financial services businesses since 1989 and has worked for more than 13 years in the private equity industry. Andrew has been employed in the finance industry for over 30 years, with his early career spent in retail and institutional funds, trust and company administration, treasury and securities processing.

**Current appointments**
Director of Apax Partners Guernsey Limited.

**Qualifications**
Institute of Directors' Diploma in Company Direction, a Chartered Fellow of the Chartered Institute for Securities and Investment and a qualified banker (ACIB).

## MARK DESPRES
**Director**

**Tenure**
2 years, 9 months

**Skills and experience**
Mark has been employed in the wealth management industry in both Guernsey and London for over 16 years, principally as an investment manager to a number of listed funds (both open and closed-ended), institutional and private client portfolios.

**Current appointments**
No other appointments.

**Qualifications**
First class honours degree in Mathematics from Royal Holloway University of London and a Member of the Chartered Institute for Securities and Investment.

CHAIRMAN'S INTRODUCTION

# Long-term success

The Board aims to promote the Company's long-term success and accountability to shareholders through the highest standards of corporate governance.

**TIM BREEDON CBE**
**Chairman**
4 March 2019

**The Directors recognise the importance of sound corporate governance and have adopted the Association of Investment Companies ("AIC") Code of Corporate Governance (the "AIC Code"). The AIC represents closed-ended investment companies whose shares are traded on public markets. The purpose of the AIC Code is to provide a framework of best practice in respect of the governance of investment companies.**

A copy of the AIC Code is available on the AIC website at **www.theaic.co.uk**.

## CORPORATE GOVERNANCE STATEMENT

**Compliance with the AIC Code and UK Code**
Following recent changes to the UK Corporate Governance Code, the Board noted that a revision to the AIC Code was published in the first quarter of 2019. In common with the latest UK Corporate Governance Code, changes to the AIC Code will be effective for accounting periods commencing on or after 1 January 2019. The Board has undertaken a review of the applicability of these changes to the Company and will update its governance framework accordingly.

The Board considers that by reporting under the principles and recommendations of the AIC Code, and by reference to the AIC Guide, it provides better and more relevant information to its shareholders. Compliance with the principles and recommendations of the AIC Code enables the Directors to satisfy in full the requirement to comply with the UK Corporate Governance Code ("UK Code").

## COMPLIANCE WITH THE GUERNSEY FINANCIAL SERVICES COMMISSION ("GFSC") FINANCE SECTOR CODE OF CORPORATE GOVERNANCE ("GFSC CODE")

The Company is subject to, and complies with, the GFSC Code, which applies to all companies that hold a licence from the GFSC under the regulatory laws or which are registered or authorised as collective investment schemes in Guernsey. As the Company reports against the AIC Code, it is deemed to meet the requirements of the GFSC Code.

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Strategic report 1
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## MODERN SLAVERY ACT STATEMENT

As an externally managed investment company, the Company relies on the adequacy of controls and tolerances of the Investment Manager (and, in turn, the Investment Adviser) with regard to the prevention of slavery and human trafficking, in accordance with the UK Modern Slavery Act 2015.

More information is available in the report of the Investment Adviser on page 37.

**EU Alternative Investment Fund Managers Directive ("AIFMD")**

Please refer to page 88 for further information in respect of the AIFMD.

## THE UNREGULATED COLLECTIVE INVESTMENT SCHEMES AND CLOSE SUBSTITUTES INSTRUMENT 2013 (NMPI RULES)

Information regarding the Company's status under the NMPI Rules is available on its website at: www.apaxglobalalpha.com/governance/documents-administration

## DISCLOSURE OF DIVIDEND INFORMATION

The Company targets the payment of a dividend equal to 5% of the NAV per annum. This dividend policy should not be taken as an indication of the Company's expected future performance or results over any period and does not constitute a profit forecast. It is intended to be a target only and there is no guarantee that it can or will be achieved. Accordingly, prospective or current investors should not place any reliance on the target dividend payment stated above in making an investment decision in relation to the Company.

As a non-UK issuer, the Company does not require approval from shareholders for the payment of dividends in accordance with The Companies (Guernsey) Law, 2008 and the Articles of Incorporation of the Company.

In response to feedback from shareholders, an ordinary resolution is proposed at each AGM concerning approval of the dividend policy of the Company.

## STATEMENT OF INDEPENDENCE

The AIC Code recommends that at least half the Board of Directors of a UK-listed company, excluding the Chairman, should comprise Non-Executive Directors determined by the Board to be independent in character and judgement and free from relationships or circumstances that may affect, or could appear to affect, the Directors' judgement.

In addition to this provision, a majority of the Board of Directors should be independent of the Investment Manager.

Independence is determined by ensuring that, apart from receiving their fees for acting as Directors or owning shares, Non-Executive Directors do not have any other material relationships with, nor derive additional remuneration from, or as a result of transactions with, the Company, its promoters, its management or its partners, which in the opinion of the Board may affect, or could appear to affect, the independence of their judgement.

The Company complies with the recommendations regarding Board composition, as the Board of Directors is comprised entirely of independent Non-Executive Directors.

The AIC Code also recommends that the Chairman should meet certain independence criteria as set out in the AIC Code on appointment.

I am pleased to confirm that I was independent on appointment, and remain so to date and this was confirmed by the external evaluation of the Board and its committees conducted in 2018.

## EXPLANATION AS TO EXCEPTIONS

In the context of the nature, scale and complexity of the Company, certain recommendations of the AIC Code have not been deemed appropriate to the governance framework of the Company, an explanation of which is set out as follows:

- Provisions relating to the role of the Chief Executive, Executive Directors' remuneration, and the need for an internal audit function are not relevant to the position of AGA, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no Executive Directors, employees or internal control functions. The Company has therefore not reported further in respect of these provisions. This position is reassessed on an annual basis.
- The Company has not established a separate Remuneration Committee as it has no executive officers and the Board is satisfied that any relevant issues that arise can be properly considered by the Board or by the shareholders at AGMs. The Board as a whole considers matters relating to the Directors' remuneration. An external assessment of Directors' remuneration has not been undertaken. The Company's policy is that the fees payable to the Directors should reflect the time spent by the Directors on the Company's affairs and the responsibilities borne by the Directors and be sufficient to attract, retain and motivate Directors of a quality required to run the Company successfully. An external evaluation of the Board has been undertaken during the year; the results highlighted that the Board displayed a strong corporate governance culture and demonstrated a high degree of Board effectiveness.
- The Board also fulfils the functions of a Management Engagement Committee, regularly reviewing the performance of the Investment Manager and relevant fee arrangements.
- The Board has not established a separate Nomination Committee as it considers this to be unnecessarily burdensome given the scale and nature of the Company's activities, as well as the current composition of the Board.
- The Board has not adopted a formal policy on diversity, as set out in DTR 7.2.8A. The Board has implemented a Board management policy (referred to throughout this section) which includes consideration of relevant issues relating to diversity. As a result, and in view of the nature, scale and complexity of the Company, the Board does not consider a specific policy with respect to diversity to be necessary at this time. Diversity of the Board is further considered on at least an annual basis through the Board evaluation process.

## OUR BOARD OF DIRECTORS

The Company has a strong, independent Board of experienced Non-Executive Directors. The Directors, all of whom are non-executive and considered to be independent for the purposes of Chapter 15 of the Listing Rules, are responsible for the determination of the investment policy of the Company and have overall responsibility for overseeing the Company's activities. On 3 January 2018, Sarah Evans decided, for health reasons, to step down as a Non-Executive Director. The Board was saddened to hear of Sarah's death in November and wishes to pass on its deepest condolences to her family. Mr Bane joined the Board on 3 July 2018 and brings with him a wealth of experience relevant to the business of the Company. Biographies of the Board of Directors, including details of their relevant experience, are available on page 42 and the Company's website at: **www.apaxglobalalpha.com/who-we-are/leadership-team/board-of-directors**

The Board has not established a formal policy on diversity given the relative size of the Board and will keep this matter under review as is deemed appropriate by the Board, collectively. The Board reports that the composition of the Board as to male and female Directors is proportioned 75% male and 25% female at 31 December 2018.

## THE INVESTMENT MANAGER

The Company entered into an Investment Management Agreement with AGML to manage, on a discretionary basis, the investments of the Company.

AGML is responsible for the implementation of the investment policy of the Company and has overall responsibility for the management of the assets and investments of the Company.

AGML reports to the Board at each quarterly Board meeting regarding the performance of the Company's investment portfolio, which provides the Board with an opportunity to review and discuss the implementation of the investment policy of the Company. In addition, the Board attends regular meetings with AGML in order to receive a detailed overview of the performance of the underlying investments and portfolio outlook.

The AGA Board reviewed and evaluated the performance of AGML during the year to 31 December 2018 and has determined that it is in the interests of the shareholders to continue with its appointment as Investment Manager.

Biographies of the Directors of AGML are available on page 44 and the Company's website at: **www.apaxglobalalpha.com/who-we-are/leadership-team/investment-manager-board-of-directors**

## THE INVESTMENT ADVISER AND AGA INVESTMENT COMMITTEE

AGML, in turn, draws on the resources and expertise of Apax Partners for investment advice through an Investment Advisory Agreement and the AGA Investment Committee. The AGA Investment Committee is composed of several senior team members from Apax Partners.

Biographies of the members of the AGA Investment Committee are available on page 43 and the Company's website at: **www.apaxglobalalpha.com/who-we-are/leadership-team/the-investment-adviser**

## CULTURE AND APPROACH

The Board is committed to a culture of openness and dialogue with shareholders and will not only report regularly, but also ensure that Directors are available for effective engagement, whether at the AGM or other investor relations events. Apax Partners, on behalf of AGA, manages a programme of meetings with investors during each of the financial reporting cycles throughout the year. Contact details for shareholder queries can be found on page 86 and the Company's website at: **www.apaxglobalalpha.com/contact-us**

## AGM

Finally, my Board colleagues and I look forward to meeting shareholders at our fourth AGM to be held on 7 May 2019 at 10:00am (UK time) at the offices of Aztec Group, East Wing, Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands GY1 3PP.

The notice, agenda and form of proxy will be circulated to shareholders at least 21 working days prior to the AGM and will be made available on the UK National Storage Mechanism and the Company's website at: **www.apaxglobalalpha.com/investors/results-reports-presentations**

Shareholders who wish to attend the AGM in person should inform the Company Secretary by email at AGA-admin@aztecgroup.co.uk

**Tim Breedon CBE**
Chairman
4 March 2019

# Investor Day

**JUNE 2018**

AGA hosted more than 30 investors and analysts at our annual Investor Day in June at our London offices.

Presentations were given by senior members of the Apax Partners team and provided us with an opportunity to tell our story to current and prospective investors and give them a greater insight into Apax's investment approach.

The presentation and accompanying transcript are available to view in the Investor section of our website at:

**www.apaxglobalalpha.com/investors/results-reports-presentations**

## BOARD COMPOSITION

**In 2018, the Board of the Company was composed of four independent Non-Executive Directors. The Board considers that the range and experience of its members is sufficient to fulfil its role effectively and provide the required level of leadership, governance and assurance.**

The terms and conditions of appointment for Non-Executive Directors are outlined in their letters of appointment, and are available for inspection at the Company's registered office during normal business hours and at the AGM for 15 minutes prior to and during the AGM.

### CHAIRMAN OF THE BOARD OF DIRECTORS

Tim Breedon fulfils the role of independent Non-Executive Chairman of the Board of Directors.

There have been no significant changes to the external commitments of the Chairman during the year.

The Chairman is responsible for the leadership of the Board, the creation of conditions necessary for overall Board and individual Director effectiveness and ensuring a sound framework of corporate governance, which includes a channel for shareholder communication. The responsibilities of the Chairman include, but are not limited to:

- chairing the Board and general meetings of the Company, including setting the agenda of such meetings;
- promoting the highest standards of integrity, probity and corporate governance throughout the Company, and in particular at Board level;
- ensuring that the Board receives accurate, timely and clear information;
- ensuring effective communication with shareholders of the Company;
- facilitating the effectiveness of the contributions and constructive relationships between the Directors of the Company;
- ensuring that any incoming Directors of the Company participate in a full, formal and tailored induction programme; and
- ensuring that the performance of the Board, its Committees and individual Directors is evaluated at least once a year.

### CHAIRMAN OF THE AUDIT COMMITTEE

Susie Farnon fulfils the role of Chairman of the Audit Committee. The Audit Committee is appointed under terms of reference from the Board of Directors, available on the Company's website at: www.apaxglobalalpha.com/investors/results-reports-presentations

The Chairman of the Audit Committee is appointed by the Board of Directors. The role and responsibility of the Chairman of the Audit Committee is to set the agenda for meetings of the Audit Committee and, in doing so, take responsibility for ensuring that the Audit Committee fulfils its duties under its terms of reference. These include, but are not limited to:

- overseeing the selection process for the external auditor, considering and making recommendations to the Board on the appointment, reappointment and removal of the external auditor and the remuneration of the external auditor;
- reviewing and making recommendations to the Board on the terms of engagement of the external auditor and the annual audit plan;
- reviewing the findings of the audit with the external auditor, including a discussion of the major issues arising from the audit, those that have been resolved, left unresolved, evidence received in relation to areas of significant judgement, key accounting and audit judgements, levels of errors and explanation for unadjusted errors and the effectiveness of the audit;
- reviewing the scope and result of the external audit and the external audit fee, keeping under consideration professional and regulatory requirements;
- assessing the independence and objectivity of the external auditor on at least an annual basis, taking into consideration the level of non-audit services;
- reviewing and considering, as appropriate, the rotation of the external audit engagement partner and tender of the external audit firm;
- external audit, audit planning and review;
- reviewing and recommending to the Board for approval, the audit, audit-related and non-audit fees payable to the external auditor and approving their terms of engagement;
- reviewing the external auditor's audit plan for the annual audit which will include all proposed materiality levels;
- internal control and financial and operational risk management systems;
- whistleblowing; and
- fraud.

The Audit Committee does not fulfil the role of a risk committee with regard to investment risk management systems. Overall responsibility for the Company's risk management and control systems lies with the Board.

### NON-EXECUTIVE DIRECTORS

On 3 January 2018, Sarah Evans stepped down as a Non-Executive Director to the Board of AGA for health reasons. On 3 July 2018, Mike Bane was appointed to the Board of Directors.

The Non-Executive Directors have a responsibility to ensure that they allocate sufficient time to the Company to perform their responsibilities effectively. Accordingly, Non-Executive Directors are required to make sufficient effort to attend Board or Committee meetings, to disclose other significant commitments to the Board before accepting such commitments and to inform the Board of any subsequent changes.

In determining the extent to which another commitment proposed by a Non-Executive Director would have an impact on their ability to sufficiently discharge their duties to the Company, the Board will give consideration to the extent to which the proposed commitment may create a conflict with:

- their time commitment to the Company;
- a direct competitor of the Company, the Investment Manager or the Investment Adviser;
- a significant supplier or potential significant supplier to the Company; and
- an investment manager or other related entity operating in substantially the same investment markets as the Company.

Shareholders are provided with the opportunity to re-elect the Non-Executive Directors on an annual basis at the AGM of the Company and to review their remuneration in doing so. The role of the Non-Executive Directors includes, but is not limited to:

- constructively challenging and developing proposals on strategy;
- appointing service providers based on agreed goals and objectives;
- monitoring the performance of service providers; and
- satisfying themselves of the integrity of the financial information and that financial controls and systems of risk management are robust and defensible.

# GOVERNANCE FRAMEWORK

## SENIOR INDEPENDENT DIRECTOR

Susie Farnon fulfils the role of Senior Independent Director ("SID").

The position of SID provides shareholders with someone to whom they can turn if they have concerns which they cannot address through the normal channels, for example with the Chairman, and is available as an intermediary between fellow Directors and the Chairman.

The role serves as an important check and balance in the governance process. The role of the SID includes, but is not limited to:

- providing a sounding board for the Chairman and serving as an intermediary for the other Directors when necessary;
- being available to shareholders if they have concerns which contact through the normal channels of Chairman, has failed to resolve or for which such contact is inappropriate;
- meeting with the other Non-Executive Directors at least annually to appraise the Chairman's performance (taking into account the views of the Executive Directors, if any are appointed) and on such other occasions as may be deemed appropriate;
- taking responsibility for the orderly succession process for the Chairman, as appropriate; and
- maintaining Board and Company stability during times of crisis and conflict.

## GOVERNANCE SYSTEMS

The Board has considered the current recommendations of the AIC Code and has adopted various policies, procedures and control systems; a summary of each of these is available on the Company's website at: **www.apaxglobalalpha.com/investors/results-reports-presentations**

In summary, these principally include:

- a schedule of matters reserved for the Board which includes, but is not limited to:
  - strategy and management;
  - structure and capital;
  - financial reporting and controls;
  - internal and risk management controls;
  - contracts and expenditure;
  - Board membership and other appointments;
  - corporate governance matters; and policies and codes
- a Board management policy which includes, but is not limited to:
  - succession planning, including Board composition and diversity guidelines;
  - Director induction and training; and
  - Board evaluation.
- a conflicts of interests policy;
- a disclosure panel policy;
- an anti-bribery and corruption policy;
- a share dealing code;
- an insider dealing and market abuse policy; and
- a policy on the provision of non-audit services.

## ADMINISTRATOR AND SECRETARY

The Company has appointed Aztec Financial Services (Guernsey) Limited ("Aztec Group") as Administrator and Company Secretary of the Company.

The Administrator is responsible for the Company's general administrative requirements such as the calculation of the Net Asset Value and Net Asset Value per share and maintenance of the Company's accounting and statutory records. The Administrator may delegate certain accounting and bookkeeping services to Apax Partners Fund Services Limited or other such parties and/or Group entities, as directed by the Company.

The Administrator is licensed by the GFSC under the Protection of Investors (Bailiwick of Guernsey) Law to act as ''designated administrator'' under that law and provide administrative services to closed-ended investment funds.

In fulfilling the role of Company Secretary, Aztec Group has due regard to the provisions of the GFSC Code and the AIC Code and statutory requirements in this respect.

## REGISTRAR

Link Asset Services ("Link") has been appointed as Registrar of the Company. The Registrar is licensed by the GFSC under the POI Law to provide registrar services to closed-ended investment funds.

## INFORMATION AND SUPPORT

The Board ensures that it receives, in a timely manner, information of an appropriate quality to enable it to adequately discharge its responsibilities. Papers are provided to the Directors in advance of the relevant Board or Committee meeting to enable them to make further enquiries about any matters prior to the meeting, should they so wish. This also allows Directors who are unable to attend to submit views in advance of the meeting.

The Company Secretary takes responsibility for the distribution of Board papers and aims to circulate such papers at least five working days prior to Board or Committee meetings. The Board has adopted electronic board pack software which aids in the efficiency and adequacy of delivery of Board papers.

## ONGOING CHARGES

Ongoing charges to 31 December 2018 were 1.6% (31 December 2017: 1.6%). The Company's ongoing charges are calculated in line with guidance issued by the AIC. They comprise of recurring costs such as administration costs, management fees paid to AGML and management fees paid to the underlying Private Equity funds' general partners. They specifically exclude deal costs, taxation, financing costs, performance fees and other non-recurring costs.

## MANAGEMENT AND PERFORMANCE FEES

Management fees to 31 December 2018 represented 1.4% of NAV (31 December 2017: 1.4%) and performance fees were 0.0% of NAV (31 December 2017: 1.3%). Management fees represent fees paid to both the Investment Manager and the Apax Funds.

## BOARD FOCUS – WHAT THE BOARD HAS DONE

**Maintaining sound governance**

The Board has maintained under review the ever-changing regulatory and corporate governance environment and, in particular, has conducted an annual review of the Company's key policy documents, which has involved a reflection on a review of governance practices in the industry, in particular with regard to disclosure of diversity arrangements, viability statements and dividend policy, practice and disclosure procedures.

A summary of the Directors' attendance at meetings to which they were eligible to attend is provided below. Eligibility to attend the relevant meetings is shown in brackets.

| DIRECTOR | TOTAL BOARD | TOTAL AUDIT COMMITTEE | TOTAL OTHER COMMITTEES[1] |
|---|---|---|---|
| Tim Breedon | 4 (5) | 0 (0) | 0 (0) |
| Susie Farnon | 5 (5) | 7 (7) | 2 (2) |
| Chris Ambler | 5 (5) | 7 (7) | 0 (0) |
| Mike Bane | 2 (2) | 3 (3) | 1 (1) |

1. The Board will appoint committees of the Board on occasion to deal with specific operational matters; these committees are not established under separate terms of reference as their appointment is conditional upon terms resolved by the Board in formal Board meetings and authority conferred to such committees will expire upon the due completion of the duty for which it has been appointed. Such committees are referred to as other committee meetings

The Board has kept under review and responded to the implementation of the EU Packaged Retail and Insurance-based Investment Products Directive on 1 January 2018 and has made available a Key Information Document on the Company's website at: **www.apaxglobalalpha.com/investors/key-information-document-kid** The Board has also conducted an annual review of key service providers, being the Investment Manager, Administrator/Company Secretary, Registrar and Jefferies International Limited, as corporate broker to the Company. The Board is pleased to report that such evaluation, which has included an assessment of internal control systems, was positive and the Board will continue its engagement with the existing key service providers.

## FREQUENCY AND ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The Board aims to meet formally at least four times a year and met five times in the year from 1 January 2018 to 31 December 2018.

The Audit Committee aims to meet formally at least four times a year as appropriate in terms of the financial cycle of the Company and met seven times in the year from 1 January 2018 to 31 December 2018.

## STRATEGY AND PERFORMANCE MONITORING

The Board has been pursuing the investment strategy of the Company during the year through the discretionary management arrangements with AGML as reflected in the Investment Manager's Report on page 14.

The Investment Manager operates under guidelines from the Board and, as set out in the Investment Management Agreement, as to the monitoring of the performance of the investment portfolio, associated risks and reporting to the Board in each of these areas. The Board keeps under regular review the performance of the investment portfolio through quarterly reporting and regular dialogue with the Investment Manager.

Additionally, the Board has regular calls, generally monthly, with the Investment Adviser where it receives an update on the Company's performance and has the opportunity to discuss movements in the portfolio.

The Board held its second annual strategy day in November 2018, reflecting on the performance of the Company, its investment portfolio and the future strategy of the Company.

## NEW REVOLVING CREDIT FACILITY

As announced to the market in November 2018, the Board is pleased to have secured a new multi-currency revolving credit facility with Credit Suisse AG, London Branch. This agreement replaced the facility held with Lloyds Bank plc which was due to expire on 3 February 2019. The funds available for drawdown remain at €140m, with an initial term of three years maturing on 5 November 2021. The margin has remained the same as the prior facility at 210bps (over EURIBOR or LIBOR depending on the currency drawn). Further details of the terms of the revolving credit facility are available on page 75.

## THIRD ANNIVERSARY OF THE LOCK-UP RELEASE

In line with the Company's prospectus, certain existing and former Apax employees acquired shares in the Company under a share-for-share exchange agreement at IPO. As a result of this, those shareholders were subject to certain lock-up arrangements in respect of the shares issued to them for a period of either five or ten years.

The Board, following advice from the corporate broker, did not facilitate a placing of the Company's shares for those locked-up shareholders who wished to sell their shares following the third release from lock-up on 15 June 2018, due to insufficient uptake from those shareholders. In the case of shares subject to a five-year lock-up period, on 15 June 2018, 60% of those shares were no longer subject to the lock-up arrangements.

## BOARD CALENDAR AND FOCUS FOR 2019 – WHAT THE BOARD PLANS TO DO

In order to position AGA to enable it to deliver on its objectives, the Board has set out a plan of key activities that need to be achieved through 2019. These will be monitored during the year and appropriate action taken to drive these initiatives forward.

## BOARD EVALUATION OF DIRECTORS

In accordance with the Board management policy, the Board is pleased to report completion of its third evaluation exercise, this time conducted externally through a process managed between the Chairman and the Company Secretary.

An external evaluation of the Board as a whole, the Directors as individuals and the Audit Committee was undertaken through Platinum Compliance (Guernsey) Limited. The Company has no connections with the evaluation provider.

No material matters were observed during the external evaluation process and each of the Non-Executive Directors were deemed to remain independent of AGA and of the Investment Manager. The results also highlighted that the Board displayed a strong corporate governance culture and demonstrated a high degree of Board effectiveness.

## ELECTION AND RE-ELECTION OF DIRECTORS AT THE 2019 AGM

In accordance with the Company's Articles of Incorporation and the principles of the AIC Code, all Directors of the Company will offer themselves for re-election or election at the 2019 AGM.

Mike Bane was appointed to the Board of Directors on 3 July 2018. Neither an external search consultancy nor open advertising was used. Mike was appointed from a shortlist of suitably qualified candidates through an interview process involving both the Chairman and each of the Directors of the Board. Mike was appointed to add to the breadth of experience and skills of the Board, in addition to filling a vacancy following the resignation of Sarah Evans.

Following the successful evaluation of the Board as noted above, it is proposed to shareholders that each of Tim Breedon, Susie Farnon and Chris Ambler be re-elected, and Mike Bane be elected, as Non-Executive Directors at the 2019 AGM.

AUDIT COMMITTEE REPORT

# Integrity and objectivity

I am pleased to present the Audit Committee report for 2018 detailing the activities undertaken this year to fulfil its responsibilities.

**SUSIE FARNON**
**Audit Committee Chairman**
4 March 2019

**The main areas of activity for the Audit Committee have been:**

- reviewing in detail the content of the interim report and this annual report, the work of the service providers in producing it and the results of the external audit;
- considering those areas of judgement or estimation arising from the application of International Financial Reporting Standards to the Company's activities and documenting the rationale for the decisions made and estimation techniques selected. This includes the valuation of investments;
- keeping under review the policy on the supply of non-audit services by the external auditor, which has taken into account ethical guidance and related legislation;
- conducting an annual review of the performance of the external auditor, which has included a general review of the coordination of the external audit function with the activities of the Company, any appropriate internal controls, the suitability and independence of the external auditor;
- keeping under review the risk review and control framework with the assistance of the Investment Manager and the Company Secretary;
- meeting with the external auditor, KPMG Channel Islands Limited ("KPMG"), to review and discuss their independence, objectivity and proposed scope of work for their review of the interim report and their audit of this annual report and accounts;
- reviewing Financial Reporting Council ("FRC") Audit Quality Review findings report of KPMG's audit of financial statements for the year ended 31 December 2017; and
- meeting with the Company's principal service providers to review the controls and procedures operated by them to ensure that the Company's operational risks are properly managed and that its financial reporting is complete, accurate and reliable.

The scope of the Committee with respect to internal control does not include all controls around risk arising from the Company's investment portfolio. Such risks are overseen directly by the Board, which sets policies in this area to govern the day-to-day management of these risks by the Investment Manager.

## MEMBERSHIP AND ATTENDANCE

The Audit Committee membership currently consists of Susie Farnon, Chris Ambler and Mike Bane. A summary of meetings held during the year and attendance at those meetings is available on page 50.

The Chairman of the Company, Tim Breedon, whilst not required to attend meetings of the Audit Committee, does so on occasion, particularly in meetings where financial reports are reviewed.

## ROLE OF THE AUDIT COMMITTEE

The Audit Committee is appointed under terms of reference from the Board of Directors, available on the Company's website at: **www.apaxglobalalpha.com/investors/results-reports-presentations**

## REVIEW OF AREAS FOR JUDGEMENT OR ESTIMATION

The Audit Committee has determined that the key area for judgement and estimation is the fair value of the Company's investment portfolio for reporting purposes. For investments not traded in an active market, the fair value is determined by using valuation techniques and methodologies, as deemed appropriate by the Investment Manager. These assumptions may give rise to valuations that differ from amounts realised in the future. The Audit Committee has also considered the calculation of the performance fee to be an area of judgement given the complexity of the calculation. Further details and considerations of the Committee below.

## VALUATION OF INVESTMENTS

The valuation of investments is a significant area of judgement in the preparation of the financial statements and performance reporting and represents a particular focus for the Audit Committee. The Audit Committee is satisfied that it is reasonable overall and has been prepared in accordance with the Company's stated accounting policies.

The majority of Derived Equity Investments held by the Company, and certain investments underlying the Company's Private Equity positions, are quoted and have a ready market, leaving the focus on the other Private Equity and Derived Debt Investments which are valued less easily.

At each quarterly valuation point, and particularly at the year end, members of the Audit Committee have reviewed the detailed valuation schedules prepared by the Investment Manager. Discussions were also held with the Investment Manager, Investment Adviser and the external auditor (in respect of the interim and year end valuations only). The aim of these reviews and discussions was to ensure, as far as possible, that the valuations were prepared in line with the valuation process and methodology set out in the Company's accounting policies. No material discrepancies were identified.

The valuation of the Derived Debt Investments has been reviewed by the external auditor who has reported to the Committee and the Board on whether, in their opinion, the valuations used are reasonable and in accordance with the stated accounting policies.

## PERFORMANCE FEE

The detailed basis for calculation and settlement of the performance fee due to the Investment Manager is set out in the Company's prospectus, and is summarised in the notes to the financial statements. Although this fee may not always be material to the financial performance or position of the Company, its calculation is complex and payable to the Investment Manager, and therefore the Audit Committee consider it important by nature.

The Audit Committee generally commissions a specific report on the calculation of the fee prior to payment. However, no report was commissioned in the current year as there was no performance fee payable.

## EXTERNAL AUDIT

KPMG has been the Company's external auditor since 2015. During the year, and up to the date of this report, the Audit Committee has met formally with KPMG on four occasions and, in addition, the Chairman of the Audit Committee has met them informally on four further occasions. These informal meetings have been held to ensure the Chairman is kept up-to-date with the progress of their work and that their formal reporting meets the Audit Committee's needs.

The formal meetings included detailed reviews of the proposed scope of the work to be performed by the auditor in their review of the Company's report for the period to 30 June 2018 and in their audit for the year ended 31 December 2018. They also included detailed reviews of the results of this work, their findings and observations. I am pleased to report that there are no matters arising that should be brought to the attention of shareholders.

**IN 2018, WE:**

- Kept under review the risk governance framework
- Conducted a thorough review of the external auditor's services

The Audit Committee has also reviewed KPMG's report on their own independence and objectivity, including their team structure for the audit of the Company and of the underlying Apax Funds, and the level of non-audit services provided by them. In addition, the Audit Committee assessed the effectiveness of KPMG.

The Audit Committee noted that the KPMG audit of the Company's financial statements for the year ended 31 December 2017 was selected by the FRC for review. Their Audit Quality Review team reviewed the audit work undertaken by KPMG. Overall, there were no findings that caused the Audit Committee to be concerned about the quality of the audit.

The Audit Committee has concluded that KPMG are independent and objective, carry out their work to a high standard and provide concise and useful reporting. Accordingly, the Audit Committee has recommended to the Board that KPMG be put forward to shareholders for re-appointment at the next AGM.

The Company has a policy in place to ensure the independence and integrity of the external auditor, where non-audit services are to be provided by them. In the first instance, all non-audit services require pre-approval of the Chairman of the Audit Committee and/or the Chairman of the Board. Full consideration of the financial and other implications on the independence of the auditor arising from any such engagement are considered before proceeding. Note 6 of the financial statements includes a summary of fees paid to KPMG.

### RISK MANAGEMENT, INTERNAL CONTROLS AND CORPORATE RISKS

An outline of the risk management framework and principal risks is provided on pages 38 to 41.

The Audit Committee has kept, and continues to keep, under review financial and operational risk, which includes reviewing and obtaining assurances from key service providers in respect of the controls for which they are responsible. The Audit Committee has not identified any areas of concern as a result.

### SERVICE PROVIDERS

The Audit Committee has met regularly with the key service providers (besides KPMG) involved in the preparation of the Company's reporting to its shareholders and in the operation of controls on its behalf, the Administrator and sub-Administrator, both of whom have attended each formal Audit Committee meeting as well as other informal meetings. Through these meetings, supported by review and challenge of supporting documentation, the Audit Committee has satisfied itself, as far as is possible in the circumstances of a Company with outsourced functions, that financial and operational risks facing the Company are appropriately managed and controlled.

### ADJUSTED AND UNADJUSTED DIFFERENCES IN THE FINANCIAL STATEMENTS

The external auditor, KPMG, has reported to the Audit Committee that they found no reportable differences during the course of their audit work.

### WHISTLEBLOWING

The Company does not have any employees. Each of the service providers has whistleblowing policies in place.

### ANTI-BRIBERY AND CORRUPTION

The Company has a zero tolerance approach to bribery and corruption, in line with the UK Bribery Act 2010.

An anti-bribery and corruption policy has been adopted and is kept under review.

### ANNUAL REPORT

The Audit Committee members have each reviewed this annual report and earlier drafts of it in detail, comparing its content with their own knowledge of the Company, reporting requirements and shareholder expectations. Formal meetings of the Audit Committee have also reviewed the report and its content and have received reports and explanations from the Company's service providers about the content and the financial results. The Audit Committee has concluded that the annual report, taken as a whole, is fair, balanced and understandable, and that the Board can reasonably and with justification make the statement of Directors' responsibilities on page 57.

Susie Farnon
Audit Committee Chairman
4 March 2019

## SHAREHOLDER RELATIONS

### SHAREHOLDER COMMUNICATION

The Directors place a great deal of importance on communication with shareholders. The interim report and accounts, annual report and financial statements are available to shareholders and to other parties who have an interest in the Company's performance on the Company's website at: **www.apaxglobalalpha.com/investors/results-reports-presentations**

Shareholders may obtain up-to-date information on the Company through the Company's website at: **www.apaxglobalalpha.com**

The Notice of the AGM is sent out at least 21 working days in advance of the meeting. All shareholders have the opportunity to put questions to the Board or Investment Manager, either formally at the Company's AGM, informally following the meeting or in writing at any time during the year via the Company Secretary.

The Company Secretary is available to answer general shareholder queries at any time throughout the year and may be contacted by email at: AGA-admin@aztecgroup.co.uk.

The Board recognises and supports the investor relations activities, which include close engagement with shareholders. On a quarterly basis, the Company provides a performance update presentation and holds a conference call and/or webcast for analysts and investors. The Board receives regular reports and updates from the investor relations team and the corporate broker. Shareholder views and feedback are communicated to the Board to help develop a balanced understanding of the issues and concerns of the shareholders. Publications can be found on the Company's website at: **www.apaxglobalalpha.com/investors/results-reports-presentations**

The Company has continued to build a dialogue with its shareholders. As part of this, Apax Partners provide an investor relations service to support communications with investors. Apax Partners maintain a programme of meetings between senior management of Apax Partners on behalf of AGA, and institutional investors, fund managers and equity analysts. Issues discussed at investor presentations and meetings cover investment strategy and financial performance of AGA.

To give all shareholders access to the Company's announcements, all material information reported via the London Stock Exchange's regulatory news service is published on the Company's website at: **www.apaxglobalalpha.com/investors/news/rns**

AGA has hosted conference calls to support the release of its interim and quarterly results. An investor presentation will also be held for the full-year results. Details were published on the London Stock Exchange. These events, which are published on the Company's website, are made available to the market, subject to relevant marketing restrictions in certain jurisdictions, with the facility for all listeners to ask questions, as well as having a permanent replay facility, and a full transcript.

# REMUNERATION REPORT

**Provisions relating to Executive Directors' remuneration are not deemed relevant to AGA, being an externally managed investment company with a Board comprised wholly of Non-Executive Directors.**

In particular, the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no Executive Directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

## REMUNERATION REPORT

The Directors who served in the period from 1 January 2018 to 31 December 2018 received the fees detailed in the table below.

No taxable benefits were paid to Directors in respect of this period and no remuneration above that was paid to the Directors for their services. Remuneration paid reflects the duties and responsibilities of the Directors and the value of their time. No element of the Directors' remuneration is performance related.

## DIRECTORS' FEES AND EXPENSES

Fees are pro-rated where an appointment takes place during a financial year. None of the fees disclosed below were payable to third parties by the Company. Chris Ambler is obliged to pay 20% of the fee he receives from the Company for his services as a Non-Executive Director to a third party, being a company to which he is appointed as an Executive Director. The Directors are entitled to be reasonably reimbursed for expenses incurred in the exercise of their duties as Directors. Expenses paid to the Directors are also listed in the table below.

## DIRECTORS' FEES AND EXPENSES FOR THE YEAR TO 31 DECEMBER 2018

| DIRECTOR | FEES (EUR) | EXPENSES (EUR) |
|---|---|---|
| Tim Breedon | 140,965 | 1,539 |
| Susie Farnon | 62,025 | 50 |
| Chris Ambler | 50,747 | 1,448 |
| Mike Bane[1] | 25,150 | 38 |
| Sarah Evans[2] | 422 | 12 |
| **Total (EUR)** | **279,309** | **3,088** |
| **Total (GBP)** | **247,870** | **2,731** |

1. Appointed 3 July 2018
2. Retired 3 January 2018

## DIRECTORS' HOLDINGS AT 31 DECEMBER 2018

| | | | VOTING RIGHTS | | % OF VOTING RIGHTS | |
|---|---|---|---|---|---|---|
| DIRECTOR | CLASS OF SHARE | SHARES HELD | DIRECT | INDIRECT | DIRECT | INDIRECT |
| Tim Breedon | Ordinary shares of NPV | 70,000 | 70,000 | – | 0.014% | 0.000% |
| Susie Farnon | Ordinary shares of NPV | 20,000 | 20,000 | – | 0.004% | 0.000% |
| Chris Ambler | Ordinary shares of NPV | 18,008 | 18,008 | – | 0.004% | 0.000% |
| Mike Bane | Ordinary shares of NPV | Nil | Nil | – | 0.000% | 0.000% |

# DIRECTORS' REPORT

**The Directors submit their annual report together with the audited financial statements of the Company for the year ended 31 December 2018. The Company's registered office and principal place of business is East Wing, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3PP**.

## LISTING ON THE LONDON STOCK EXCHANGE
On 15 June 2015, the entire issued ordinary share capital of the Company was admitted to the Premium Listing segment of the Official List of the Financial Conduct Authority and to unconditional trading on the London Stock Exchange's Main Market for listed securities.

## DIVIDEND
The Directors have approved a dividend of 4.12 pence per share as a final dividend in respect of the financial period ended 31 December 2018 (2017: 4.17 pence). An interim dividend of 4.33 pence was paid on 15 September 2018 (2017: 4.24 pence).

## BOARD OF DIRECTORS
Biographies of the Board of Directors, including details of their relevant experience, are available on the Company's website at: www.apaxglobalalpha.com/who-we-are/leadership-team/board-of-directors

The Non-Executive Directors do not have service agreements.

## POWERS OF DIRECTORS
The business of the Company is managed by the Directors who may exercise all the powers of the Company, subject to any relevant legislation, any directions given by the Company by passing a special resolution and to the Company's Articles of Incorporation (the "Articles"). The Articles, for example, contain specific provisions concerning the Company's power to borrow money and issue shares.

## APPOINTMENT AND REMOVAL OF DIRECTORS
Rules relating to the appointment and removal of the Directors are contained within the Company's Articles of Incorporation, which can be found in full on the Company's website at: www.apaxglobalalpha.com/investors/results-reports-presentations

## AMENDMENT OF ARTICLES OF INCORPORATION
The Company may only make amendments to the Articles of Incorporation of the Company by way of special resolution of the shareholders, in accordance with The Companies (Guernsey) Law, 2008, as amended.

## EMPLOYEES
The Company does not have any direct employees.

## POLITICAL DONATIONS AND EXPENDITURE
The Company has made no political donations in the period since incorporation or since admission.

## SHARE CAPITAL
As at the date of this report, the Company had an issued share capital of €873.8m. The rights attaching to the shares are set out in the Articles of Incorporation. There are no restrictions on the transfer of ordinary shares in the capital of the Company other than those which may be imposed by law from time to time. There are no special control rights in relation to the Company's shares and the Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights, except for the lock-ups agreed at the time of admission as set out in the prospectus. In accordance with the Disclosure and Transparency Rules, Board members and certain employees of the Company's service providers are required to seek approval to deal in the Company's shares.

## ALLOTMENT OF SHARES AND PRE-EMPTION RIGHTS
Details of the Company's ability to allot shares and pre-emption rights are included in the Articles of Incorporation.

## VOTING RIGHTS
In a general meeting of the Company, on a show of hands, every member who is present in person or by proxy and entitled to vote shall have one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which they are the holder.

## RESTRICTIONS ON VOTING
Unless the Directors otherwise determine, a shareholder shall not be entitled to vote either personally or by proxy:

- if any call or other sum currently payable to the Company in respect of that share remains unpaid; or
- having been duly served with a notice requiring the disclosure of a member's interests given under article 10 of the Articles of Incorporation of the Company, and has failed to do so within 14 days, in a case where the shares in question represent at least 0.25% of the number of shares in issue of the class of shares concerned, or within 28 days, in any other case, from the date of such notice.

## DIRECTORS' INTERESTS IN SHARES
The Directors' share interests in the Company are detailed on the prior page.

## MATERIAL INTERESTS IN SHARES
The Company has been notified in accordance with DTR 5 of the Disclosure and Transparency Rules of the interests in its issued ordinary shares as at 31 December 2018 detailed in the table on page 54.

## SIGNIFICANT AGREEMENTS
The following agreements are considered significant to the Company:

- AGML as Investment Manager under the terms of the Investment Management Agreement;
- Aztec Group as Administrator, Company Secretary and Depositary under the Administration Agreement and Depositary Agreement;
- Link as Registrar under the Registration Agreement;
- Jefferies International as corporate broker; and
- KPMG as appointed external auditor.

## COMPENSATION FOR LOSS OF OFFICE
There are no agreements between the Company and its Directors providing for compensation for loss of office that occurs because of a change of control.

## DISCLOSURES REQUIRED UNDER LISTING RULE 9.8.4R
There are no disclosures required under Listing Rule section 9.8.4R.

## EVENTS AFTER THE REPORTING PERIOD

The Audit Committee noted that there were two post-balance sheet events:

- on 26 February 2019, Apax VIII, in which the Company is a limited partner, announced an agreement in principle to sell Exact Software. On 21 February 2019, Apax VIII also announced that it has agreed to sell its entire stake in AssuredPartners. Together, these two transactions represent an estimated uplift of c.€34m or c.3.6% to the Company's Adjusted NAV at 31 December 2018. Both transactions are subject to customary closing conditions
- on 4 March 2019, the Board of Directors approved a dividend of 4.12 pence per share in respect of the financial period ended 31 December 2018.

## GOING CONCERN

After making enquiries and given the nature of the Company and its investments, the Directors, after due consideration, conclude that the Company should be able to continue for the foreseeable future.

In reaching this conclusion, the Board is mindful of the nature of the Company's assets, and considers that adverse investment performance should not have a material impact on the Company's ability to meet its liabilities as they fall due.

Accordingly, they are satisfied that it is appropriate to adopt the going concern basis in preparing these financial statements.

## DISCLOSURE OF INFORMATION TO THE AUDITOR

Having made enquiries of fellow Directors and key service providers, each of the Directors confirms that:

- to the best of their knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

## REAPPOINTMENT OF AUDITOR

Resolutions for the reappointment of KPMG Channel Islands Limited as the auditor of the Company and to authorise the Directors to determine its remuneration are to be proposed at the next AGM.

## AGM

The next AGM will be held on 7 May 2019 at 10:00am (UK time) at the offices of Aztec Group, East Wing, Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands GY1 3PP.

The notice, agenda and form of proxy will be circulated to shareholders at least 21 working days prior to the AGM and will be made available on the UK National Storage Mechanism and the Company's website at: **www.apaxglobalalpha.com/investors/results-reports-presentations**

Shareholders who wish to attend the AGM in person should inform the Company Secretary by email at AGA-admin@aztecgroup.co.uk

The Directors' report has been approved by the Board and is signed on its behalf by:

**Tim Breedon CBE**
Chairman
4 March 2019

## TABLE OF SHAREHOLDERS OVER 5% AT 31 DECEMBER 2018[2]

| | | | VOTING RIGHTS | | % OF VOTING RIGHTS | | |
|---|---|---|---|---|---|---|---|
| SHAREHOLDER | CLASS OF SHARE | SHARES HELD | DIRECT | INDIRECT | DIRECT | INDIRECT | THRESHOLD |
| NorTrust Nominees Limited | Ordinary shares of NPV[1] | 32,701,581 | 32,701,581 | – | 6.5% | 0.0% | 5% |
| Investec Wealth & Investment Limited | Ordinary shares of NPV | 24,006,557 | 24,006,557 | – | 4.8% | 0.0% | 5% |
| Martin Halusa | Ordinary shares of NPV | 28,778,552 | 2,869,735 | 25,908,817 | 0.6% | 5.3% | 5% |
| Witan Investment Trust | Ordinary shares of NPV | 30,317,414 | 30,317,414 | – | 6.2% | 0.0% | 5% |

1. No par value
2. The figures shown above reflect the position of the shareholders as most recently disclosed to and by the Company pursuant to DTR 5.1 (Notification of the acquisition or disposal of major shareholdings) and may not reflect the actual or current position of the shareholders as at the date of this report

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

## ANNUAL REPORT AND FINANCIAL STATEMENTS

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare financial statements that show a true and fair view. The Directors have chosen to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU to meet the requirements of applicable law and regulations.

Under Company Law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008 (as amended). They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

The annual report and financial statements are the responsibility of, and have been approved by the Directors who confirm, to the best of their knowledge and belief, that they have complied with the above requirements in preparing the financial statements. During the course of this assessment, the Directors have received input from the Audit Committee, the Investment Manager, the Investment Adviser, the Company Secretary and Administrator, and the Directors confirm that:

- the annual report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces;
- the financial statements, prepared in accordance with IFRS adopted by the EU, give a true and fair view of the assets, liabilities, financial position and results of the Company, taken as a whole, as required by DTR 4.1.6, and are in compliance with the requirements set out in the Companies (Guernsey) Law 2008 as amended;
- the annual report and financial statements, taken as a whole, provide the information necessary to assess the Company's position and performance, business model and strategy, and is fair, balanced and understandable.

Signed on behalf of the Board of Directors

**Tim Breedon CBE**
Chairman
4 March 2019

Signed on behalf of the Audit Committee

**Susie Farnon**
Audit Committee Chairman
4 March 2019

## VIABILITY STATEMENT

As stated on page 4, the investment objective of the Company is to provide shareholders with capital appreciation from its investment portfolio and regular dividends. The Company's investment performance depends upon the performance of its portfolio of Private Equity and Derived Investments. The Directors, in assessing the viability of the Company, have paid particular attention to the risks faced by the Company in seeking to achieve its stated objectives, which are set out on pages 8 and 9. The Board has established a risk management framework within which the Investment Manager operates and which is intended to identify, measure, monitor, report and, where appropriate, mitigate the risks to the Company's investment objective. The Board does not consider the other risks faced by the Company to be principal risks, as defined in the UK Code.

The Directors confirm that their assessment of the principal risks facing the Company was robust and in doing so they have considered models projecting future cash flows during the three years to 31 December 2021. These models have also been stress tested to reflect the impact on the portfolio of some plausible but severe scenarios similar to those experienced by investment markets in the past. The projections consider cash balances, covenants, limits, the split of the investment portfolio in addition to investment policy. The stress testing examines the potential impact of the principal risks occurring individually and together.

These projections are based on the Investment Manager's expectations of future investment performance, income and costs. The viability assessment covers a period of three years, which reflects the average holding period of Derived Investments and the expected period between the launch of new funds by Apax Partners.

The Company also has access to a significant credit facility to enable it to manage cash demands without resorting to urgent sales of its less liquid portfolio assets; the Company utilised this facility 16 times during the year, with an average drawdown period of less than one month. Diversification of the portfolio, split between Private Equity and Derived Investments, also helps the Company withstand risks it is most likely to meet.

The continuation of the Company in its present form is dependent on the Investment Management Agreement ("IMA") with the Investment Manager remaining in place. The Directors note that the IMA with the Investment Manager is terminable with a minimum of one year's notice by either party. The Directors have no current reason to assume that either the Company or the Investment Manager would serve notice of termination of the IMA during the three-year period covered by this viability statement. The initial term of the IMA is six years and shall automatically continue unless the Investment Manager or the Company (by special resolution) serves notice electing to terminate at the expiry of the initial term. The earliest termination would be 15 June 2020. The Articles require that the Directors put a discontinuation resolution to the AGM every three years, with the next resolution being put forward at the 2021 AGM. Following the result of the 2018 resolution, where 99% of votes cast supported a continuation, the Directors have reasonable grounds to believe that it is unlikely that the extraordinary resolution would be passed and for the purposes of the viability assessment they have assumed that it will not do so.

The Directors, having duly considered the risks facing the Company, their mitigation and the cash flow modelling, have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

For more information on how AGA is satisfied with its ability to operate as a going concern, see page 66.

## OUR OPINION IS UNMODIFIED

We have audited the financial statements of Apax Global Alpha Limited (the "**Company**"), which comprise the statement of financial position as at 31 December 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

– give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended;
– are prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
– comply with the Companies (Guernsey) Law, 2008.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standards as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## KEY AUDIT MATTERS: OUR ASSESSMENT OF THE RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2017):

## VALUATION OF INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS ("INVESTMENTS")

**€912,048,000; (2017 €910,669,000)**

Refer to page 51 of the Audit Committee Report, note 3 (subsequent measurement of financial instruments), note 4 (Critical accounting estimates and judgements), note 8 (Investments) and note 14 (Fair value estimation).

| The risk | Our response |
|---|---|
| **Basis:**<br>As at 31 December 2018, the Company had invested 98% of its net assets in private equity funds advised by the Company's Investment Adviser ("Private Equity Investments") and in equities and debt in public and private companies ("Derived Investments").<br><br>The Company's holdings in Private Equity Investments (representing 65% of Investments) are valued based on the net asset values provided by the underlying funds' general partners, adjusted if considered necessary by the Board of Directors, including any adjustment necessary for carried interest.<br><br>The Company's holdings in quoted equities and debt (representing 15% of Investments) are valued based on the bid or last traded price depending upon the convention of the exchange on which the investment is quoted.<br><br>The Company's holdings in unquoted debt (representing 19% of Investments) are valued based on models that take into account the factors relevant to each investment and use relevant third party market data where available. The Company's holdings in unquoted equities (representing 1% of Investments) are valued based on comparable company multiples and precedent transaction analysis.<br><br>**Risk:**<br>The valuation of the Company's Investments is considered a significant area of our audit, given that it represents the majority of the net assets of the Company and in view of the significance of estimates and judgements that may be involved in the determination of fair value. | Our audit procedures included:<br><br>**Controls evaluation:**<br>We assessed the design and implementation of the Investment Manager's review control in relation to the valuation of Investments.<br><br>**Challenging managements' assumptions and inputs including use of KPMG valuation specialists:**<br>For Private Equity Investments, we agreed the fair values to capital account or other similar statements ("Statements") received from the underlying funds' general partners. For the majority of Private Equity Investments, we obtained the coterminous audited financial statements and agreed the audited net asset value to the Statements. In order to assess whether the fair value required adjustment, we considered: the basis of preparation together with accounting polices applied; and whether the audit opinion was unmodified.<br><br>For Derived Investments, we used our own valuation specialist to independently price 100% of quoted equities and 88% of unquoted debt based on third party data sources.<br><br>**Assessing disclosures:**<br>We also considered the Company's disclosures (see note 4) in relation to the use of estimates and judgements regarding the fair value of investments and the Company's investment valuation policies adopted and fair value disclosures in note 3, note 8 and note 14 for compliance with International Financial Reporting Standards as adopted by the EU. |

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## OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the financial statements as a whole was set at €37,900,000, determined with reference to a benchmark of net assets of €930,771,000, of which it represents 4% (2017: 4%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding €1,800,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

## WE HAVE NOTHING TO REPORT ON GOING CONCERN

We are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in this respect.

## WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

## DISCLOSURES OF PRINCIPAL RISKS AND LONGER-TERM VIABILITY

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement on page 58 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed or mitigated;
- the directors' explanation in the Viability Statement on page 58 as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

## CORPORATE GOVERNANCE DISCLOSURES

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the 2016 UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report to you in these respects.

## WE HAVE NOTHING TO REPORT ON OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

## RESPECTIVE RESPONSIBILITIES

**Directors' responsibilities**

As explained more fully in their statement set out on page 57, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities**.

## THE PURPOSE OF THIS REPORT AND RESTRICTIONS ON ITS USE BY PERSONS OTHER THAN THE COMPANY'S MEMBERS AS A BODY

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Lee Clark
For and on behalf of KPMG Channel Islands Limited

*Chartered Accountants and Recognised Auditors*
Glategny Court
St Peter Port
Guernsey GY1 1WR
Channel Islands
4 March 2019

## FINANCIAL STATEMENTS \STATEMENT OF FINANCIAL POSITION

At 31 December 2018

| | NOTES | 31 DECEMBER 2018 €'000 | 31 DECEMBER 2017 €'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investments held at fair value through profit or loss ("FVTPL") | 8 | 912,048 | 910,669 |
| **Total non-current assets** | | **912,048** | **910,669** |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 17,306 | 18,989 |
| Investment receivables | | 2,125 | – |
| Other receivables | | 1,454 | 1,987 |
| **Total current assets** | | 20,885 | 20,976 |
| **Total assets** | | **932,933** | **931,645** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Accrued expenses | | 2,162 | 1,729 |
| **Total current liabilities** | | 2,162 | 1,729 |
| **Total liabilities** | | **2,162** | **1,729** |
| **Capital and reserves** | | | |
| Shareholders' capital | 15 | 873,804 | 873,804 |
| Share-based payment performance fee reserve | 11 | – | 17,495 |
| Retained earnings | | 56,967 | 38,617 |
| **Total equity** | | **930,771** | **929,916** |
| **Total shareholders' equity and liabilities** | | **932,933** | **931,645** |

On behalf of the Board of Directors

Tim Breedon
Chairman
4 March 2019

Susie Farnon
Chairman of the Audit Committee
4 March 2019

| | 31 DECEMBER 2018 € | 31 DECEMBER 2018 £ EQUIVALENT[1] | 31 DECEMBER 2017 € | 31 DECEMBER 2017 £ EQUIVALENT[1] |
|---|---|---|---|---|
| Net Asset Value ("**NAV**") ('000) | 930,771 | 836,717 | 929,916 | 825,849 |
| Adjusted NAV ('000)[2] | 930,771 | 836,717 | 912,421 | 810,312 |
| NAV per share | 1.90 | 1.70 | 1.89 | 1.68 |
| Adjusted NAV per share[2] | 1.90 | 1.70 | 1.86 | 1.65 |

1. The sterling equivalent has been calculated based on the GBP/EUR exchange rate at 31 December 2018 and 31 December 2017 respectively
2. Adjusted NAV is the NAV net of the share-based payment performance fee reserve. Adjusted NAV per share is calculated by dividing the Adjusted NAV by the total number of shares

The accompanying notes form an integral part of these financial statements.

| | NOTES | YEAR ENDED 31 DECEMBER 2018 €'000 | YEAR ENDED 31 DECEMBER 2017 €'000 |
|---|---|---|---|
| **Income** | | | |
| Investment income | | 19,442 | 27,560 |
| Net changes in investments at FVTPL | 8 | 56,739 | 20,870 |
| Realised foreign currency (losses)/gains | | (2,766) | 1,799 |
| Net unrealised foreign currency gains/(losses) | | 116 | (6,871) |
| **Total income** | | **73,531** | **43,358** |
| **Operating and other expenses** | | | |
| Performance fee | 11 | 2,123 | (12,770) |
| Management fee | 10 | (4,610) | (5,216) |
| Administration and other operating expenses | 6 | (3,107) | (2,810) |
| **Total operating expenses** | | **(5,594)** | **(20,796)** |
| Finance costs | 12 | (2,729) | (1,324) |
| **Profit before tax** | | **65,208** | **21,238** |
| Taxation charge | 7 | (261) | (733) |
| **Profit after taxation for the year** | | **64,947** | **20,505** |
| Other comprehensive income | | – | – |
| **Total comprehensive income attributable to shareholders** | | **64,947** | **20,505** |
| **Earnings per share (cents)** | 16 | | |
| Basic and diluted | | 13.22 | 4.18 |
| Adjusted[1] | | 13.22 | 4.09 |

The accompanying notes form an integral part of these financial statements.

1. The Adjusted earnings per share has been calculated based on the profit attributable to ordinary shareholders adjusted for the total accrued performance fee at 31 December 2018 and 31 December 2017 respectively as per note 16 and the weighted average number of ordinary shares

For the year ended 31 December 2018

| FOR THE YEAR ENDED 31 DECEMBER 2018 | NOTES | SHAREHOLDERS' CAPITAL €'000 | RETAINED EARNINGS €'000 | SHARE-BASED PAYMENT PERFORMANCE FEE RESERVE €'000 | TOTAL €'000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2018** | | **873,804** | **38,617** | **17,495** | **929,916** |
| Total comprehensive income attributable to owners | | – | 64,947 | – | 64,947 |
| Share-based payment performance fee reserve movement | 11 | – | – | (17,495) | (17,495) |
| Dividend paid | 17 | – | (46,597) | – | (46,597) |
| **Balance at 31 December 2018** | | **873,804** | **56,967** | – | **930,771** |

| FOR THE YEAR ENDED 31 DECEMBER 2017 | NOTES | SHAREHOLDERS' CAPITAL €'000 | RETAINED EARNINGS €'000 | SHARE-BASED PAYMENT PERFORMANCE FEE RESERVE €'000 | TOTAL €'000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2017** | | **873,804** | **64,914** | **11,291** | **950,009** |
| Total comprehensive income attributable to owners | | – | 20,505 | – | 20,505 |
| Share-based payment performance fee reserve movement | 11 | – | – | 6,204 | 6,204 |
| Dividend paid | 17 | – | (46,802) | – | (46,802) |
| **Balance at 31 December 2017** | | **873,804** | **38,617** | **17,495** | **929,916** |

The accompanying notes form an integral part of these financial statements.

| | NOTES | YEAR ENDED 31 DECEMBER 2018 €'000 | YEAR ENDED 31 DECEMBER 2017 €'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Interest received | | 17,896 | 25,126 |
| Interest paid | | (43) | (70) |
| Dividend received | | 1,718 | 1,372 |
| Performance fee paid | | (15,372) | (6,566) |
| Operating expenses paid | | (6,490) | (8,034) |
| Tax paid | | (132) | (636) |
| Purchase of Private Equity Investments[1] | | (11,126) | – |
| Capital calls from Private Equity Investments | | (30,812) | (149,581) |
| Capital distributions from Private Equity Investments | | 133,362 | 74,478 |
| Purchase of Derived Investments[2] | | (212,988) | (238,033) |
| Sale of Derived Investments[2] | | 172,811 | 341,966 |
| **Net cash from operating activities** | | **48,824** | **40,022** |
| **Cash flows used in financing activities** | | | |
| Financing costs paid[3] | | (3,309) | (1,668) |
| Dividend paid[4] | | (47,314) | (46,356) |
| Revolving credit facility drawn | | 94,248 | 44,312 |
| Revolving credit facility repaid | | (94,248) | (44,312) |
| **Net cash used in financing activities** | | **(50,623)** | **(48,024)** |
| **Cash and cash equivalents at the beginning of the year** | | **18,989** | **33,862** |
| Net decrease in cash and cash equivalents | | (1,799) | (8,002) |
| Effect of foreign currency fluctuations on cash and cash equivalents | | 116 | (6,871) |
| **Cash and cash equivalents at the end of the year** | 9 | **17,306** | **18,989** |

1. These cash flows relate to the purchase of two carried interest positions in Apax Europe VI (€3.4m) and Apax Europe VII (€7.7m) in the secondary market
2. On 9 April 2018, the Company's equity investment in Strides Pharma Sciences Limited ("Strides") (formerly "Strides Shasun Limited") demerged and the Company received shares in a new company Solara, that subsequently listed on the National Stock Exchange of India ("NSE") on 27 June 2018. This resulted in a partial realisation of Strides (€1.2m) and a new investment of €1.2m in Solara. As no cash was exchanged, this has been excluded from the cash flows from investing activities. In the prior period, the Company's first and second lien debt positions in Answers were restructured and the Company received equity of €6.9m, warrants of €0.2m and new second lien debt of €1.9m. As no cash was exchanged, these have been excluded from the comparative
3. Financing costs include a one-off commitment fee of €1.0m related to the refinancing of the new revolving credit facility during the year
4. Dividend paid represents the cash amount paid to shareholders adjusted for foreign exchange movements. The difference between the amount included in the statement of changes in equity and the cash flow statement represents the foreign exchange difference between the liability being booked and the final amount paid

The accompanying notes form an integral part of these financial statements.

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## 1 REPORTING ENTITY

Apax Global Alpha Limited (the "**Company**" or "**AGA**") is a limited liability Guernsey company that was incorporated on 2 March 2015. The address of the Company's registered office is PO Box 656, East Wing, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3PP. The Company invests in Private Equity funds, listed and unlisted securities including debt instruments.

The Company's main corporate objective is to provide shareholders with capital appreciation from its investment portfolio and regular dividends. The Company's operating activities are managed by its Board of Directors and its investment activities are managed by Apax Guernsey Managers Limited (the "**Investment Manager**") under a discretionary investment management agreement. The Investment Manager obtains investment advice from Apax Partners LLP (the "**Investment Adviser**").

## 2 BASIS OF PREPARATION

### Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). These financial statements are from 1 January 2018 to 31 December 2018 and these financial statements were authorised for issue by the Board of Directors of the Company on 4 March 2019.

### Basis of measurement

The financial statements have been prepared on the historic cost basis except for investments, which are measured at FVTPL.

### Functional and presentation currency

These financial statements are presented in euro (€), which is the Company's functional and presentation currency. All amounts are stated to the nearest one thousand euro unless otherwise stated.

### Going concern

The Directors consider that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements. In reaching this assessment, the Directors have considered a wide range of information relating to present and future conditions (at least 12 months from 4 March 2019, the authorisation date of these financial statements), including the statement of financial position, future projections, cash flows and the longer-term strategy of the business.

The Directors have reviewed models assessing the Company's estimated future cash flows for three years to 31 December 2021, which have been stress tested to provide guidance of the possible impact of financial scenarios that may affect the Company. The Company also successfully renewed its revolving credit facility which ensures access to short-term liquidity until 5 November 2021. See note 12 for further details.

## 3 ACCOUNTING POLICIES

The accounting policies adopted by the Company and applied consistently in these financial statements are set out below and overleaf:

### Initial recognition of financial instruments

The Company designates all financial assets and financial liabilities, except loans payable, other payables, other receivables and cash, at FVTPL. These are initially recognised at cost which equates to the best indicator of fair value on the trade date, the date on which the Company becomes a party to the contractual provisions of the instrument. All transaction costs are immediately recognised in profit or loss. Financial assets or financial liabilities not at FVTPL are initially recognised at cost plus transaction costs that are directly attributable to their acquisition or issue.

### Subsequent measurement of financial instruments

Fair value is a market-based measurement, that estimates the price at which an asset could be sold or a liability transferred, in an orderly transaction between market participants, on the measurement date. When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as "active" if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, then the Company establishes fair value using an alternative valuation technique.

In the absence of an active market, the Company determines fair value taking into account the International Private Equity and Venture Capital Valuation ("**IPEV**") guidelines. Valuation techniques include, but are not limited to, market multiples, using recent and relevant arm's length transactions between knowledgeable, willing parties (if they are available), reference to the current fair value of other instruments that are substantially the same, statistical methods and where deemed appropriate, augmented by, discounted cash flow analyses and option pricing models. The chosen valuation technique seeks to maximise the use of market inputs and incorporates factors that market participants might consider in setting a price.

Inputs to valuation techniques aim to reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques where possible using prices from observable current market transactions in the same instrument or based on other available observable market data.

The Company has two main asset portfolios that are split between "**Private Equity Investments**" and "**Derived Investments**". Private Equity Investments comprise primary and secondary commitments to, and investments in, existing Private Equity funds advised by the Investment Adviser. Derived Investments comprise of investments in debt and equities. At each reporting date these are measured at fair value, and changes therein are recognised in the statement of profit or loss and other comprehensive income.

**3 ACCOUNTING POLICIES** CONTINUED

Fair values of the Private Equity portfolio are generally considered to be the Company's attributable portion of the NAV of the Private Equity funds, as determined by the general partners of such funds, adjusted if considered necessary by the Board of Directors, including any adjustment necessary for carried interest. The general partners consider the IPEV guidelines when valuing the Private Equity funds.

For unlisted debt investments, fair value is calculated based upon models that take into account the factors relevant to each investment and use relevant third-party market data where available. For unlisted equities and equities not traded in an active market, fair value is calculated based on comparable company multiples and precedent transaction analysis. The Company utilises the resources of the Investment Manager and the Investment Adviser, to augment its own fair value analysis of these investments to determine the most appropriate fair value for such assets.

For investments traded in an active market, fair value is determined by taking into account the latest market bid price available, or such last traded price depending upon the convention of the exchange on which the investment is quoted.

**Derecognition of financial instruments**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". The Company uses the first-in first-out method to determine realised gains and losses on derecognition. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

**Share-based payments**

The Company applies the requirements of IFRS 2 "Share-based Payment" in respect to its performance fee. The Company maintains a separate performance fee reserve in equity, showing the expected performance fee calculated on a liquidation basis on eligible assets. This is revised at each reporting period and the movement is credited or expensed through the statement of profit or loss and other comprehensive income. Please refer to note 11 for further details.

**Operating segments**

Per IFRS 8 "Operating Segments", the criteria for identifying an operating segment is that the chief operating decision maker of the Company regularly reviews the performance of these operating segments and determines the allocation of resources based on these results. It is determined that the Company's Chief Operating Decision Maker is the Board of Directors. As previously noted, the Company invests into two separate portfolios, Private Equity Investments and Derived Investments. These have been identified as segments on the basis that the Board of Directors uses information based on these segments to make decisions about assessing performance and allocating resources. The Company has a third administration segment for central functions which represents general administration costs that cannot be specifically allocated to the two portfolios. The analysis of results by operating segment is based on management account information. The segment analysis of the Company's results and financial position is set out in note 5.

**Investment receivables**

Investment receivables are recognised in the Company's statement of financial position when it becomes party to a contractual provision for the amount receivable. Investment receivables are held at their nominal amount. They are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the receivables recoverable amount is estimated based on expected discounted future cash flows. Changes in the level of impairment are recognised in the statement of profit or loss and other comprehensive income. Investment receivables are also revalued at the reporting date if held in a currency other than euro.

**Liabilities**

Liabilities, other than those specifically accounted for under a separate policy, are stated at the amounts which are considered to be payable in respect of goods or services received up to the reporting date on an accruals basis.

**Investment payables**

Investment payables are recognised in the Company's statement of financial position when it becomes party to a contractual provision for the amount payable. Investment payables are held at their nominal amount. Investment payables are also revalued at the reporting date if held in a currency other than euro.

**Loans payable**

Loans payable are held at amortised cost. Amortised cost for loans payable is defined as the amount at which the loan is measured at initial recognition, less principal repayments, plus or minus the cumulative amortisation using the effective interest method.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances, call deposits and cash held in money market funds with original maturities of three months or less.

**Finance income**

Finance income comprises interest income on cash and cash equivalents and interest earned on financial assets on the effective interest rate basis. Finance income is recognised in investment income in the statement of profit and loss and other comprehensive income.

## 3 ACCOUNTING POLICIES CONTINUED

**Dividend income**

Dividend income is recognised in the statement of profit or loss and other comprehensive income on the date that the Company's right to receive payment is established, which in the case of listed securities is the ex-dividend date. For unlisted equities, this is usually the date on which the payee's Board approve the payment of a dividend. Dividend income of €1.6m (31 December 2017: €1.4m) from equity securities designated at FVTPL is recognised in the statement of profit or loss and other comprehensive income in the current year.

**Net changes in investments at FVTPL**

Unrealised gains and losses

Net change in Derived Investments at FVTPL includes all unrealised changes in the fair value of investments, including foreign currency movements, since the beginning of the reporting period or since designated upon initial recognition as held at FVTPL and excludes dividend and interest income.

Net change in the fair value of Private Equity Investments is calculated based on the movement of fair value since the beginning of the reporting period adjusted for all calls paid and distributions received. Total Private Equity distributions received from this portfolio are treated as unrealised movements until the commitment for primary investments or cost and undrawn commitment for secondary investments have been fully repaid.

Realised gains and losses

Realised gains and losses from financial instruments at FVTPL represents the gain or loss realised in the period. The unit of account for Derived Investments is the individual share or debt nominal which can be sold on an individual basis. The unit of account for Private Equity Investments is commitment. The resulting accounting treatment for the realised gains and losses is based on these units of account.

The realised gain or loss for Derived Investments is calculated based on the carrying amount of a financial instrument at the beginning of the reporting period, or the transaction price if it was purchased in the current reporting period, and its sale or settlement price. Realised gains and losses on disposals of these investments are calculated using the first-in first-out method. Realised gains on the Private Equity portfolio are recognised when the commitment on primary investments or the cost and undrawn commitment for secondary investments has been fully repaid.

Distributions received in excess of the commitment for a primary investment or the cost and undrawn amount for a secondary investment are recognised as realised gains in the statement of profit or loss and other comprehensive income.

**Brokerage fees and other transaction costs**

Brokerage fees and other transaction costs are costs incurred to acquire investments at FVTPL. They include fees and commissions paid to agents, brokers and dealers. Brokerage fees and other transaction costs, when incurred, are immediately recognised in the statement of profit or loss and other comprehensive income as an expense.

**Other expenses**

Fees and other operating expenses are recognised in the statement of profit or loss and other comprehensive income on an accruals basis.

**Provisions and contingent liabilities**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless the probability of their occurrence is remote.

**Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date.

For loans payable, the foreign currency gain or loss is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for interest payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation of non-investment assets are recognised in the statement of profit or loss and other comprehensive income. For investment assets held at FVTPL, foreign currency differences are reported as part of the net changes in investments at FVTPL.

## 3 ACCOUNTING POLICIES CONTINUED

**Taxation**

The Company may incur withholding taxes imposed by certain countries on investment income or capital gains taxes upon realisation of its investments. Such income or gains are recorded gross of withholding taxes and capital gains taxes in the statement of profit or loss and other comprehensive income. Withholding taxes and capital gains taxes are shown as separate items. Where applicable, tax accruals are raised by the Company based on an investments expected hold period.

**Shareholders' capital and reserves**

Shareholders' capital

Shareholders' capital issued by the Company is recognised as the proceeds or fair value received less incremental costs directly attributable to the issue of shareholders' capital, net of tax effects recognised as a deduction from equity.

Dividends

Dividends on ordinary shares are recognised in equity in the period in which they become payable, which is when they are approved by the Company's Board of Directors.

Earnings per share

The earnings per share is calculated based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the year.

The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the year adjusted for items that would cause a dilutive effect on the ordinary shares.

The Adjusted earnings per share is calculated based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the year adjusted for the performance fee.

**New standards and interpretations not yet adopted**

The Company has applied all new and amended standards with an effective date from 1 January 2018. Additionally, it has reviewed and assessed changes to current accounting standards issued by the IASB with an effective date from 1 January 2019; none of these have had or are expected to have a material impact on the Company's financial statements.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the financial statements, the Company makes judgements and estimates that affect the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates. Estimates and judgements are continually evaluated and are based on the Board of Directors and Investment Managers' experience and their expectations of future events. Revisions to estimates are recognised prospectively.

**(i) Judgements**

The judgement that has the most significant effect on the amounts recognised in the Company's financial statements relates to investment assets. These have been determined to be investments held at FVTPL and have been accounted for accordingly. See note 3 for further details.

**(ii) Estimates**

The estimate that has the most significant effect on the amounts recognised in the Company's financial statements relates to investments held at FVTPL. The fair value of investments traded in an active market at FVTPL is determined by reference to their bid-market pricing at the reporting date, otherwise the fair value is determined by using appropriate valuation techniques and methodologies.

The Investment Manager is responsible for the preparation of the Company's valuations and meets quarterly to approve and discuss the key valuation assumptions. The meetings are open to the Board of Directors, the Investment Adviser and to the external auditor to enable them to challenge the valuation assumptions and the proposed valuation estimates. On a quarterly basis, the Board of Directors review and approve the final NAV calculation before it is announced to the market.

The Investment Manager also makes estimates and assumptions concerning the future and the resulting accounting estimates will, by definition, seldom equal the related actual results. The assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined in note 14.

## 5 SEGMENTAL ANALYSIS

The segmental analysis of the Company's results and financial position is set out below. Each pursue a different investment strategy thesis as approved by the Chief Operating Decision Maker, the Board of Directors. There have been no changes to segments since the prior year ended 31 December 2017.

The Company prepares the analysis on the same basis as those referenced in the accounting policies in note 3. On an ongoing basis, the Board of Directors monitors the portfolio allocation to ensure that it is in line with the investment strategy.

**Reportable segments**

| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018 | PRIVATE EQUITY INVESTMENTS €'000 | DERIVED INVESTMENTS €'000 | CENTRAL FUNCTIONS[1] €'000 | TOTAL €'000 |
|---|---|---|---|---|
| Investment income | – | 19,416 | 26 | 19,442 |
| Net changes in investments at FVTPL | 92,667 | (35,928) | – | 56,739 |
| Realised foreign exchange losses | – | (1,550) | (1,216) | (2,766) |
| Net unrealised foreign currency gains | – | – | 116 | 116 |
| **Total income** | **92,667** | **(18,062)** | **(1,074)** | **73,531** |
| Performance fees[2] | 4,104 | (1,981) | – | 2,123 |
| Management fees | (705) | (3,905) | – | (4,610) |
| Administration and other operating expenses | – | (1,131) | (1,976) | (3,107) |
| **Total operating expenses** | **3,399** | **(7,017)** | **(1,976)** | **(5,594)** |
| Finance costs | – | – | (2,729) | (2,729) |
| **Profit/(loss) before tax** | **96,066** | **(25,079)** | **(5,779)** | **65,208** |
| Tax charge | – | (261) | – | (261) |
| **Total comprehensive income attributable to shareholders** | **96,066** | **(25,340)** | **(5,779)** | **64,947** |

| STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018 | PRIVATE EQUITY INVESTMENTS €'000 | DERIVED INVESTMENTS €'000 | CASH AND OTHER NCAs[3] €'000 | TOTAL €'000 |
|---|---|---|---|---|
| Total assets | 591,458 | 324,125 | 17,350 | 932,933 |
| Total liabilities | (239) | (1,024) | (899) | (2,162) |
| **NAV** | **591,219** | **323,101** | **16,451** | **930,771** |

| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017 | PRIVATE EQUITY INVESTMENTS €'000 | DERIVED INVESTMENTS €'000 | CENTRAL FUNCTIONS[1] €'000 | TOTAL €'000 |
|---|---|---|---|---|
| Investment income | – | 27,304 | 256 | 27,560 |
| Net changes in investments at FVTPL | 15,510 | 5,360 | – | 20,870 |
| Realised foreign exchange gains/(losses) | 1,112 | 874 | (187) | 1,799 |
| Net unrealised foreign currency losses | – | – | (6,871) | (6,871) |
| **Total income** | **16,622** | **33,538** | **(6,802)** | **43,358** |
| Performance fees[2] | 630 | (13,400) | – | (12,770) |
| Management fees | (627) | (4,589) | – | (5,216) |
| Administration and other operating expenses[4] | – | (961) | (1,849) | (2,810) |
| **Total operating expenses** | **3** | **(18,950)** | **(1,849)** | **(20,796)** |
| Finance costs | – | – | (1,324) | (1,324) |
| **Profit/(loss) before tax** | **16,625** | **14,588** | **(9,975)** | **21,238** |
| Tax charge | – | (733) | – | (733) |
| **Total comprehensive income attributable to shareholders** | **16,625** | **13,855** | **(9,975)** | **20,505** |

| STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017 | PRIVATE EQUITY INVESTMENTS €'000 | DERIVED INVESTMENTS €'000 | CASH AND OTHER NCAs[3] €'000 | TOTAL €'000 |
|---|---|---|---|---|
| Total assets | 590,185 | 320,484 | 20,976 | 931,645 |
| Total liabilities | – | – | (1,729) | (1,729) |
| **NAV** | **590,185** | **320,484** | **19,247** | **929,916** |

1. Central functions represents interest income earned on cash balances held and administration and other operating expenses and finance costs
2. Represents the movement in each respective portfolio's overall performance fee reserve (realised and unrealised)
3. NCAs refers to net current assets of the Company
4. Expenses related to Derived Investments have been reclassified from central functions to Derived Investments in the prior year comparative

## 5 SEGMENTAL ANALYSIS CONTINUED

### Geographic information

| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018 | NORTH AMERICA €'000 | EUROPE €'000 | BRIC* €'000 | REST OF WORLD €'000 | TOTAL €'000 |
|---|---|---|---|---|---|
| Investment income | 16,325 | 2,717 | 400 | – | 19,442 |
| Net changes in investments at FVTPL | 43,022 | 28,973 | (18,300) | 3,044 | 56,739 |
| Realised foreign exchange losses | (1,448) | (1,225) | (93) | – | (2,766) |
| Net unrealised foreign currency gains | – | 116 | – | – | 116 |
| **Total income** | **57,899** | **30,581** | **(17,993)** | **3,044** | **73,531** |
| Performance fee | 4,104 | (1,981) | – | – | 2,123 |
| Management fee | (2,123) | (1,823) | (664) | – | (4,610) |
| Administration and other operating expenses | – | (3,107) | – | – | (3,107) |
| **Total operating expenses** | **1,981** | **(6,911)** | **(664)** | **–** | **(5,594)** |
| Finance costs | – | (2,729) | – | – | (2,729) |
| **Profit/(loss) before tax** | **59,880** | **20,941** | **(18,657)** | **3,044** | **65,208** |
| Tax charge | – | (162) | (99) | – | (261) |
| **Total comprehensive income attributable to shareholders** | **59,880** | **20,779** | **(18,756)** | **3,044** | **64,947** |

| STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018 | NORTH AMERICA €'000 | EUROPE €'000 | BRIC* €'000 | REST OF WORLD €'000 | TOTAL €'000 |
|---|---|---|---|---|---|
| Total assets | 460,371 | 408,154 | 43,850 | 20,558 | 932,933 |
| Total liabilities | (12) | (2,149) | (1) | – | (2,162) |
| **NAV** | **460,359** | **406,005** | **43,849** | **20,558** | **930,771** |

| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017 | NORTH AMERICA €'000 | EUROPE €'000 | BRIC* €'000 | REST OF WORLD €'000 | TOTAL €'000 |
|---|---|---|---|---|---|
| Investment income | 19,950 | 6,669 | 941 | – | 27,560 |
| Net changes in investments at FVTPL | (20,561) | 37,096 | 3,167 | 1,168 | 20,870 |
| Realised foreign exchange gains | 432 | 1,154 | 213 | – | 1,799 |
| Net unrealised foreign currency losses | – | (6,871) | – | – | (6,871) |
| **Total income** | **(179)** | **38,048** | **4,321** | **1,168** | **43,358** |
| Performance fee | (1,326) | (9,515) | (1,929) | – | (12,770) |
| Management fee | (2,685) | (1,600) | (931) | – | (5,216) |
| Administration and other operating expenses | – | (2,810) | – | – | (2,810) |
| **Total operating expenses** | **(4,011)** | **(13,925)** | **(2,860)** | – | **(20,796)** |
| Finance costs | – | (1,324) | – | – | (1,324) |
| **Profit before tax** | **(4,190)** | **22,799** | **1,461** | **1,168** | **21,238** |
| Tax charge | – | (89) | (644) | – | (733) |
| **Total comprehensive income** | **(4,190)** | **22,710** | **817** | **1,168** | **20,505** |

| STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017 | NORTH AMERICA €'000 | EUROPE €'000 | BRIC* €'000 | REST OF WORLD €'000 | TOTAL €'000 |
|---|---|---|---|---|---|
| Total assets | 454,386 | 375,416 | 87,185 | 14,658 | 931,645 |
| Total liabilities | – | (1,729) | – | – | (1,729) |
| **NAV** | **454,386** | **373,687** | **87,185** | **14,658** | **929,916** |

* BRIC = Brazil, Russia, India and China. AGA holds Derived Investments directly in India and China only

## 6 ADMINISTRATION AND OTHER OPERATING EXPENSES

| | YEAR ENDED 31 DECEMBER 2018 €'000 | YEAR ENDED 31 DECEMBER 2017 €'000 |
|---|---|---|
| Directors' fees | 279 | 308 |
| Administration and other fees | 586 | 535 |
| Deal transaction, custody and research costs | 1,131 | 961 |
| General expenses | 927 | 816 |
| Auditors' remuneration | | |
| Statutory audit | 111 | 114 |
| Other assurance services – interim review | 46 | 44 |
| Tax services | 27 | 23 |
| Other non-audit services | – | 9 |
| **Total administration and other operating expenses** | **3,107** | **2,810** |

Included in general expenses of €0.9m (31 December 2017: €0.8m) was €0.4m of legal fees related to the renewal of the revolving credit facility during the year. The Company has no employees and there were no pension or staff cost liabilities incurred during the year.

## 7 TAXATION

The Company is exempt from taxation in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 and is charged an annual exemption fee of £1,200 (31 December 2017: £1,200).

The Company, at times, may be required to pay tax in other jurisdictions as a result of specific trades in its investment portfolio. During the year ended 31 December 2018, the Company had a net tax expense of €0.3m (31 December 2017: €0.7m), mainly related to the sale of listed equities in India and tax incurred on debt interest in the United Kingdom. No deferred income taxes were recorded as there are no timing differences.

## 8 INVESTMENTS

### (a) Investments held at FVTPL

| | YEAR ENDED 31 DECEMBER 2018 €'000 | YEAR ENDED 31 DECEMBER 2017 €'000 |
|---|---|---|
| Opening fair value | 910,669 | 911,554 |
| Calls | 32,540 | 154,422 |
| Distributions | (135,060) | (78,497) |
| Purchases[1] | 223,636 | 278,543 |
| Sales | (176,476) | (376,223) |
| Net change in fair value | 56,739 | 20,870 |
| **Closing fair value** | **912,048** | **910,669** |
| Private Equity Investments | 591,458 | 590,185 |
| Derived Investments | 320,590 | 320,484 |
| *Debt* | *178,272* | *188,429* |
| *Equities* | *142,318* | *132,055* |
| **Closing fair value** | **912,048** | **910,669** |

1. Included in purchases is €11.1m related to Private Equity as two carried interest holdings were purchased on the secondary market during the year

### (b) Net changes in investments at FVTPL

| | YEAR ENDED 31 DECEMBER 2018 €'000 | YEAR ENDED 31 DECEMBER 2017 €'000 |
|---|---|---|
| **Private Equity Investments** | | |
| Gross unrealised gains | 125,199 | 57,537 |
| Gross unrealised losses | (32,532) | (42,027) |
| **Total net unrealised gains on Private Equity Investments** | **92,667** | **15,510** |
| **Derived Investments** | | |
| Gross unrealised gains | 22,528 | 40,145 |
| Gross unrealised losses | (38,132) | (52,951) |
| **Net unrealised losses on Derived Investments** | **(15,604)** | **(12,806)** |
| Gross realised gains | 12,781 | 49,486 |
| Gross realised losses | (33,105) | (31,320) |
| **Net realised (losses)/gains on Derived Investments** | **(20,324)** | **18,166** |
| **Total net (losses)/gains on Derived Investments** | **(35,928)** | **5,360** |
| **Net changes in investments at FVTPL** | **56,739** | **20,870** |

### (c) Involvement with unconsolidated structured entities

The Company's investments in Private Equity funds are considered to be unconsolidated structured entities. The nature and purpose of these investment funds is to invest capital on behalf of its limited partners. The funds pursue a sector focused strategy, investing in four key sectors: Tech & Telco, Services, Healthcare and Consumer. The Company commits to a fixed amount of capital, which may be drawn (and returned) over the life of the fund. The Company pays capital calls when due and receives distributions from the funds, once an asset has been sold. See note 13 for a summary of outstanding commitments and recallable distributions to the six underlying Private Equity Investments held. The fair value of these was €591.5m at 31 December 2018 (31 December 2017: €590.2m), whereas total value of the Private Equity funds was €13.4bn (31 December 2017: €13.9bn). During the year, the Company did not provide financial support and has no intention of providing financial or other support to these unconsolidated structured entities.

## 9 CASH AND CASH EQUIVALENTS

| | 31 DECEMBER 2018 €'000 | 31 DECEMBER 2017 €'000 |
|---|---|---|
| Cash held at banks | 17,306 | 18,989 |
| **Total** | **17,306** | **18,989** |

## 10 RELATED PARTY TRANSACTIONS

The Investment Manager was appointed by the Board of Directors under a discretionary Investment Management Agreement ("**IMA**") dated 22 May 2015 and the amended IMA dated 22 August 2016. Such agreement sets out the allocation and payment of the management fee.

The management fee is calculated in arrears at a rate of 1.25% per annum on the fair value of Derived Investments and non-fee paying Private Equity Investments held by the Company which do not already pay a management fee and/or an advisory fee to the Investment Manager or Investment Adviser. During the year ended 31 December 2018, management fees of €4.6m (31 December 2017: €5.2m), of which €1.2m (31 December 2017: €1.2m) was accrued at year end, were earned by the Investment Manager. The Investment Manager is also entitled to a performance fee on realised gains when they reach or exceed a benchmark performance, as explained in note 11.

The IMA has an initial term of six years and automatically continues for a further three additional years unless prior to the fifth anniversary the Investment Manager or the Company (by a special resolution) serves written notice to terminate the IMA. The Company is required to pay the Investment Manager all fees and expenses accrued and payable for the notice period through to the termination date.

The Investment Adviser has been engaged by the Investment Manager to provide advice on the investment strategy of the Company. An Investment Advisory Agreement ("**IAA**"), dated 22 May 2015 and an amendment dated 22 August 2016, exists between the two parties. Though not legally related to the Company, the Investment Adviser has been determined to be a related party. The Company paid no fees and had no transactions with the Investment Adviser during the year (31 December 2017: €Nil).

The Company has an Administration Agreement with Aztec Financial Services (Guernsey) Limited ("**Aztec**") dated 22 May 2015. Under the terms of the agreement, Aztec has delegated certain accounting and bookkeeping services related to the Company to Apax Partners Fund Services Limited ("**APFS**"), a related party of the Investment Adviser, under a sub-administration agreement dated 22 May 2015. A fee of €0.4m (31 December 2017: €0.4m) was paid by the Company in respect of administration fees and expenses, of which €0.3m (31 December 2017: €0.3m) was paid to APFS.

The table below summarises shares held by Directors:

| | 31 DECEMBER 2018 | % OF TOTAL SHARES IN ISSUE | 31 DECEMBER 2017 | % OF TOTAL SHARES IN ISSUE |
|---|---|---|---|---|
| Tim Breedon | 70,000 | 0.014% | 70,000 | 0.014% |
| Susie Farnon | 20,000 | 0.004% | 20,000 | 0.004% |
| Chris Ambler | 18,008 | 0.004% | 6,553 | 0.001% |
| Mike Bane | – | – | – | – |

On 3 January 2018, Sarah Evans retired from the Board of Directors and the Audit Committee. On 3 July 2018, Mike Bane was appointed as a new Director.

### 11 PERFORMANCE FEE

| | 31 DECEMBER 2018 €'000 | 31 DECEMBER 2017 €'000 |
|---|---|---|
| **Opening performance fee reserve** | 17,495 | 11,291 |
| Performance fee (released)/charged to statement of profit or loss and OCI | (2,123) | 12,770 |
| Performance fee paid | (15,372) | (6,566) |
| **Closing performance fee reserve** | – | **17,495** |

A performance fee is payable on an annual basis once realised gains on the Derived Investments and non-fee paying Private Equity Investments exceed the benchmark of an 8% internal rate of return. Performance fees are only payable to the extent they do not dilute the returns below the 8% benchmark and are calculated at 20% on total realised gains. Where there are net realised losses these are carried forward and netted against future performance fees that may become payable.

The performance fee is payable to the Investment Manager by way of ordinary shares of the Company. The mechanics of the payment of the performance fee are explained in the prospectus. In accordance with IFRS 2 "**Share-based Payment**", performance fee expenses are charged through the statement of profit or loss and other comprehensive income and allocated to a share-based payment performance fee reserve in equity.

In the year ended 31 December 2018, a performance fee of €15.4m was paid in cash to the Investment Manager in relation to performance on investments realised during the year ended 31 December 2017. Certain regulatory constraints prevented this payment in shares. The Company and the Investment Manager have been working to clear and resolve these limitations and expect to pay future fees in shares. As permitted by the IMA, the Company may pay the performance fee in cash if there are restrictions that prevent the Company purchasing shares to be awarded.

At 31 December 2018, management's best estimate of the expected performance fee was calculated on the eligible portfolio on a liquidation basis. There was no performance fee reserve at 31 December 2018 as the required benchmark return of 8% was not met on assets realised for cash during the year. Additionally, there was no performance fee reserve accrued on the remaining unrealised portfolio as the required benchmark return was not met either.

### 12 REVOLVING CREDIT FACILITY AND FINANCE COSTS

The Company entered into a new multi-currency revolving credit facility on 6 November 2018 (the "**Loan Agreement**") with Credit Suisse AG, London Branch ("**Credit Suisse**") for general corporate purposes. It subsequently ended its revolving credit facility with Lloyds Bank plc on 9 November 2018. The Company may borrow under the Loan Agreement; including letters of credit subject to a maximum borrowing limit set at €140m. The new facility has an initial term of three years and is due to expire on 5 November 2021.

The interest rate charged remains the same as the prior facility as LIBOR or EURIBOR plus a margin of 210 bps. During the year €0.4m (31 December 2017: €0.1m) interest was paid on 16 drawdowns on the facilities. In addition, a charge of €1.3m (31 December 2017: €1.3m) was included in the statement of profit or loss related to a non-utilisation fee on the undrawn facility and a one-off commitment fee of €1.0m (31 December 2017: €Nil) related to the refinancing of the new revolving credit facility. Under the new Loan Agreement, the Company is required to provide collateral for each utilisation. Collateral provided will be in the form of material Private Equity investments only. The loan-to-value must not exceed 35% of the eligible Private Equity NAV. As at 31 December 2018 and 31 December 2017, the facility was unutilised.

## 13 FINANCIAL RISK MANAGEMENT

The Company maintains positions in a variety of financial instruments in accordance with its Investment Management strategy. The Company's underlying investment portfolio comprises Private Equity Investments and Derived Investments. The Company's exposure to the portfolio is summarised in the table below:

| | 31 DECEMBER 2018 | 31 DECEMBER 2017 |
|---|---|---|
| Private Equity Investments | 65% | 65% |
| Derived Investments | 35% | 35% |
| *Debt* | *19%* | *20%* |
| *Equities* | *16%* | *15%* |
| **Total** | **100%** | **100%** |

Private Equity Investments have a limited life-cycle given the average legal term of a fund is ten years, unless extended by investor consent. The Company actively manages Derived Investments held and realises these as opportunities arise.

The Company's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Company is exposed and seeks to minimise potential adverse effects on the Company's financial performance. Accordingly, investments made by the Company potentially carry a significant level of risk. There can be no assurance that the Company's objectives will be achieved or that there will be a return of capital invested.

The management of financial risks is carried out by the Investment Manager under the policies approved by the Board of Directors. The Investment Manager regularly updates the Board of Directors, at a minimum four times a year, on its activities and any material risk identified.

The Investment Manager manages financial risk against an investment reporting and monitoring framework tailored to the Company. The framework monitors investment strategy, investment limits and restrictions as detailed in the prospectus along with additional financial metrics deemed to be fundamental in the running and monitoring of the Invested Portfolio. The Invested Portfolio is monitored in real time which enables the Investment Manager to keep a close review on performance and positioning.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk including price risk, foreign currency risk and interest rate risk. The Company is also exposed to operational risks such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that mitigates the risk of loss of title of the securities held by the custodian, in the event of failure, the ability of the Company to transfer the securities might be temporarily impaired. At 31 December 2018 and 31 December 2017, the Company's custodians were ING and HSBC, their respective credit ratings were A- and A.

The Company considers that it is not exposed to any significant concentration of risks. The Company has a diversified underlying portfolio of investments in Private Equity Investments and Derived Investments. The underlying investments are further diversified as they are split across a number of sectors and operate in a number of different geographic regions.

### Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. This risk arises principally from the Company's investment in debt, cash and cash equivalents, investment receivables and other receivables.

| | 31 DECEMBER 2018 €'000 | % OF NAV | 31 DECEMBER 2017 €'000 | % OF NAV |
|---|---|---|---|---|
| Debt investments | 178,272 | 19% | 188,429 | 20% |
| Cash and cash equivalents | 17,306 | 2% | 18,989 | 2% |
| Investment receivables | 2,125 | 0% | – | 0% |
| Other receivables | 1,454 | 0% | 1,987 | 0% |
| **Total** | **199,157** | **21%** | **209,405** | **22%** |

## 13 FINANCIAL RISK MANAGEMENT CONTINUED

### (a) Debt investments
The Investment Manager manages the risk related to debt investments by assessing the credit quality of the issuers and monitoring this through the term of investment. The credit quality of the Company's debt investments are summarised in the table below:

| RATING (S&P) | 31 DECEMBER 2018 €'000 | % OF DEBT INVESTMENTS | % OF NAV | 31 DECEMBER 2017 €'000 | % OF DEBT INVESTMENTS | % OF NAV |
|---|---|---|---|---|---|---|
| B- | 25,709 | 14% | 3% | 16,314 | 9% | 2% |
| CCC+ | 34,616 | 19% | 4% | 62,760 | 33% | 7% |
| CCC | 64,923 | 37% | 7% | 66,154 | 35% | 7% |
| CCC- | – | 0% | 0% | 10,693 | 6% | 1% |
| D | 2,529 | 1% | 0% | – | 0% | 0% |
| N/R[1] | 50,495 | 29% | 5% | 32,508 | 17% | 3% |
| **Total** | **178,272** | **100%** | **19%** | **188,429** | **100%** | **20%** |

1. Not currently rated by S&P

The Investment Manager also reviews the debt investments' industry sector concentration. The Company was exposed to concentration risk in the following industry sectors:

| | 31 DECEMBER 2018 €'000 | % OF DEBT INVESTMENTS | % OF NAV | 31 DECEMBER 2017 €'000 | % OF DEBT INVESTMENTS | % OF NAV |
|---|---|---|---|---|---|---|
| Tech & Telco | 64,696 | 37% | 7% | 77,706 | 41% | 8% |
| Services | 85,879 | 48% | 9% | 35,702 | 19% | 4% |
| Healthcare | 16,469 | 9% | 2% | 36,904 | 20% | 4% |
| Consumer | 11,228 | 6% | 1% | 38,117 | 20% | 4% |
| **Total** | **178,272** | **100%** | **19%** | **188,429** | **100%** | **20%** |

### (b) Cash and cash equivalents
The Company limits its credit risk exposure in cash and cash equivalents by depositing cash with adequately rated institutions. No allowance for impairment is made for cash and cash equivalents.

The exposure to credit risk to cash and cash equivalents is set out below:

| | CREDIT RATING | 31 DECEMBER 2018 €'000 | 31 DECEMBER 2017 €'000 |
|---|---|---|---|
| Cash held in banks | A | 368 | 16,033 |
| Cash held in banks | A- | 9,303 | 2,869 |
| Cash held in banks | BBB+ | 448 | 87 |
| Cash held in money market funds | AAA | 7,187 | – |
| **Total** | | **17,306** | **18,989** |

The Company's cash is held with JP Morgan Chase, RBS International in Guernsey, HSBC and ING.

### (c) Investment receivables and other receivables
The Company monitors the credit risk of investment receivables and other receivables on an ongoing basis. These assets are not considered impaired nor overdue for repayment.

### Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's obligation requirements are met through a combination of liquidity from the sale of investments and the use of cash resources. In accordance with the Company's policy, the Investment Manager monitors the Company's liquidity position on a regular basis; the Board of Directors also reviews it, at a minimum, on a quarterly basis.

The Company invests in two portfolios, Private Equity Investments and Derived Investments. Each portfolio has a different liquidity profile.

Derived Investments in the form of listed securities are considered to be liquid investments that the Company may realise on short notice. These are determined to be readily realisable, as the majority are listed on major global stock exchanges. Derived Investments in the form of debt and unlisted equity have a mixed liquidity profile as some positions may not be readily realisable due to an inactive market or due to other factors such as restricted trading windows during the year. Debt investments held in actively traded bonds are considered to be readily realisable.

## 13 FINANCIAL RISK MANAGEMENT CONTINUED

The Company's Private Equity Investments are not readily realisable unless in a secondary market, potentially at a discounted price. In addition, the timing and quantum of Private Equity distributions and capital calls on the remaining undrawn commitments are difficult to predict.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2018 based on contractual undiscounted repayment obligations. The contractual maturities of most financial liabilities are less than three months, with the exception of the revolving credit facility and commitments to Private Equity Investments, where their expected cash flow dates are summarised in the tables below.

At 31 December 2018, the Company had undrawn commitments and recallable distributions of €251.8m (31 December 2017: €266.2m), of which €78.8m (31 December 2017: €78.7m) is expected to be drawn within 12 months. In line with the investment strategy of the Company, the Derived Investments portfolio is expected to be invested in equities, predominantly listed equity, and debt. These asset classes provide additional liquidity management options as many of them are readily realisable.

The Company also has access to a short-term revolving credit facility upon which it can draw up to €140.0m. The Company may utilise this facility in the short term to bridge Private Equity calls and ensure that it can realise the Derived Investments at the best price available. At 31 December 2018, the facility remained undrawn (31 December 2017: €Nil).

The Company does not manage liquidity risk on the basis of contractual maturity, instead the Company manages liquidity risk based on expected cash flows.

**31 December 2018**

| | UP TO 3 MONTHS €'000 | 3–12 MONTHS €'000 | 1–5 YEARS €'000 | TOTAL €'000 |
|---|---|---|---|---|
| Accrued expenses | 2,162 | – | – | 2,162 |
| Private Equity Investments outstanding commitments and recallable distributions | – | 78,820 | 172,930 | 251,750 |
| **Total** | **2,162** | **78,820** | **172,930** | **253,912** |

**31 December 2017**

| | UP TO 3 MONTHS €'000 | 3–12 MONTHS €'000 | 1–5 YEARS €'000 | TOTAL €'000 |
|---|---|---|---|---|
| Accrued expenses | 1,729 | – | – | 1,729 |
| Private Equity Investments outstanding commitments and recallable distributions | – | 78,714 | 187,517 | 266,231 |
| **Total** | **1,729** | **78,714** | **187,517** | **267,960** |

The Company has outstanding commitments and recallable distributions to Private Equity Investments as summarised below:

| | 31 DECEMBER 2018 €'000 | 31 DECEMBER 2017 €'000 |
|---|---|---|
| Apax Europe VI | 225 | 225 |
| Apax Europe VII | 1,030 | 1,030 |
| Apax VIII | 26,584 | 48,892 |
| AMI Opportunities | 10,701 | 12,887 |
| Apax IX | 173,872 | 161,548 |
| Apax Digital Fund | 39,338 | 41,649 |
| **Total** | **251,750** | **266,231** |

At year end, the Company's investments are recorded at fair value. The remaining assets and liabilities are of a short-term nature and their fair values approximate their carrying values.

### Market risk

Market risk is the risk that changes in market prices such as foreign currency exchange rates, interest rates and equity prices will affect the Company's income or the value of its investments. The Company aims to manage this risk within acceptable parameters while optimising the return.

(a) Price risk

The Company is exposed to price risk on its Private Equity Investments and Derived Investments. All positions within the portfolio involve a degree of risk and there are a wide variety of risks that affect how the price of each individual investments will perform. The key price risks in the Company's portfolio include, but are not limited to: investment liquidity – where a significant imbalance between buyers and sellers can cause significant increases or decreases in prices; the risk that a company which has issued a bond or a loan has its credit rating changed, which can lead to significant pricing risk; and general investment market direction, where various factors such as the state of the global economy or global political developments can impact prices.

## 13 FINANCIAL RISK MANAGEMENT CONTINUED

For the year ended 31 December 2018, the main price risks for the Company's portfolio were economic and political uncertainty in Europe and the US together with uncertainty regarding fiscal policy. The Investment Manager actively manages and monitors price risk. The table below reflects the sensitivity of price risk of the Invested Portfolio and the impact on NAV:

| 31 DECEMBER 2018 | BASE CASE €'000 | BULL CASE (+20%) €'000 | BEAR CASE (-20%) €'000 |
|---|---|---|---|
| Investments | 912,048 | 1,094,458 | 729,638 |
| **Change in NAV and profit** | | **182,410** | **(182,410)** |
| **Change in NAV (%)** | | **20%** | **-20%** |
| **Change in total income** | | **248%** | **-248%** |
| **Change in profit for the year** | | **281%** | **-281%** |

| 31 DECEMBER 2017 | BASE CASE €'000 | BULL CASE (+20%) €'000 | BEAR CASE (-20%) €'000 |
|---|---|---|---|
| Investments | 910,669 | 1,092,803 | 728,535 |
| **Change in NAV and profit** | | **182,134** | **(182,134)** |
| **Change in NAV (%)** | | **20%** | **-20%** |
| **Change in total income** | | **420%** | **-420%** |
| **Change in profit for the year** | | **888%** | **-888%** |

### (b) Currency risk

The Company is exposed to currency risk on those investments, cash, interest receivable and other non-current assets which are denominated in a currency other than the Company's functional currency, which is the euro. The Company does not hedge the currency exposure related to its investments. The Company regards its exposure to exchange rate changes on the underlying investments as part of its overall investment return and does not seek to mitigate that risk through the use of financial derivatives. The Company is also exposed to currency risk on fees which are denominated in a currency other than the Company's functional currency.

The Company's exposure to currency risk on net assets is as follows:

| AT 31 DECEMBER 2018 | EUR €'000 | USD €'000 | GBP €'000 | INR €'000 | HKD €'000 | NOK €'000 | CHF €'000 | TOTAL €'000 |
|---|---|---|---|---|---|---|---|---|
| Investments at FVTPL | 320,277 | 491,727 | 45,116 | 30,476 | 13,006 | 3,865 | 7,581 | 912,048 |
| Cash and cash equivalents | 14,263 | 2,478 | 197 | 368 | – | – | – | 17,306 |
| Investment receivables | – | 2,125 | – | – | – | – | – | 2,125 |
| Interest receivable | – | 1,242 | 168 | – | – | – | – | 1,410 |
| Other receivables | – | – | 44 | – | – | – | – | 44 |
| Accrued expenses | (1,540) | (40) | (582) | – | – | – | – | (2,162) |
| **Total net foreign currency exposure** | **333,000** | **497,532** | **44,943** | **30,844** | **13,006** | **3,865** | **7,581** | **930,771** |

| AT 31 DECEMBER 2017 | EUR €'000 | USD €'000 | GBP €'000 | INR €'000 | HKD €'000 | NOK €'000 | CHF €'000 | TOTAL €'000 |
|---|---|---|---|---|---|---|---|---|
| Investments at FVTPL | 340,323 | 481,420 | 26,270 | 36,416 | 22,222 | 4,018 | – | 910,669 |
| Cash and cash equivalents | 2,009 | 625 | 319 | 16,032 | 4 | – | – | 18,989 |
| Interest receivable | 118 | 1,828 | 41 | – | – | – | – | 1,987 |
| Accrued expenses | (1,431) | (60) | (238) | – | – | – | – | (1,729) |
| **Total net foreign currency exposure** | **341,019** | **483,813** | **26,392** | **52,448** | **22,226** | **4,018** | – | **929,916** |

The Company's sensitivity to changes in foreign exchange movements on net assets is summarised below:

| 31 DECEMBER 2018 | BASE CASE €'000 | BULL CASE (+15%) €'000 | BEAR CASE (-15%) €'000 |
|---|---|---|---|
| USD | 497,532 | 572,162 | 422,902 |
| GBP | 44,943 | 51,684 | 38,202 |
| INR | 30,844 | 35,471 | 26,217 |
| HKD | 13,006 | 14,957 | 11,055 |
| NOK | 3,865 | 4,445 | 3,285 |
| CHF | 7,581 | 8,718 | 6,444 |
| **Change in NAV and profit** | | **89,666** | **(89,666)** |
| **Change in NAV (%)** | | **10%** | **-10%** |
| **Change in total income** | | **122%** | **-122%** |
| **Change in profit for the year** | | **138%** | **-138%** |

## 13 FINANCIAL RISK MANAGEMENT CONTINUED

(b) Currency risk (continued)

| 31 DECEMBER 2017 | BASE CASE €'000 | BULL CASE (+15%) €'000 | BEAR CASE (-15%) €'000 |
|---|---|---|---|
| USD | 483,813 | 556,385 | 411,241 |
| GBP | 26,392 | 30,352 | 22,434 |
| INR | 52,448 | 60,315 | 44,581 |
| HKD | 22,226 | 25,560 | 18,892 |
| NOK | 4,018 | 4,621 | 3,415 |
| **Change in NAV and profit** | | **88,335** | **(88,335)** |
| **Change in NAV (%)** | | **9%** | **-9%** |
| **Change in total income** | | **204%** | **-204%** |
| **Change in profit for the year** | | **431%** | **-431%** |

(c) Interest rate risk Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on financial assets and liabilities and future cash flows. The Company holds debt investments, loans payable and cash and cash equivalents that expose the Company to cash flow interest rate risk. The Company's policy makes provision for the Investment Manager to manage this risk and to report to the Board of Directors as appropriate.

The Company's exposure to interest rate risk was €195.6m (31 December 2017: €205.5m). The analysis below assumes that the price remains constant for both bull and bear case. The impact of interest rate floors on the debt portfolio have been included in the bear case and fixed rate debt positions have been excluded from the below:

| 31 DECEMBER 2018 | BASE CASE €'000 | BULL CASE (+500BPS) €'000 | BEAR CASE (-500BPS) €'000 |
|---|---|---|---|
| Cash and cash equivalents | 17,306 | 18,171 | 16,441 |
| Debt | 178,272 | 187,186 | 178,272 |
| **Change in NAV and profit** | | **9,779** | **(865)** |
| **Change in NAV (%)** | | **1%** | **0%** |
| **Change in total income** | | **13%** | **-1%** |
| **Change in profit for the year** | | **15%** | **-1%** |

| 31 DECEMBER 2017 | BASE CASE €'000 | BULL CASE (+500BPS) €'000 | BEAR CASE (-500BPS) €'000 |
|---|---|---|---|
| Cash and cash equivalents | 18,989 | 19,938 | 18,040 |
| Debt | 186,481 | 195,805 | 186,481 |
| **Change in NAV and profit** | | **10,274** | **(949)** |
| **Change in NAV (%)** | | **1%** | **0%** |
| **Change in total income** | | **24%** | **-2%** |
| **Change in profit for the year** | | **50%** | **-5%** |

(d) Concentration risk

The Investment Manager also reviews the concentration risk of the Invested Portfolio. The spread of the portfolio across the four key sectors is set out below:

| | % OF PRIVATE EQUITY 31 DECEMBER 2018 | % OF DEBT INVESTMENTS 31 DECEMBER 2018 | % OF EQUITY INVESTMENTS 31 DECEMBER 2018 | % OF PRIVATE EQUITY 31 DECEMBER 2017 | % OF DEBT INVESTMENTS 31 DECEMBER 2017 | % OF EQUITY INVESTMENTS 31 DECEMBER 2017 |
|---|---|---|---|---|---|---|
| Tech & Telco | 36% | 36% | 15% | 32% | 41% | 28% |
| Services | 24% | 48% | 31% | 32% | 19% | 24% |
| Healthcare | 23% | 9% | 45% | 20% | 20% | 36% |
| Consumer | 16% | 7% | 8% | 15% | 20% | 12% |
| Other | 1% | 0% | 1% | 1% | 0% | 0% |
| **Total** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |

**Capital management**

The Company's capital management objectives are to maintain a strong capital base to ensure it will continue as a going concern, maximise capital appreciation and provide regular dividends to its shareholders. The Company's capital comprises of non-redeemable ordinary shares and retained earnings.

The ordinary shares are listed on the London Stock Exchange. The Board receives regular reporting from its corporate broker which provides insight into shareholder sentiment and movements in the NAV per share discount. The Board monitors and assesses the requirement for discount management strategies.

## 14 FAIR VALUE ESTIMATION

### (a) Investments measured at fair value

The Company classifies for disclosure purposes fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Company. The Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The Company also determines if there is a transfer between each respective level at the end of each reporting period based on the valuation information available.

The following table analyses within the fair value hierarchy the Company's financial assets (by class) measured at fair value at 31 December 2018:

| ASSETS | LEVEL 1 €'000 | LEVEL 2 €'000 | LEVEL 3 €'000 | TOTAL €'000 |
|---|---|---|---|---|
| Private Equity Investments | – | – | 591,458 | 591,458 |
| Derived Investments | 133,104 | – | 187,486 | 320,590 |
| *Debt* | *–* | *–* | *178,272* | *178,272* |
| *Equities* | *133,104* | *–* | *9,214* | *142,318* |
| **Total** | **133,104** | – | **778,944** | **912,048** |

The following table analyses within the fair value hierarchy the Company's financial assets (by class) measured at fair value at 31 December 2017:

| ASSETS | LEVEL 1 €'000 | LEVEL 2 €'000 | LEVEL 3 €'000 | TOTAL €'000 |
|---|---|---|---|---|
| Private Equity Investments | – | – | 590,185 | 590,185 |
| Derived Investments | 121,339 | – | 199,145 | 320,484 |
| *Debt* | *–* | *–* | *188,428* | *188,428* |
| *Equities* | *121,339* | *–* | *10,717* | *132,056* |
| **Total** | **121,339** | – | **789,330** | **910,669** |

Investments whose values are based on quoted market prices in active markets are classified as level 1 investments. At 31 December 2018, the Company holds €133.1m (31 December 2017: €121.3m) as level 1. There were no transfers to or from level 1 during the year.

## 14 FAIR VALUE ESTIMATION CONTINUED

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within level 2. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. At 31 December 2018, the Company holds €Nil (31 December 2017: €Nil) classified as level 2 investments.

Level 3 instruments include Private Equity Investments and Derived Investments in both debt and equity. Observable prices are not available for these investments either because they trade infrequently, if at all, or because trading activity does not meet the requirements of being observable. Accordingly, the Company has used valuation techniques to derive the fair value.

The Company values its holding in Private Equity Investments based on the NAV statements it receives from the respective underlying fund. The main input into the valuation models used to determine NAV of the underlying level 3 investments within the Private Equity funds comprises earnings multiples (based on the budgeted earnings or historical earnings of the investee and earnings multiples of comparable listed companies). The Company also considers original transaction price, recent transactions in the same or similar instruments and completed third-party transactions in comparable instruments and adjusts the model as deemed necessary.

The Company values debt based upon models that take into account factors relevant to each investment and uses third-party market data and broker quotes where available. The Company values unquoted equities based on models that utilise comparable company earnings multiples, budgeted and historical earnings and recent transactions.

Movements in level 3 investments are summarised in the table below:

| | YEAR ENDED 31 DECEMBER 2018 | | | YEAR ENDED 31 DECEMBER 2017 | | |
|---|---|---|---|---|---|---|
| | PRIVATE EQUITY INVESTMENTS €'000 | DERIVED INVESTMENTS €'000 | TOTAL €'000 | PRIVATE EQUITY INVESTMENTS €'000 | DERIVED INVESTMENTS €'000 | TOTAL €'000 |
| **Opening fair value** | 590,185 | 199,145 | 789,330 | 498,750 | 222,922 | 721,672 |
| Additions | 43,666 | 109,786 | 153,452 | 154,422 | 157,692 | 312,114 |
| Disposals and repayments | (135,060) | (121,660) | (256,720) | (78,497) | (182,436) | (260,933) |
| Realised losses | – | (7,806) | (7,806) | – | (29,214) | (29,214) |
| Unrealised gains | 92,667 | 8,021 | 100,688 | 15,510 | 26,904 | 42,414 |
| Transfers into level 3 | – | – | – | – | 3,277 | 3,277 |
| **Closing fair value** | **591,458** | **187,486** | **778,944** | **590,185** | **199,145** | **789,330** |

The unrealised gains attributable to only assets held at 31 December 2018 were €100.7m (31 December 2017: €6.8m)

## 14 FAIR VALUE ESTIMATION CONTINUED

### (b) Significant unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used in measuring financial instruments categorised as level 3 in the fair value hierarchy:

| DESCRIPTION | VALUATION TECHNIQUE | SIGNIFICANT UNOBSERVABLE INPUTS | SENSITIVITY TO CHANGES IN SIGNIFICANT UNOBSERVABLE INPUTS | 31 DECEMBER 2018 VALUATION €'000 | 31 DECEMBER 2017 VALUATION €'000 |
|---|---|---|---|---|---|
| Private Equity Investments | NAV adjusted for carried interest | NAV | The Company does not apply further discount or liquidity premiums to the valuations as these are already captured in the underlying valuation. This NAV is subject to changes in the valuations of the underlying portfolio companies. These can be exposed to a number of risks, including liquidity risk, price risk, credit risk, currency risk and interest rate risk. A movement of 10% in the value of Private Equity Investments would move the NAV at the year end by 6.0% (31 December 2017: 6.1%). | 559,408 | 570,758 |
| Private Equity Investments | Discounted cash flow model | Discount rate applied | The Company's investment in AEVII carried interest is valued based on a discounted cash flow model. A movement of 10% in the discount rate applied would move the NAV at year end by 0.1% (31 December 2017: 0.1%). | 32,050 | 19,427 |
| Debt | Debt is valued by market prices if available and relevant in size and date. Illiquid debt positions are valued via debt valuation models. These models consider, where appropriate, broker quotes, credit computations, market yield movements, risk premiums, the credit quality of the borrower and expected repayment dates. | Credit quality adjustment | The Company held 16 debt positions (31 December 2017: 15), of which 6 positions (31 December 2017: 13) had a credit quality adjustment applied. The average credit quality adjustment applied was 0.4% (31 December 2017: 0.1%). A movement of 10% in the risk premium would result in a movement of 0.0% on NAV at year end (31 December 2017: 0.0%). | 178,272 | 188,428 |
| Equities | Where market prices are unavailable, the Company uses comparable company earnings multiples and precedent transaction analysis. | Comparable company multiples | The Company held 3 equity positions (31 December 2017: 4) of which 2 positions (31 December 2017: 2) were valued using comparable company multiples. The average multiple was 4.4x (31 December 2017: 9.6x). A movement of 10% in the multiple applied would move the NAV at year end by 0.2% (31 December 2017: 0.1%). | 9,214 | 10,717 |

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## 15 SHAREHOLDERS' CAPITAL

At 31 December 2018, the Company had 491,100,768 ordinary shares fully paid with no par value in issue (31 December 2017: 491,100,768 shares). All ordinary shares rank pari passu with each other, including voting rights and there has been no change since 31 December 2017.

The Company has one share class; however, a number of investors are subject to lock-up periods between five and ten years, which restricts them from disposing of ordinary shares issued at admission. For investors with five-year lock-up periods, 20% of ordinary shares are released from lock-up each year from the first anniversary of admission, 15 June 2016. As at 31 December 2018, 60% of these shares have been released following the third anniversary on the 15 June 2018. For investors with ten-year lock-up periods, 20% of ordinary shares are released from lock-up each year from the sixth anniversary of admission, 15 June 2021.

## 16 EARNINGS AND NAV PER SHARE

| EARNINGS | 31 DECEMBER 2018 | 31 DECEMBER 2017 |
|---|---|---|
| Profit or loss for the year attributable to equity shareholders: €'000 | 64,947 | 20,505 |
| **Weighted average number of shares in issue** | | |
| Ordinary shares at end of year | 491,100,768 | 491,100,768 |
| Shares issued in respect of performance fee | – | – |
| **Total weighted ordinary shares** | **491,100,768** | **491,100,768** |
| Dilutive adjustments | – | – |
| **Total diluted weighted ordinary shares** | **491,100,768** | **491,100,768** |
| Effect of performance fee adjustment on ordinary shares | | |
| Performance shares to be awarded based on a liquidation basis[1] | – | 10,445,035 |
| **Adjusted shares[2]** | **491,100,768** | **501,545,803** |
| **Earnings per share (cents)** | | |
| Basic | 13.22 | 4.18 |
| Diluted | 13.22 | 4.18 |
| Adjusted | 13.22 | 4.09 |

1. The number of performance shares is calculated inclusive of deemed realised performance shares that would be issued utilising the theoretical performance fee payable calculated on a liquidation basis
2. The calculation of Adjusted Shares above assumes that new shares were issued by the Company to the Investment Manager in lieu of the performance fee. As per the prospectus, the Company may also purchase shares from the market if the Company is trading at a discount to its NAV per share. In such a case, the Adjusted NAV per share would be calculated by taking the NAV at the year adjusted for the performance fee reserve and then divided by the current number of ordinary shares in issue. At 31 December 2018, the Adjusted NAV per share for both methodologies resulted in an Adjusted NAV per share of €1.90 ( 31 December 2017: €1.85 and €1.86) respectively. Please note that as there was no performance fee reserve at 31 December 2018, the NAV per share and Adjusted NAV per share remained the same

At 31 December 2018, there were no items that would cause a dilutive effect on earnings per share. The Adjusted earnings per share has been calculated based on the profit attributable to shareholders adjusted for the total accrued performance fee at year end over the weighted average number of ordinary shares. This has been calculated on a full liquidation basis inclusive of performance fee attributable to realised investments. Performance shares to be issued are calculated based on the trading price of shares and foreign exchange rate at close of business on 31 December 2018.

The Company had a NAV per share of €1.90 at 31 December 2018 (31 December 2017: €1.89). This was calculated based on the NAV of the portfolio divided by the weighted average number of ordinary shares. The Adjusted NAV per share remained the same as NAV per share at €1.90 (31 December 2017: €1.86) as there was no performance fee reserve in the current year.

| | 31 DECEMBER 2018 | 31 DECEMBER 2017 |
|---|---|---|
| **NAV €'000** | | |
| NAV at end of year | 930,771 | 929,916 |
| **NAV per share (€)** | | |
| NAV per share | 1.90 | 1.89 |
| Adjusted NAV per share | 1.90 | 1.86 |

## 17 DIVIDENDS

| DIVIDENDS PAID TO SHAREHOLDERS | YEAR ENDED 31 DECEMBER 2018 €'000 | YEAR ENDED 31 DECEMBER 2018 £'000 | YEAR ENDED 31 DECEMBER 2017 €'000 | YEAR ENDED 31 DECEMBER 2017 £'000 |
|---|---|---|---|---|
| Final dividend paid – 4.17 pence per share (31 December 2017: 4.13 pence per share) | 22,928 | 20,478 | 23,769 | 20,283 |
| Interim dividend paid – 4.33 pence per share (31 December 2017: 4.24 pence per share) | 23,669 | 21,265 | 23,033 | 20,823 |
| **Total** | **46,597** | **41,743** | **46,802** | **41,106** |

| DIVIDENDS PROPOSED | YEAR ENDED 31 DECEMBER 2018 € | YEAR ENDED 31 DECEMBER 2018 £ | YEAR ENDED 31 DECEMBER 2017 € | YEAR ENDED 31 DECEMBER 2017 £ |
|---|---|---|---|---|
| Final dividend per share | 4.74c | 4.12p | 4.73c | 4.17p |

On 5 March 2018, the Board approved the final dividend for 2017, 4.17 pence per share (4.73 cents euro equivalent). This represents 2.5% of the Company's euro NAV at 31 December 2017 and was paid on 4 April 2018.

On 14 August 2018, the Board approved an interim dividend for the six months ended 30 June 2018 of 4.33 pence per ordinary share (4.82 cents euro equivalent). This represents 2.5% of the Company's euro NAV at 30 June 2017 and was paid on 14 September 2018.

## 18 SUBSEQUENT EVENTS

On 26 February 2019, Apax VIII, in which the Company is a limited partner, announced an agreement in principle to sell Exact Software. On 21 February 2019, Apax VIII also announced that it has agreed to sell its entire stake in AssuredPartners. Together, these two transactions represent an estimated uplift of c.€34m or c.3.6% to the Company's Adjusted NAV at 31 December 2018. Both transactions are subject to customary closing conditions.

On 4 March 2019, the Board approved the final dividend for 2018, 4.12 pence per share (4.74 cents euro equivalent). This represents 2.5% of the Company's euro NAV at 31 December 2018 and has an expected payment date of 5 April 2019.

## DIRECTORS (ALL NON-EXECUTIVE)
Tim Breedon CBE (Chairman)
Susie Farnon (Chairman of the Audit Committee)
Chris Ambler
Mike Bane (appointed 3 July 2018)
Sarah Evans (resigned 3 January 2018)

## REGISTERED OFFICE OF THE COMPANY
PO Box 656
East Wing
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3PP
Channel Islands

## INVESTMENT MANAGER
Apax Guernsey Managers Limited
Third Floor, Royal Bank Place
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St Peter Port
Guernsey GY1 2HJ
Channel Islands

## INVESTMENT ADVISER
Apax Partners LLP
33 Jermyn Street
London
SW1Y 6DN
United Kingdom
www.apax.com

## ADMINISTRATOR, COMPANY SECRETARY AND DEPOSITARY
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Tel: +44 (0)1481 749 700
AGA-admin@aztecgroup.co.uk
www.aztecgroup.co.uk

## CORPORATE BROKER
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## REGISTRAR
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Channel Islands
Tel: +44 (0) 871 664 0300
enquiries@linkgroup.co.uk
www.linkassetservices.com

## INDEPENDENT AUDITOR
KPMG Channel Islands Limited
Glategny Court
St Peter Port
Guernsey GY1 1WR
Channel Islands

## ASSOCIATION OF INVESTMENT COMPANIES – AIC
The AIC is the trade body for closed-ended investment companies. It helps its member companies deliver better returns for their investors through lobbying, media engagement, technical advice, training, and events.
www.theaic.co.uk

## DIVIDEND TIMETABLE
| | |
|---|---|
| Announcement: | 5 March 2019 |
| Ex-dividend date: | 14 March 2019 |
| Record date: | 15 March 2019 |
| Payment date: | 5 April 2019 |

## STOCK SYMBOL
London Stock Exchange: APAX

## ENQUIRIES
Any enquiries relating to shareholdings on the share register (for example, transfers of shares, changes of name or address, lost share certificates or dividend cheques) should be sent to the Registrars at the address given above. The Registrars offer an online facility at www.signalshares.com which enables shareholders to manage their shareholding electronically.

## INVESTOR RELATIONS
Enquiries relating to AGA's strategy and results or if you would like to arrange a meeting, please contact:
Sarah Wojcik
IR Manager – AGA
Apax Partners LLP
33 Jermyn Street
London
SW1Y 6DN
United Kingdom
Tel: +44 (0) 207 872 6300

The Company's investment policy is to make (i) Private Equity Investments, which are primary and secondary commitments to, and investments in, existing and future Apax Funds and (ii) Derived Investments, which Apax will typically identify as a result of the process that Apax Partners undertakes in its private equity activities and which will comprise direct or indirect investments other than Private Equity Investments, including primarily investments in public and private debt, as well as limited investments in equity, primarily in listed companies. Once fully invested, the Company expects to be invested in approximately equal proportion between Private Equity Investments and Derived Investments, though the investment mix will fluctuate over time due to market conditions and other factors, including calls for and distributions from Private Equity Investments, the timing of making and exiting Derived Investments and the Company's ability to invest in future Apax Funds. The actual allocation may therefore fluctuate according to market conditions, investment opportunities and their relative attractiveness, the cash flow requirements of the Company, its dividend policy and other factors.

## PRIVATE EQUITY INVESTMENTS

The Company expects that it will seek to invest in any new Apax Funds that are raised in the future. Private Equity Investments may be made into Apax Funds with any target sectors and geographic focus and may be made directly or indirectly. The Company will not invest in third-party managed funds.

## DERIVED INVESTMENTS

The Company will typically follow the Apax Group's core sector and geographical focus in making Derived Investments, which may be made globally. Derived Investments may include among others, (i) direct and indirect investments in equity and debt instruments, including equity in private and public companies, as well as in private and public debt which may include sub-investment grade and unrated debt instruments, (ii) co-investments with Apax Funds or third-parties, (iii) investments in the same or different types of equity or debt instruments in portfolio companies as the Apax Funds and may potentially include (iv) acquisitions of Derived Investments from Apax Funds or third-parties, (v) investments in restructurings; and (vi) controlling stakes in companies.

## INVESTMENT RESTRICTIONS

The following specific investment restrictions apply to the Company's investment policy:

- no investment or commitment to invest shall be made in any Apax Fund which would cause the total amounts invested by the Company in, together with all amounts committed by the Company to, such Apax Fund to exceed, at the time of investment or commitment, 25% of the Gross Asset Value; this restriction does not apply to any investments in or commitments to invest made to any Apax Fund that has investment restrictions restricting it from investing or committing to invest more than 25% of its total commitments in any one underlying portfolio company;
- not more than 15% of the Gross Asset Value may be invested in any one portfolio company of an Apax Fund on a look-through basis;
- not more than 15% of the Gross Asset Value may be invested in any one Derived Investment; and
- in aggregate, not more than 20% of the Gross Asset Value is intended to be invested in Derived Investments in equity securities of publicly listed companies. However, such aggregate exposure will always be subject to an absolute maximum of 25% of the Gross Asset Value.

The aforementioned restrictions apply as at the date of the relevant transaction or commitment to invest. Hence, the Company would not be required to effect changes in its investments owing to appreciations or depreciations in value, distributions or calls from existing commitments to Apax Funds, redemptions or the receipt of, or subscription for, any rights, bonuses or benefits in the nature of capital or of any acquisition or merger or scheme of arrangement for amalgamation, reconstruction, conversion or exchange or any redemption, but regard shall be had to these restrictions when considering changes or additions to the Company's investments (other than where these investments are due to commitments made by the Company earlier).

The Company may borrow in aggregate up to 25% of Gross Asset Value at the time of borrowing to be used for financing or refinancing (directly or indirectly) its general corporate purposes (including without limitation, any general liquidity requirements as permitted under its Articles of Incorporation), which may include financing short-term investments and/or buybacks of ordinary shares. The Company does not intend to introduce long-term structural gearing.

# Alternative Investment Fund Managers Directive ('AIFMD')

## STATUS AND LEGAL FORM

The Company is a non-EU Alternative Investment Fund ("AIF"), being a closed-ended investment company incorporated in Guernsey and listed on the London Stock Exchange. The Company's registered office is PO Box 656, East Wing, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3PP.

## REMUNERATION DISCLOSURE

This disclosure contains general information about the basic characteristics of AGML's ("the AIFM") remuneration policies and practices as well as some detailed information regarding the remuneration policies and practices for board directors whose professional activities have a material impact on the risk profile of Apax Global Alpha Limited ("the AIF").

This disclosure is intended to provide the information contemplated by Section XIII of the ESMA Guidelines on sound remuneration policies under the AIFMD and paragraph 8 of the Commission Recommendation (2009/384/EC of 30 April 2009 on remuneration policies in the financial services sector) taking into account the nature, scale and complexity of the AIFM and the AIFs it manages. The AIFM is a non-EU manager and the AIF is a non-EU closed-ended investment company incorporated in Guernsey and listed on the London Stock Exchange.

The AIF is externally managed[1] by the AIFM. The AIFM does not have any employees, however it does have a board of directors comprising four people, two of whom are employees of Apax Partners Guernsey Limited ("APG") and two of whom are non-executive directors. No other persons are remunerated directly from the AIFM for work in relation to the AIFM or the AIF. The directors of the AIFM fall within the Directive definitions as senior management and risk-takers as detailed below:

- "senior management" means the relevant persons responsible for the supervision of the AIFM and for the assessment and periodical review of the adequacy and effectiveness of the risk management process and policies of the AIFM;
- "risk-takers" means all staff whose actions have material impact on the AIFM's risk profile or the risk profile of the AIF and, given size of the AIFM's operations, includes all staff of the AIFM who are involved directly or indirectly in the management of the AIF.

## GENERAL DESCRIPTION OF POLICY

The board of the AIFM has adopted a remuneration policy which applies to the directors. The overarching aim of the policy is twofold: (i) to ensure that there is no encouragement for risk-taking at the level of the AIF which is inconsistent with the risk profile and investment strategy of the AIF and (ii) to encourage proper governance, risk management and the use of sound control processes. All directors are responsible for ensuring the AIF acts in accordance with its investment policy and managing the AIFM's risks effectively. The policy recognises that two of the directors are non-executive directors and two directors are Apax employees (the 'Apax directors').

Remuneration (which excludes carried interest) paid to the directors is not based on, or linked to, the overall performance of the AIF. There is no variable component in the remuneration paid to any of the directors for their services on the board and thus the policy does not seek to identify quantitative and qualitative criteria by which the directors' performance can be assessed for the purposes of adjusting a variable component of remuneration. Remuneration paid to the directors is therefore not based on, or linked to, the overall performance of the AIF.

## GENERAL DESCRIPTION OF REMUNERATION GOVERNANCE

The remuneration process is overseen by the AIFM directors. The board of the AIFM review the remuneration policy annually. The board of the AIFM ensures that the policy is transparent and easy to understand.

Remuneration framework – objectives
The remuneration of directors is described in the table below:

| TYPE OF REMUNERATION | PURPOSE |
|---|---|
| Non-executive directors of the AIFM x2 persons | – a contractual arrangement is in place with each person for their services<br>– receive a set amount of remuneration each quarter<br>– the remuneration of these directors is detailed in the disclosed remuneration value |
| APG employees as directors of the AIFM x2 persons | – receive no direct remuneration resulting from the performance of the AIFM or the AIF<br>– the services provided by these directors is included within the total fee payable for services provided by the administrator to the AIFM and the performance of these services forms part of the employees duties |
| Variable remuneration (annual bonus) | – no such remuneration is paid |

## QUANTITATIVE DISCLOSURES

The table below shows the breakdown of remuneration for the fiscal year ended 31 December 2018, for the directors:

| | | |
|---|---|---|
| Total | The total amount of fixed remuneration for the reporting period paid by the AIFM to its directors | £155,000 |
| Carried interest | Not applicable to the AIF[2] | |

1. From the Directive – "Depending on their legal form, it should be possible for AIFs to be either externally or internally managed. An AIF should be deemed externally managed when an external legal person has been appointed as manager by or on behalf of the AIF, which through such appointment is responsible for managing the AIF"
2. The AIF will not pay carried interest, which can be confirmed in its prospectus

## MATERIAL CHANGES

There have been no material changes to the information disclosed under Article 23 of the AIFMD in the prospectus of the Company.

| | TOTAL RETURN[2] (EURO) | | | RETURN ATTRIBUTION | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | PRIVATE EQUITY | DERIVED DEBT | DERIVED EQUITY | PRIVATE EQUITY | DERIVED DEBT | DERIVED EQUITY | PERFORMANCE FEE | OTHER[3] | TOTAL NAV RETURN |
| 1Q15[1] | 17.4% | 9.5% | 15.3% | 5.9% | 4.0% | 2.8% | (1.6%) | 0.9% | **11.8%** |
| 2Q15[1] | 2.7% | (0.5%) | (3.6%) | 9.2% | (3.9%) | (4.8%) | 2.8% | (3.7%) | **(0.5%)** |
| 3Q15 | 4.6% | (2.1%) | (7.7%) | 1.4% | (0.5%) | (0.8%) | 0.0% | (0.4%) | **(0.4%)** |
| 4Q15 | 8.1% | 3.9% | 10.4% | 3.3% | 1.5% | 1.1% | (0.5%) | 0.3% | **5.6%** |
| 1Q16 | (0.5%) | (1.5%) | (5.4%) | (0.3%) | (0.7%) | (0.5%) | 0.5% | (0.8%) | **(1.8%)** |
| 2Q16 | 1.6% | (0.4%) | 5.8% | 0.9% | (0.1%) | 0.4% | (0.3%) | 0.3% | **1.2%** |
| 3Q16 | (0.3%) | 5.0% | 11.1% | (0.2%) | 1.7% | 1.1% | (0.1%) | (0.5%) | **2.0%** |
| 4Q16 | 7.5% | 5.9% | (0.3%) | 3.4% | 2.0% | (0.0%) | (0.4%) | 0.5% | **5.5%** |
| 1Q17 | 1.6% | 0.5% | 4.7% | 0.7% | 0.2% | 0.6% | (0.3%) | 0.2% | **1.4%** |
| 2Q17 | (2.7%) | (7.7%) | 11.4% | (1.9%) | (2.4%) | 2.9% | (0.6%) | (0.2%) | **(2.1%)** |
| 3Q17 | 1.0% | (1.4%) | 0.2% | 0.8% | (0.3%) | 0.2% | (0.2%) | (0.9%) | **(0.3%)** |
| 4Q17 | 3.4% | 5.2% | 3.4% | 1.8% | 1.0% | 1.0% | (0.4%) | 0.2% | **3.5%** |
| 1Q18 | 0.0% | (1.7%) | (0.2%) | (0.3%) | 0.0% | (0.1%) | 0.2% | (0.4%) | **(0.7%)** |
| 2Q18 | 11.0% | 2.5% | (1.8%) | 6.9% | 0.7% | (0.2%) | (0.3%) | (0.1%) | **6.9%** |
| 3Q18 | 5.4% | 1.5% | (10.4%) | 3.5% | 0.2% | (1.8%) | 0.1% | (0.2%) | **1.8%** |
| 4Q18 | (0.0%) | 2.3% | (3.9%) | (0.0%) | 0.2% | (0.7%) | (0.2%) | 0.1% | **(0.7%)** |
| **2015** | **34.6%** | **10.5%** | **15.9%** | **10.9%** | **3.8%** | **2.0%** | **(1.6%)** | **(1.4%)** | **13.6%** |
| **2016** | **8.0%** | **8.0%** | **11.3%** | **3.8%** | **2.7%** | **0.9%** | **(0.0%)** | **(0.9%)** | **6.6%** |
| **2017** | **3.3%** | **(2.0%)** | **24.2%** | **1.6%** | **(0.7%)** | **4.3%** | **(1.4%)** | **(1.7%)** | **2.2%** |
| **2018** | **17.4%** | **4.5%** | **(17.6%)** | **10.1%** | **1.2%** | **(3.0%)** | **0.2%** | **(1.4%)** | **7.1%** |

| | TOTAL RETURN[2] (CONSTANT CURRENCY) | | | RETURN ATTRIBUTION | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | PRIVATE EQUITY | DERIVED DEBT | DERIVED EQUITY | PRIVATE EQUITY | DERIVED DEBT | DERIVED EQUITY | PERFORMANCE FEE | OTHER[3] | FX[4] | TOTAL NAV RETURN |
| 1Q15[1] | 8.7% | 0.6% | 3.7% | 3.6% | 1.2% | 1.3% | (1.9%) | (0.9%) | 8.7% | **11.8%** |
| 2Q15[1] | 4.7% | 2.6% | (0.2%) | (3.2%) | (0.9%) | 0.2% | (0.6%) | 0.2% | 3.7% | **(0.5%)** |
| 3Q15 | 7.2% | (1.8%) | (5.0%) | 2.3% | (0.5%) | (0.6%) | 0.0% | (0.4%) | (1.2%) | **(0.4%)** |
| 4Q15 | 7.3% | 0.8% | 8.1% | 3.3% | 0.5% | 1.0% | (0.6%) | (0.3%) | 1.7% | **5.6%** |
| 1Q16 | 1.8% | 2.5% | (0.8%) | 0.7% | 0.4% | (0.2%) | 0.8% | (0.4%) | (3.1%) | **(1.8%)** |
| 2Q16 | (0.1%) | (2.5%) | 5.4% | 0.3% | (0.9%) | 0.5% | (0.4%) | 0.0% | 1.6% | **1.2%** |
| 3Q16 | 0.1% | 6.0% | 11.5% | (0.1%) | 2.1% | 1.2% | (0.1%) | (0.6%) | (0.5%) | **2.0%** |
| 4Q16 | 4.1% | (0.0%) | (4.5%) | 2.0% | 0.3% | (0.5%) | (0.4%) | 0.1% | 4.0% | **5.5%** |
| 1Q17 | 2.0% | 1.7% | 4.5% | 1.1% | 0.7% | 0.7% | (0.3%) | (0.2%) | (0.6%) | **1.4%** |
| 2Q17 | 1.5% | (1.5%) | 17.9% | 0.7% | (0.3%) | 3.3% | (0.5%) | (0.6%) | (4.8%) | **(2.1%)** |
| 3Q17 | 2.5% | 1.7% | 1.1% | 1.3% | 0.5% | 0.5% | (0.1%) | (0.2%) | (2.3%) | **(0.3%)** |
| 4Q17 | 4.5% | 6.6% | 3.9% | 2.7% | 1.4% | 1.2% | (0.4%) | (0.2%) | (1.1%) | **3.5%** |
| 1Q18 | 1.3% | 0.6% | 2.4% | 0.4% | 0.4% | 0.2% | 0.3% | (0.3%) | (1.7%) | **(0.7%)** |
| 2Q18 | 8.9% | (2.6%) | (3.9%) | 5.8% | (0.2%) | (0.6%) | (0.3%) | (0.5%) | 2.7% | **6.9%** |
| 3Q18 | 5.5% | 1.0% | (9.5%) | 3.5% | 0.1% | (1.7%) | 0.2% | (0.2%) | (0.1%) | **1.8%** |
| 4Q18 | (0.3%) | 1.3% | (4.9%) | (0.2%) | 0.1% | (0.8%) | (0.3%) | 0.0% | 0.5% | **(0.7%)** |
| **2015** | **31.3%** | **1.8%** | **7.2%** | **9.9%** | **1.2%** | **1.1%** | **(1.6%)** | **(1.4%)** | **4.4%** | **13.6%** |
| **2016** | **5.9%** | **5.6%** | **12.0%** | **2.8%** | **2.0%** | **0.9%** | **(0.0%)** | **(0.9%)** | **1.8%** | **6.6%** |
| **2017** | **10.0%** | **9.8%** | **35.7%** | **4.9%** | **2.1%** | **5.5%** | **(1.3%)** | **(1.0%)** | **(8.0%)** | **2.2%** |
| **2018** | **15.9%** | **0.3%** | **(17.4%)** | **9.2%** | **0.4%** | **(2.9%)** | **0.2%** | **(1.5%)** | **1.7%** | **7.1%** |

NOTE: All quarterly information included in the tables above is unaudited

1. Includes returns of the PCV Group for the period between 31 December 2014 and 15 June 2015
2. Total Return for each respective sub-portfolio has been calculated by taking total gains or losses and dividing them by the sum of Adjusted NAV at the beginning of the period and the time-weighted net invested capital. The time-weighted net invested capital is the sum of investments made during the period less realised proceeds received during the period, both weighted by the number of days the capital was at work in the portfolio
3. Includes management fees and other general costs. It also includes FX on the euro returns table only
4. Includes the impact of FX movements on investments and FX on cash held during each respective period

| | PORTFOLIO ALLOCATION[2] | | | | PORTFOLIO NAV (EURO) | | | | NAV (EURO) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | PRIVATE EQUITY | DERIVED DEBT | DERIVED EQUITY | NET CASH AND NCAs | PRIVATE EQUITY | DERIVED DEBT | DERIVED EQUITY | NET CASH AND NCAs | TOTAL NAV | TOTAL ADJUSTED NAV |
| 1Q15[1] | 40% | 36% | 18% | 7% | 245.4 | 218.1 | 107.1 | 40.5 | **611.1** | **600.8** |
| 2Q15[1] | 30% | 27% | 8% | 35% | 263.8 | 237.5 | 71.5 | 313.1 | **885.9** | **877.9** |
| 3Q15 | 39% | 29% | 10% | 22% | 344.0 | 256.9 | 89.1 | 192.5 | **882.4** | **874.7** |
| 4Q15 | 51% | 37% | 10% | 2% | 473.6 | 346.7 | 94.4 | 21.8 | **936.5** | **923.6** |
| 1Q16 | 50% | 36% | 9% | 5% | 444.5 | 320.1 | 82.1 | 40.3 | **887.1** | **883.6** |
| 2Q16 | 49% | 35% | 10% | 6% | 440.3 | 314.5 | 93.3 | 53.0 | **901.1** | **894.4** |
| 3Q16 | 47% | 36% | 10% | 7% | 421.0 | 319.2 | 90.4 | 66.6 | **897.2** | **889.6** |
| 4Q16 | 52% | 30% | 13% | 4% | 498.8 | 284.9 | 127.9 | 38.5 | **950.0** | **938.7** |
| 1Q17 | 52% | 30% | 16% | 2% | 489.5 | 282.4 | 147.5 | 16.6 | **935.9** | **928.0** |
| 2Q17 | 50% | 21% | 13% | 16% | 457.6 | 195.3 | 119.5 | 148.0 | **920.4** | **908.1** |
| 3Q17 | 58% | 21% | 19% | 1% | 522.8 | 189.1 | 170.8 | 12.7 | **895.5** | **881.9** |
| 4Q17 | 63% | 20% | 14% | 2% | 590.2 | 188.4 | 132.1 | 19.2 | **929.9** | **912.4** |
| 1Q18 | 65% | 15% | 17% | 3% | 572.5 | 136.2 | 152.6 | 22.1 | **883.3** | **883.3** |
| 2Q18 | 67% | 19% | 17% | (4%) | 638.8 | 184.3 | 160.6 | (35.8) | **947.8** | **943.9** |
| 3Q18 | 68% | 17% | 17% | (2%) | 638.9 | 158.1 | 159.0 | (16.3) | **939.7** | **937.3** |
| 4Q18 | 64% | 19% | 15% | 2% | 591.5 | 178.3 | 142.3 | 18.7 | **930.8** | **930.8** |
| **2015** | **40%** | **32%** | **11%** | **17%** | **331.7** | **264.8** | **90.5** | **142.0** | 829.0 | 819.2 |
| **2016** | **50%** | **34%** | **11%** | **5%** | **451.1** | **309.7** | **98.4** | **49.6** | 908.9 | 901.6 |
| **2017** | **56%** | **23%** | **16%** | **5%** | **515.0** | **213.8** | **142.5** | **49.1** | 920.4 | 907.6 |
| **2018** | **66%** | **18%** | **16%** | **(0%)** | **610.4** | **164.2** | **153.6** | **(2.8)** | 925.4 | 923.8 |

1. Includes returns of the PCV Group for the period between 31 December 2014 and 15 June 2015
2. For annual periods the average weighting over four quarters used

**ADF** means the limited partnerships that constitute the Apax Digital Private Equity fund.

**Adjusted NAV** calculated by adjusting the NAV at reporting periods, by the estimated performance fee reserves.

**Adjusted NAV per share** calculated by dividing the Adjusted NAV by the number of shares in issue.

**AEVI** means the limited partnerships that constitute the Apax Europe VI Private Equity fund.

**AEVII** means the limited partnerships that constitute the Apax Europe VII Private Equity fund.

**AGML or Investment Manager** means Apax Guernsey Managers Limited.

**AIX** means the limited partnerships that constitute the Apax IX Private Equity fund.

**AMI** means the limited partnerships that constitute the AMI Opportunities Fund focused on investing in Israel.

**Apax Global Alpha or Company or AGA** means Apax Global Alpha Limited.

**Apax Group** means Apax Partners LLP and its affiliated entities, including its sub-advisers, and their predecessors, as the context may require.

**Apax Partners or Apax or Investment Adviser** means Apax Partners LLP.

**Apax Private Equity Funds or Apax Funds** means Private Equity funds managed, advised and/or operated by Apax Partners.

**APG** means Apax Partners Guernsey Limited.

**AVIII** means the limited partnerships that constitute the Apax VIII Private Equity fund.

**B2B** means business to business.

**Brexit** refers to the upcoming exit of the UK from the EU following the invocation of Article 50 of the Treaty on the European Union on 29 March 2017.

**Capital Markets Practice or CMP** Consists of a dedicated team of specialists within the Apax Partners Group having in-depth experience of the leverage finance debt markets, including market conditions, participants and opportunities. The CMP was initially set up to support the investment advisory teams within the Apax Group in structuring the debt component of a private equity transaction. The CMP has over the years expanded its mandate to working alongside the investment advisory teams to advise on Derived Debt Investments.

**CEE** central and eastern Europe.

**Custody risk** is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian.

**Derived Debt Investments** comprise debt investments held within the Derived Investments portfolio.

**Derived Equity Investments** comprise equity investments held within the Derived Investments portfolio.

**Derived Investments** comprise investments other than Private Equity Investments, including primary investments in public and private debt, with limited investments in equity, primarily in listed companies. In each case, these are typically identified by Apax Partners as part of its private equity activities.

**EBITDA** earnings before interest, tax, depreciation and amortisation.

**ERP** enterprise resource planning.

**EV** enterprise value.

**FVTPL** means fair value through profit or loss.

**Gross Asset Value or GAV** means the Net Asset Value of the Company plus all liabilities of the Company (current and non-current).

**Gross IRR or Internal Rate of Return** means an aggregate, annual, compound, internal rate of return calculated on the basis of cash receipts and payments together with the valuation of unrealised investments at the measurement date. Foreign currency cash flows have been converted at the exchange rates applicable at the date of receipt or payment. For Private Equity Investments, IRR is net of all amounts paid to the underlying Investment Manager and/or general partner of the relevant fund, including costs, fees and carried interests. For Derived Investments, IRR does not reflect expenses to be borne by the relevant investment vehicle or its investors including, without limitation, performance fees, management fees, taxes and organisational, partnership or transaction expenses.

**Invested Portfolio** means the part of AGA's portfolio which is invested in Private Equity and Derived Investments, however excluding any other investments such as legacy hedge funds and cash.

**Investor relations team** means such investor relations services as are currently provided to AGA by the Investment Adviser.

**IPO** Initial public offering.

**KPI** Key performance indicator.

**LSE** London Stock Exchange.

**LTM** Last twelve months.

**Market capitalisation** is calculated by taking the share price at the reporting period date multiplied by the number of shares in issue. The euro equivalent is translated using the exchange rate at the reporting period date.

**MOIC** Multiple of invested capital.

**NBFC** Non-bank financial company.

**Net Asset Value or NAV** means the value of the assets of the Company less its liabilities as calculated in accordance with the Company's valuation policy. NAV has no adjustments related to the IPO proceeds or performance fee reserves.

**NTM** Next twelve months.

**Operational Excellence Practice or OEP** Professionals who support the Apax Funds' investment strategy by providing assistance to portfolio companies in specific areas such as devising strategies, testing sales effectiveness and cutting costs.

OCI Other comprehensive income.

OTC Over-the-counter.

PCV means PCV Lux S.C.A.

PCV Group means PCV Lux S.C.A. and its subsidiaries. PCV Group was established in August 2008. Irrespective of whether the text refers to AGA or PCV Group, references to trading or performance prior to the IPO on 15 June 2015 refer to trading as PCV Group.

P/E Price-to-earnings.

Performance fee reserve is the estimated performance fee reserve which commenced accruing on 1 January 2015 in line with the Investment Management Agreements of the PCV Group and AGA.

Private Equity Investments or Private Equity means primary commitments to, secondary purchases of commitments in, and investments in, existing and future Apax Funds.

Reporting period means the period from 1 January 2018 to 31 December 2018.

SMEs Small and mid-sized enterprises.

Total NAV Return for a year/period means the return on the movement in the Adjusted NAV per share at the end of the period together with all the dividends paid during the period, to the Adjusted NAV per share at the beginning of the period/year. Adjusted NAV per share used in the calculation is rounded to five decimal points.

Total Return under the Total Return calculation, sub-portfolio performance in a given period can be evaluated by taking total net gains in the period and dividing them by the sum of the Adjusted NAV at the beginning of the period as well as the investments made during the period. However, in situations where realised proceeds are reinvested within the same period, performance under this calculation is, via the denominator, impacted by the reinvestment. Therefore, starting from 2017 the Investment Manager will evaluate sub-portfolio performance using an amended methodology. The revised methodology takes total gains or losses and divides them by the sum of Adjusted NAV at the beginning of the period and the time weighted net invested capital. The time weighted net invested capital is the sum of investments made during the period less realised proceeds received during the period, both weighted by the number of days the capital was at work in the portfolio. This should provide a more reflective view of actual performance.

Total Shareholder Return or TSR for the period means the net share price change together with all dividends paid during the period.

Unaffected Valuation is determined as the fair value in the last quarter before exit, when valuation is not affected by the exit process (i.e. because an exit was signed, or an exit was sufficiently close to being signed that the Apax Funds incorporated the expected exit multiple into the quarter end valuation).

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