

PIP invests in a diversified portfolio of private equity assets across the world, principally through funds.

Private equity funds purchase large equity stakes in private companies. This gives investors access to a broader universe of opportunities than that offered by public markets. Private equity managers are long-term, disciplined investors who can bring about beneficial changes to businesses and align shareholder interests with those of company management through majority ownership.

The Manager, Pantheon, is one of the world's foremost private equity specialists. With more than 30 years' experience, and a team of 70 investment professionals globally, Pantheon is well positioned to guide PIP towards its objective of maximising capital growth.

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### Half-Year at a Glance

-2.1%

NAV per share decrease

+5.7%

Return on underlying assets (excluding foreign exchange movements)

£872m

Net asset value at 31st December 2013

£74m

Net cash flow generated from PIP's portfolio £96m

New investment commitments, mainly focused on buyout assets in the US through secondaries £10m

Invested in share buybacks in the half-year, generating 0.3% uplift to NAV per share

-1.3%

Ordinary share price decrease

-3.6%

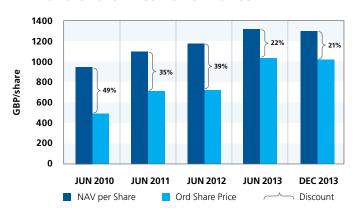
Redeemable share price decrease

+4.1%

PIP's NAV per share outperformance per annum versus the MSCI World Index since inception

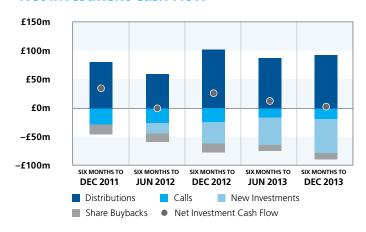
## Performance Summary

#### **NAV and Share Price Performance**



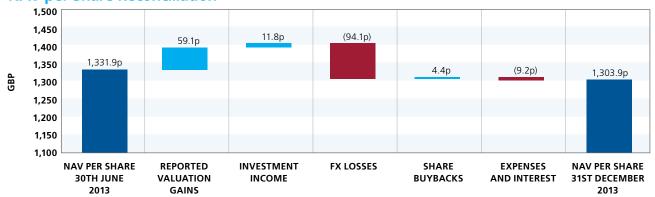
- NAV per share decreased by 2.1%, from 1,331.9p to 1,303.9p.
- The ordinary share price decreased from 1,042.0p to 1,028.0p, a decrease of 1.3%. The discount decreased from 21.8% to 21.2%.
- The redeemable share price decreased from 1,050.0p to 1,012.5p, a decrease of 3.6%. The discount increased from 21.2% to 22.3%.

#### **Net Investment Cash Flow**



- Distributions received in the six months to 31st December 2013 were £93.2m, equivalent to 11% of opening private equity assets.
- PIP paid £88.9m for investments in the half-year across calls (£19.0m), new investments (£59.9m) and share buybacks (£10.0m).
- Net investment cash flow was £4.3m, as PIP reinvested portfolio cash flows.

#### **NAV** per Share Reconciliation

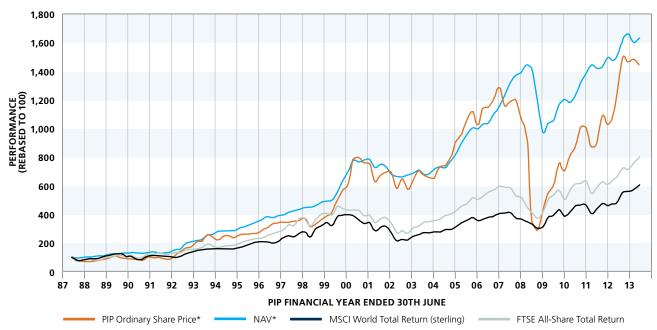


The above chart reconciles the opening and closing NAV per share for the six months to 31st December 2013.

					SINCE
Performance at	1 YEAR	<b>3 YEARS</b>	5 YEARS	10 YEARS	INCEPTION
31st December 2013	%	% P.A.	% P.A.	% P.A.	% P.A.
NAV per share	8.1	10.0	3.0	9.2	11.2
Ordinary share price	16.5	18.0	33.8	7.9	10.7
FTSE All-Share Total Return	20.8	9.4	14.3	8.8	8.2
MSCI World Total Return (sterling)	24.9	9.9	12.8	8.4	7.1

PIP was launched on 18th September 1987. The figures since inception assume reinvestment of dividends, capital repayments and cash flows from the exercise of warrants.

#### **Historical Record**



<sup>\*</sup> Includes the effects of dividends, capital repayments and warrants. NAV figure based upon adjusted NAV per share where applicable.

#### **Capital Structure at 31st December 2013**



## Chairman's Statement

During the period, underlying portfolio growth of 5.7% was offset by negative foreign exchange movements as sterling strengthened against the US dollar, resulting in a decrease in the NAV per share of 2.1% to 1,303.9p per share. The share prices of the ordinary and redeemable shares declined by 1.3% and 3.6% respectively. Our belief in the positive outlook for continued portfolio value growth is based on the following key factors:

- Cash generative portfolio: the Company continues to see strong realisations allowing for active portfolio renewal.
- Good growth potential: underlying portfolio relative earnings and revenue growth, while slowing, continued to compare positively to index growth rates exhibited by the FTSE All-Share and MSCI World indices.
- > **Uplifts on exit:** the largest realisations have occurred at an average uplift to the previous holding value, once again highlighting the benefit to performance of high levels of realisations.
- > Investing actively: during the period we committed £96m to 17 new investments, mainly in secondary interests.
- > Strong balance sheet: PIP has no debt, an undrawn loan facility and positive cash flows.
- > Investment access: Pantheon's well-resourced global investment platform enables the Company to benefit from high-quality deal flow worldwide.

#### Performance

Developed markets showed more signs of recovery over the second half of 2013, thriving on continuing quantitative easing measures ("QE") in the US, Europe and Japan. The faster growing economies of the emerging markets have slowed, but attractive investments can be made by experienced managers that are used to the high levels of market volatility typically associated with these markets. Seeking only high-quality assets managed by the best managers remains our key priority, given that the course of economic and market recovery remains vulnerable to the effects of monetary policy.

Against this backdrop, before foreign exchange effects, PIP's underlying assets generated a return of 5.7%. Share buybacks added 0.3% to the NAV per share. Sterling's strength against the US dollar, up by 9.2% during the period, led to negative foreign exchange effects of 7.1% on NAV per share as approximately 70% of the portfolio is denominated in US dollars. Excluding foreign exchange effects, the larger buyout, and venture and growth portfolio segments were the best performers, gaining 8.2% and 6.5% respectively over the period. US assets performed strongest regionally, returning 8.1%.

#### **Underlying Earnings Growth**

Private equity managers impose a set of disciplines on their investments to boost growth through a well-aligned, capital-efficient investment model. Underlying growth rates within the Company's portfolio indicate encouraging trends, with those

sampled showing earnings growth of 12.0%, higher than those shown for the equivalent periods for the MSCI World and FTSE All-Share indices.

#### **Share Buybacks**

The listed private equity sector average discount remains substantially wider than the average investment trust discount. In our view, there is scope for further narrowing of PIP's share price discounts which, at 21% for the ordinary shares and 22% for the redeemable shares at 31st December 2013, do not reflect the Company's strength and potential. The discounts at which the Company's shares trade from time to time may make buybacks an attractive investment opportunity relative to other potential new investment commitments. The Company began buying back shares in August 2011 and so far has invested £68.6m in buying back 11.5% of the Company's shares. During the half-year to 31st December 2013, PIP invested £10.0m to buy back and cancel 0.7m ordinary shares and 0.3m redeemable shares, resulting in an uplift to NAV per share of 4.4p or 0.3% of PIP's NAV per share at 30th June 2013.

#### **Activity and Balance Sheet**

Distributions of £93m were received in the period, equivalent to an annualised rate of 23% of opening portfolio assets.

Calls from underlying private equity funds totalled £19m.

PIP's positive net cash flows are a function of the portfolio's maturity, which has a weighted average fund age of 7.8 years.

Exits often occur at an uplift to their previous holding value as managers are able to realise a premium on sale. PIP's largest 50 distributions, representing 31% by value of total distributions, occurred at an average uplift of 24%. This contributed significantly to NAV growth in the period and remains an important factor for future performance given the maturity of PIP's portfolio.

#### **Balance Sheet**

The Company's net cash at 31st December 2013 stood at £68m. The Company's loan facility, amounting to approximately £97m and which expires in June 2015, remained fully unutilised. Undrawn commitments of £188m as at 31st December 2013 were covered by assets and loan facilities by a factor of 5.2 times. Additionally, more than 60% of the undrawn commitments are older than six years and therefore unlikely to be fully called down. This provides ample flexibility to take advantage of new investment opportunities.

#### **New Investments**

PIP has continued to actively redeploy capital during the period. Secondary activity picked up in the second half of 2013 and in December the Company committed £70.7m to four secondaries, the majority of which comprised US buyout funds. PIP also committed £20.2m to 11 new co-investments and made two primary fund commitments for £5.1m. Our strategic focus on secondary interests ensures we can continue to take advantage of the liquid market conditions to realise investment returns.

#### Outlook

Our objective is to optimise PIP's ability to deploy capital systematically through long-term relationships with a large number of high-quality managers worldwide in order to maximise capital growth and generate returns in excess of public markets.

We expect to see high volumes in the secondary market within which PIP's Manager can seek out good-quality assets with a focus on relative value. We will continue to add co-investments alongside best of breed managers to build our investment exposure to current vintages and will make limited primary commitments to access those opportunities not yet so readily available through the secondary market. This enables us to build a portfolio that is naturally highly cash-generative. This also enables the Company to buy back its shares when this presents an attractive investment opportunity.

Our flexible approach to investing enables us to maintain PIP's relatively low risk profile, exercising firm control over the level of undrawn commitments.

The outlook for investing in secondary interests remains good. Despite a slow start in 2013, an estimated \$27.5bn of secondary deals were transacted, an increase on 2012 according to Cogent, an intermediary active in the secondary market. We expect to see a similar level of deal activity in 2014.

2013 saw exit markets flourish. We think the increased M&A trends are sustainable across many sectors and the increasingly active IPO markets can add significantly to the potential for private equity exits. The Company's mature, US-weighted portfolio is well-positioned to benefit, and for new investments, our focus on secondaries is an excellent way to take further advantage of these conditions.

MH Buttan



TOM BARTLAM
Chairman
27th February 2014

## Company Strategy

#### **Company Strategy**

PIP's strategy is to invest with leading private equity managers whilst reducing investment risk through diversification of the underlying portfolio by geography, investment stage and sector. This strategy is implemented through PIP's access to Pantheon's primary, secondary and co-investment activities. PIP has the flexibility to vary the size and emphasis of its investments depending on its available financing.

The spread of performance in private equity is much wider than in other asset classes and the selection of managers has a significant influence on investment performance. As a specialist fund-of-funds manager monitoring and researching the global private equity market, Pantheon, PIP's Manager, is well-positioned to identify fund managers who have the skills and strategies to deliver superior performance within their particular market segments.

The current portfolio reflects PIP's prolonged access to Pantheon's highly successful primary and secondary investments over the past 26 years. Only investments that have passed through rigorous research and analysis can be selected.

#### **Secondary Programme Emphasis**

It is the Board's current intention to emphasise secondary investment as the Company makes new commitments.

Secondary purchases of existing interests in private equity funds are typically acquired between three and seven years after a fund's inception, when such funds are substantially invested. As a result, they tend to have relatively low levels of undrawn commitments. PIP benefits from secondaries because the fees and expenses in the first few years have been paid and distributions from the funds will be returned over a shorter time period. This helps to reduce the drag to performance from young and immature funds, known as the "J-curve effect". In addition, secondary assets can be purchased at a discount, especially in cases where the seller has a need for liquidity, increasing the opportunity for outperformance.

The shorter duration of secondary investments and lower associated undrawn commitments will enable the Company to maintain its financial strength. Under Pantheon's allocation policy, and in accordance with the terms of its management agreement, PIP is entitled to invest alongside Pantheon's latest global secondary fund, Pantheon Global Secondary Fund V, in a predetermined ratio, benefiting from access to larger

secondary opportunities that it would not have had the capacity to complete alone. The secondary programme enables PIP to acquire attractively priced secondary interests as they become available, and aims to outperform market averages through judicious selection, pricing and timing.

#### **Co-investments**

Whilst the intention is to emphasise secondary investment, the Company will also participate in co-investments alongside established private equity managers. The breadth and depth of Pantheon's General Partner relationships provide a significant advantage for the sourcing and evaluation of co-investments. As with secondary investing, co-investments allow the Company to put money to work at the time it is committed. In addition, as there are lower or no management fees charged on co-investments by the underlying private equity manager, co-investing can represent a cost-efficient way of investing, whilst providing PIP with exposure to current vintages.

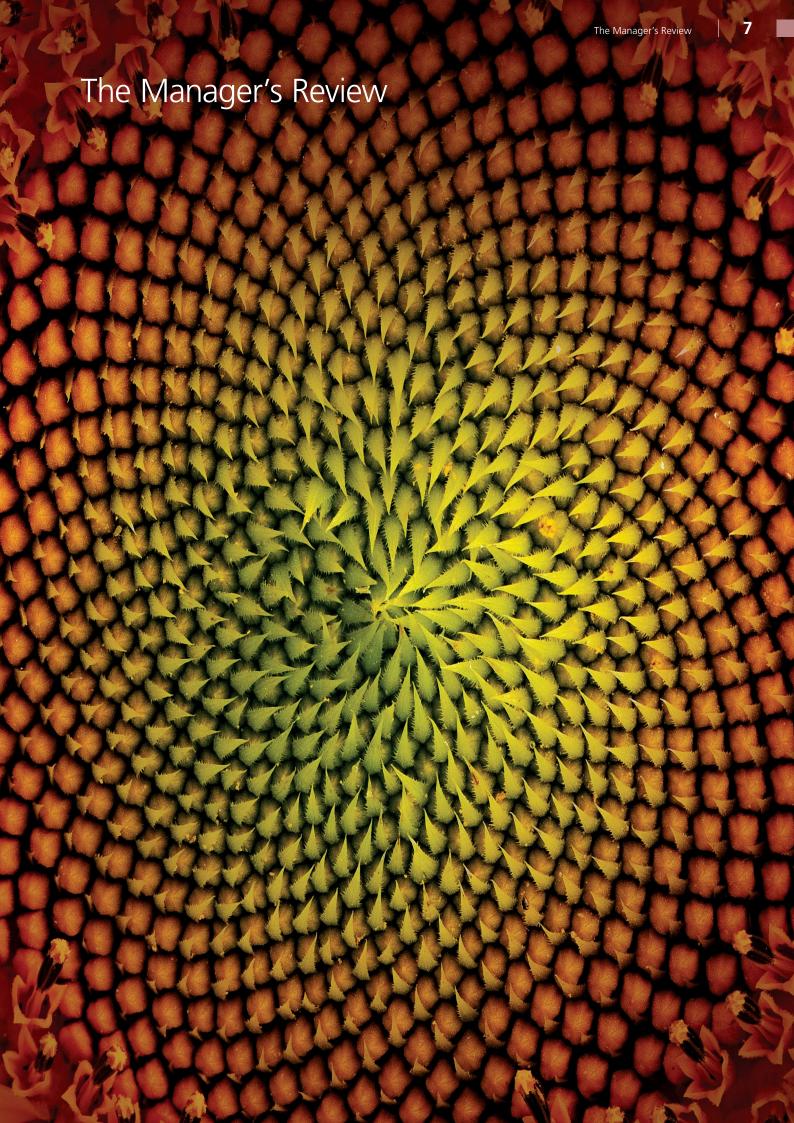
#### **Primary Commitments**

Investing in private equity through a primary commitment strategy (e.g. commitments to new private equity funds) can reduce the Company's financial flexibility by increasing the proportion of immature assets in its portfolio and by increasing its undrawn commitments relative to its assets. New primary investments have longer payback periods, requiring the Company to maintain higher levels of financing facilities against undrawn commitments. For these reasons and because the current outlook for secondary investment and co-investment is favourable, the Board de-emphasises primary commitments. However, the Company will consider making primary commitments on a targeted basis for portfolio construction purposes.

The investment rationale for any new primary commitments will always be weighed against their effects on the Company's financial flexibility so as to keep the undrawn commitments to a level that can comfortably be expected to be financed from internally generated cash flows.

#### **Share Buybacks**

In certain circumstances, usually where the Company's shares are quoted at a significant discount to NAV, the Board may view the shares as presenting an attractive investment opportunity relative to other uses of cash, such as new investment commitments. In such circumstances, the Board will consider targeted buybacks of ordinary and redeemable shares instead of, or in addition to, new investments.



### Market Review

Five years after plunging into financial crisis, the world's financial systems are repairing themselves. Many developed economies are faring better, or are approaching the point at which they seem set to improve. Banks and financial institutions are better capitalised, while global regulation aims to prevent further shocks to the system. Emerging markets, and in particular China and India, could pick up steam again, although the former seems unlikely to return to double-digit economic growth.

As we leave 2013 behind us, changes to monetary policy in the US and economic reforms in China, the world's two largest economies, loom large on macroeconomic and political agendas in the year ahead. Tapering, which signals the end to the Federal Reserve's massive QE programme, comes with recognition of a job done, at least in part, as the US economy beats initial estimates to register annualised growth of 4.1% in the third quarter of 2013.¹ Meanwhile, financial and social reforms in China signal an intention to keep modernising the economy, which continues to slow as it shifts from an export-led model to one oriented towards domestic consumption.

What happens in the US and China has far-reaching consequences, but the key theme for policymakers everywhere this year remains growth – not just how to get it, but how to keep it. The green shoots that had emerged in the US a year ago have continued to grow. European economies are following suit as the IMF predicts 0.5% growth for Germany and 1.7% for the UK in 2013,2 while their domestic policymakers expect better outcomes. Growth in many emerging markets is slowing but still exceeds growth in developed economies, continuing the trend of global rebalancing towards Asia, where some four billion of the world's seven billion people live. But despite these welcome improvements, risks remain. Inflating economies with cheap capital is one thing, having the courage to carry out necessary structural reforms to sustain growth is another altogether. Politicians can obstruct as much as they have the potential to pave the way for change. A scrap between Democrats and Republicans in the US during 2013 over raising the debt ceiling spooked markets globally, even though the right decision was taken at the eleventh hour. Meanwhile, simmering tensions between China and Japan over the Senkaku Islands point to non-economic risks that could have significant consequences.

#### **US Slows Money Printing Press**

The Federal Reserve's QE has succeeded in shoring-up bank balance sheets but it has now cut its bond-buying programme from \$85bn a month to \$65bn a month.<sup>3</sup> The move has been well trailed, but the impact of removing the \$2.8 trillion economic crutch will be felt widely and arguably most keenly in emerging markets where much of the surplus liquidity flowed during 2013. The irony is that the US market felt a positive liquidity shock in anticipation of the start of tapering, as financial institutions started to bring money home. We have entered uncharted territory as global markets have never before experienced such a significant withdrawal of liquidity.<sup>4</sup>

Cheap energy prices have provided a subsequent boost to US businesses and consumers, helping to create an attractive investment backdrop for the US industrial sector in particular. Signs that the US is considering the merits of exporting shale gas could eventually also have a beneficial impact on businesses in importing countries with high gas prices, including those in Asia and Europe.

Internal politics remain the US's worst enemy. The scuffle over the debt ceiling rattled markets, as did the US government shutdown in October 2013, which took an estimated \$24bn out of the economy, or 0.6% from GDP growth, in the final quarter of 2013.<sup>5</sup> The impact on economic activity may have been marginal given the acceleration in underlying economic growth in the US, but the impact on sentiment was significant. The message to the world is that the US system faces crisis every time an important economic or political decision must be taken.

<sup>&</sup>lt;sup>1</sup> Bureau of Economic Analysis data released 30th January 2014 <sup>2</sup> International Monetary Fund, Report World Economic Outlook: Update 21st January 2014

<sup>&</sup>lt;sup>3</sup> Federal Reserve Board press release, 29th January 2014 <sup>4</sup> Financial Times, US stocks set record as Fed steps back, 19th December 2013, Global shares rally after taper move, 19th December 2013, World markets braced for "Dectaper", 18th December 2013 <sup>5</sup> Impact of the Debt Ceiling Debate on the U.S. Economy – Getting Worse by the Day, Standard & Poor's, 16th October 2013

#### **Emerging Markets Feel the Brunt of US and China Policies**

Markets spent much of 2013 trying to figure out the impact of tapering. Brazil, India, Indonesia, Turkey and South Africa may see the greatest impact due to reliance on rapid credit growth and weak current account balances. Emerging market currencies will likely weaken, and stock markets and bond prices will remain volatile – the question is how governments will react.

Managing a soft landing in emerging markets exposed to China and the US will be difficult and could require currency depreciation to restart growth, as well as structural reforms. In the long term, positive demographics point to opportunities after short-term turbulence. Indonesia, as an example, has the world's fourth largest population of 237m, high basic literacy of 96.8% and an ambitious target GDP per head of \$5,000 in 2014, even if the reality was lagging at \$3,592 in 2012.

#### **New Growth in Europe**

Meanwhile, sentiment towards Europe has turned a corner. Overseas investors returned as their fears about a break-up of the Eurozone receded. Improving sentiment has impacted European private equity also, with North American institutions providing 25% of commitments to European funds closed in 2012 and 2013, up from 11% in 2010 and 2011.8 Furthermore, renewed domestic investor belief in domestic business prospects has catalysed the IPO market across the continent. A total of 158 IPOs in 2013 raised \$30bn, double the amount raised in 2012.9

Confidence in Northern Europe, notably Scandinavia and Germany, is stronger than in Southern European countries, particularly Spain, Italy and Greece, but painful readjustments to reduce wage bills and improve Spain's competitive position have had some success and the country's outlook is brightening. As the IMF marked down its forecasts for emerging markets, it wrote them up for Europe; even Spain is now expected to grow 0.6% in 2014 as the Eurozone expands 1%.<sup>10</sup>

In Europe, serious concerns remain however, not least for youth unemployment. According to the latest data, 58% of those aged under 25 in Greece are unemployed, almost matched by 57% in Spain. Across the European Union as a whole, youth unemployment is lower, but still worrying at 24%. 11 Creating jobs for young people is critical to sustaining growth and containing social unrest.

#### **US and Europe Remain Core to Investment Strategy**

Conditions in both regions remain supportive of private equity activity as credit market conditions are unusually accommodating and IPO activity is recovering. High yield bond issuance increased in 2013, particularly in Europe, <sup>12</sup> as pricing remains low and covenants flexible. Investor demand for credit continues to grow, absorbing the higher issuance volumes. Recovering GDP, low base rates and low default rates are likely to support credit markets this year.

In 2013, \$163.0bn was raised in 864 IPOs globally, a 27% increase on 2012<sup>13</sup> despite China's IPO market suspension, reflecting increased investor confidence in public market gains and signs of global recovery. Although 2014 was set for a strong start, the public market volatility in January shows that markets remain vulnerable to investor anxiety over the rate of monetary tightening.

In spite of recent political drama, the US market is central to global private equity. We remain positive on the prospects for industrial and services businesses that benefit directly and indirectly from technological development and the domestic energy boom as well as those positioned to benefit from domestic economic recovery.

In Europe, while the picture is more mixed, we expect to continue to source investments in portfolios and businesses that can benefit from recovery in the developed markets both within Europe and outside, and also those export and service businesses that can take advantage of significant consumer trends in emerging markets. Through the secondary market, we can target high-quality portfolios that have significant potential for near-term realisation activity so as to benefit from the supportive M&A and IPO markets, as well as further potential accommodation from the credit markets.

<sup>6</sup> Indonesia Demographic and Health Survey 2012 7 http://www.indonesia-investments.com/finance/macroeconomic-indicators 8 Preqin data; Revolving door of investors boosts Europe fundraising, Private Equity News, 1st October 2013 9 Ernst & Young Global IPO Trends Q4 2013 10 IMF Report World Economic Outlook: Update 21st January 2014 11 Euro area unemployment rate at 12.1%, Eurostat press release, 29th November 2013 12 BC Partners 13 Global IPO Trends, Q4 2013, Ernst & Young

### **Market Review**

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#### **Opportunities in Emerging Markets Despite Threats**

As the global economy has started to recover from the financial crisis, so too has the private equity industry. More exits, as corporate buyers return to M&A markets and IPOs recover, have increased the flow of capital back to LPs; private equity has shown good returns even from the depths of the cycle. With renewed confidence and increased liquidity generated from profitable exits, capital is flowing back into private equity once more. Some emerging and developed markets offer opportunities, but in view of such significant transition, caution is needed when selecting managers and investments that can prosper in a more volatile environment.

Market weakness during 2013 in a number of important emerging markets presents an opportunity for a patient investor to take advantage of better pricing conditions to acquire investments that have strong positioning in their markets.

#### **Secondary Market Opportunities**

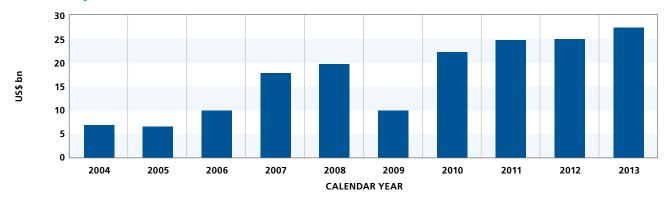
2013 was a record year in the secondary market, with volume reaching \$27.5bn,<sup>15</sup> a 10% increase versus 2012. After a slow first half, mainly due to a lull in bank selling activity, secondary

market volume rebounded significantly in the second half of 2013 and surged as the year drew to a close. This positive momentum is likely to continue through 2014, supported by an improving macroeconomic outlook and secondary market price stability, in part driven by strong distribution activity.

Public pension plans and financial institutions still represent a substantial portion of secondary market volume (57% of activity by dollar in 2013<sup>15</sup>). Banks are likely to remain active sellers in 2014 with the finalisation of the Volcker rule. The seller universe continues to broaden, with new sellers attracted towards more active portfolio management by valuation stability. Another key theme is the increasing number of transactions, including fund recapitalisation or wind-downs from managers of tail-end funds approaching their termination date. Pantheon has significant experience structuring favourable outcomes in such situations.

Pantheon screened over \$54bn of deals across approximately 300 sellers during the calendar year 2013, committing to transactions representing nearly 4% by value of all deals reported. With a likely backdrop of rising prices, Pantheon will continue to target investment opportunities that are less competitive where assets are undervalued.

#### Secondary Deal Transaction Volumes<sup>15</sup>



#### Conclusion

The recovery may be more established than last year, but we are not out of the woods yet. Political inaction, or governments taking the wrong action, could quickly stifle economic growth. Structural reforms need to accompany fiscal and monetary stimulus to cement the recovery. That could mean more pain and more shocks, though such crises now seem less likely to mutate into global contagion.

For private equity, maintaining balanced allocations across geographies and vintages has always been the key to smoothing out the effects of boom and bust cycles. Spotting undervalued sectors and businesses and having the knowledge and skills to carve out new niches can yield great results. Private equity stands well-positioned to benefit.

## Portfolio Overview

£93m

Distributions from PIP's mature portfolio

23%

Annualised distribution rate

24%

Average uplift on PIP's 50 largest distributions

£19m

Calls made on existing commitments

£76m

New commitments made to private equity funds, mainly secondaries £20m

Committed to 11 co-investments

£74m

Net portfolio cash flow generated

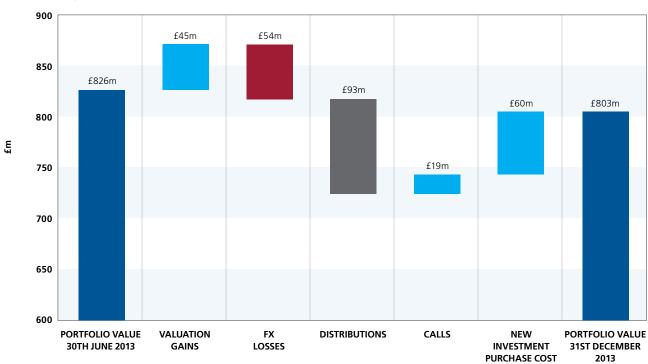
5.7%

Return on underlying assets

7.8 years

Weighted average age of portfolio

#### **Private Equity Portfolio Movements**



# Distributions for the Half-Year to 31st December 2013

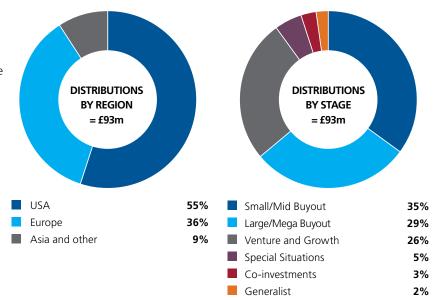
PIP received more than 800¹ distributions in the half-year, with many at significant uplifts to carrying value. The Company's mature and diversified portfolio should continue to generate significant distributions in the coming quarters.

#### Distributions

#### **Distributions by Region and Stage**

PIP received £93m in proceeds from the portfolio in the six months to 31st December 2013, implying an annualised distribution rate of 23% of the opening private equity assets.

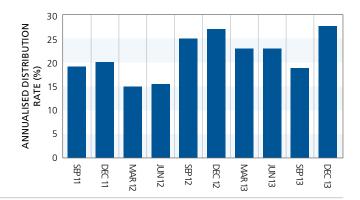
The US accounted for the majority of PIP's distributions, where market conditions enabled a good level of exits. European distributions were also strong, consistent with the signs of recovery shown by the wider European economy.



#### **Distribution Rates**

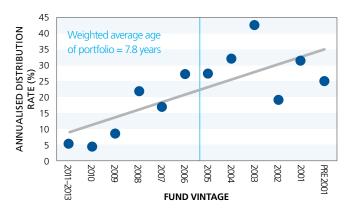
#### **Quarterly Distribution Rates<sup>2</sup>**

Quarterly distribution rates remained strong in the half-year, reflecting both market conditions and the maturity of PIP's portfolio.



## Distribution Rates<sup>2</sup> in the Half-Year to 31st December 2013 by Vintage

Mature vintages tend to distribute at higher rates. With a weighted average fund maturity of 7.8 years, PIP has a mature portfolio that should continue to generate significant levels of cash, particularly if we see sustained improvements in financial markets.



<sup>&</sup>lt;sup>1</sup> This figure looks through feeders and funds-of-funds. <sup>2</sup> Distribution rate equals distributions in period divided by opening portfolio value.

#### **Distributions Case Studies**



#### **Vue Entertainment**

#### **Doughty Hanson**

- > European multiplex cinema chains
- Sold to two Canadian pension funds in June 2013
- > Returned more than 2.0 times cost
- > €1.6m (£1.4m) distributions received

Over a two-and-a-half-year investment period, Vue made three add-on acquisitions and doubled the number of cinemas under ownership

## Cover-More® Travel Insurance

#### **Cover-More**

#### **Crescent Capital Partners**

- Australian travel insurance and emergency assistance services
- > Sold c. 84% of stake via an IPO in 2013
- Returned 4.8 times cost, with 1.0 times cost remaining
- > AUD1.6m (£0.9m) distributions received

EBITDA more than doubled between acquisition and June 2013 with a successful pan-Asian expansion strategy



#### **PRA** International

#### Genstar

- Global healthcare research and clinical trials organisation
- > Sold to KKR in June 2013
- > Returned 2.3 times cost
- > US\$3.4m (£2.1m) distributions received

Revenue and EBITDA doubled under Genstar's ownership, with expansion of its global footprint through organic growth and strategic acquisitions



#### **McGraw Hill Education**

#### **Apollo**

- Global education materials and learning solutions provider
- Returned 43% of cost through a dividend distribution in December 2013
- > US\$1.6m (£1.0m) distributions received

Company is performing well and has returned cash in the first year of investment. The company was purchased at a lower EBITDA multiple than quoted comparable companies' averages



#### Computerlinks

#### Equistone

- IT security and internet technology solutions
- Sold to NYSE-listed Arrow Electronics in October 2013
- > Returned more than 3.5 times cost
- > £1.5m distributions received

Revenue doubled under Equistone's investment period, with the bulk of growth achieved organically through expansion into the rapidly growing and highly complex e-security market



#### **Oxea Group**

#### Advent

- > Global manufacturer of Oxo chemicals
- Sold to Oman Oil Company in October 2013
- Returned 13.0 times cost, with 1.0 times cost remaining
- > €1.4m (£1.2m) distributions received

During Advent's ownership, the company's EBITDA almost tripled as a result of three key actions: further diversification of product offering, capacity extension and geographical expansion

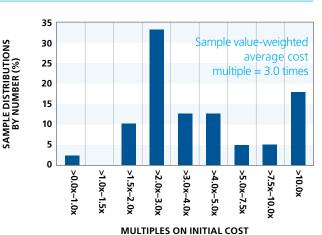
# Distributions for the Half-Year to 31st December 2013

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## Cost Multiples on a Sample of the Largest Distributions in the Half-Year to 31st December 2013<sup>1</sup>

The chart shows the range of multiples on initial cost achieved by the underlying fund manager on PIP's largest 50 distributions where information was available. The value-weighted average cost multiple of the sample was 3.0 times, highlighting the continued ability of private equity managers to create significant value over the course of an investment.

<sup>1</sup> The available data in the sample represented approximately 31% by value of PIP's total distributions for the half-year to 31st December 2013. This data is based upon gross cost multiples available at the time of the distribution.

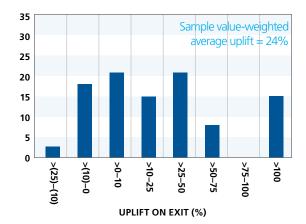


# SAMPLE DISTRIBUTIONS BY NUMBER (%)

## Uplifts on Liquidity Event on a Sample of the Largest Distributions in the Half-Year to 31st December 2013<sup>2</sup>

The chart shows the range of uplifts on liquidity event achieved by the underlying fund manager on the largest 50 distributions where information was available. The value-weighted average uplift of the sample was 24%. This average uplift is consistent with PIP's view that realisations tend to be significantly incremental to returns. PIP's mature portfolio is well placed to continue to generate a good level of distributions in the coming year.

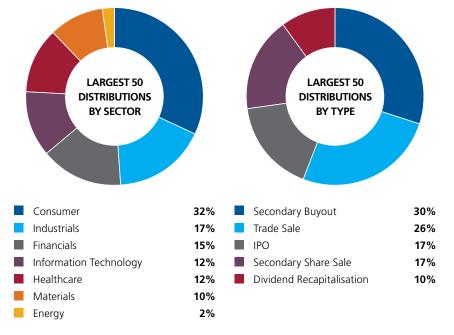
<sup>2</sup> Uplift on liquidity event compares the value received upon realisation against the investment's carrying value prior to the transaction taking place. In the event of an IPO, the uplift is the difference between the carrying value prior to the IPO and the value post IPO. The available data in the sample represented approximately 31% by value of PIP's total distributions for the half-year to 31st December 2013.



## Largest 50 Distributions by Sector and Type

All sectors provided good levels of distributions.

The most common forms of exit within the largest 50 distributions were secondary buyouts and trade sales. PIP also benefited from a number of IPOs, predominantly in Europe.



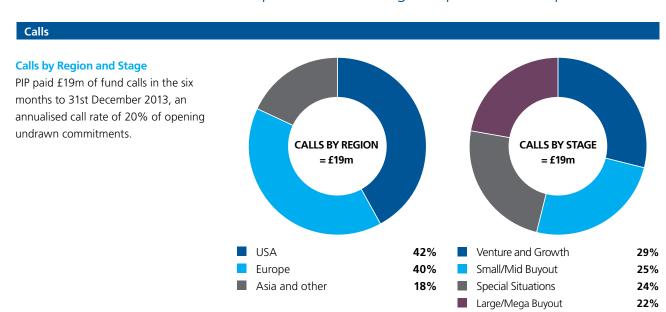
#### Largest 50 Distributions During the Half-Year to 31st December 2013

	COMPANY <sup>1</sup>	SECTOR	DESCRIPTION FUND DISTR	
1	PRA International	Healthcare	Clinical research organisation	2.
2	Paper Source	Industrials	Wholesale paper distributor	1.7
3	Computerlinks	Information Technology	IT security and internet solutions	1.5
1	Vue Entertainment	Consumer	Multiplex cinema operator	1.4
5	US Silica	Materials	Miner and processor of industrial sand	1.3
5	Avanza	Industrials	Transport services provider	1.2
,	Oxea Group	Materials	Supplier of chemicals and derivatives	1.2
3	Host Europe Group	Information Technology	Internet hosting company	1.0
)	McGraw-Hill Education	Consumer	Educational materials and learning solutions	1.0
10	Lojas Americanas	Consumer	Brazilian department store chain	0.
1	Cathedral Capital	Financials	Catastrophe insurance provider	0.
2	Cover-More	Financials	Travel insurance provider	0.
3	Tinkoff Credit Systems	Financials	Credit card and consumer finance company	0.
4	Rosetta Stone	Consumer	Language learning software solutions	0.
15	Hugo Boss	Consumer	Fashion and luxury goods	0.
6	Allied Glass Group	Materials	Glass containers and bottles	0.
7	Hydron	Consumer	Contact lens manufacturer	0.
8	Realogy Corporation	Financials	Real estate franchise and brokerage	0.
9	Bargain Booze	Consumer	UK off licence and convenience store chain	0.
.0	Campofrio Food Group	Consumer	Processed meat products	0.
	Powervar, Inc.	Industrials	Power management system and protection equipment provider	0.
21	R&R Ice Cream	Consumer		0.
2			Private-label frozen food products	
3	The Brickman Group	Industrials	Commercial landscaping services	0.
4	CliniSys Solutions Limited	Healthcare	Laboratory software systems	0.
25	Astex Pharmaceuticals	Healthcare	Development of oncology and virology drugs	0.
26	HUB International	Financials	Insurance brokerage firm	0.
27	Japan Home Centre	Consumer	Houseware retail stores	0.
8	Domestic & General	Financials	Extended warranties for major domestic electrical appliances	0.
19	Stock Spirits Group	Consumer	Producer and distributor of branded spirits	0.
0	HCA Healthcare	Healthcare	Healthcare service provider	0.
31	Yandex	Information Technology	Russian language search engine and portal	0.
2	ConvaTec	Healthcare	Medical technologies	0.
33	Genesee & Wyoming	Industrials	Railroad operator	0.
4	Ascribe	Healthcare	Software solutions for healthcare providers	0.
5	Rhiag Group	Consumer	Replacement automotive component distributor	0.
86	Merlin Entertainment	Consumer	Leisure facilities	0.
7	Copano Energy	Energy	Transportation and processing of natural gas	0.
8	Sprouts Farmers Market	Consumer	Organic and healthy-living grocery segment	0.
19	ExactTarget	Information Technology	Cross-channel digital marketing software-as-a-service solutions	0.
10	ProSiebenSat.1	Consumer	German television broadcasting	0.
11	Neiman Marcus Group	Consumer	Luxury retailer	0.
12	MidCap Financial	Financials	Debt solutions to middle market healthcare companies	0.
3	Northern Tier Energy	Energy	Downstream energy company	0.
4	bpost	Industrials	Belgium postal services provider	0.
	Trainline.com	Information Technology	Online train ticket retailer	0.
5	RE/MAX	Financials	Real estate franchise	
6				0.
7	Tableau Software	Information Technology	Big data visualisation software	0.
8	HellermannTyton	Industrials	Cable management solutions	0
.9	Diversified Foodsupply	Industrials	Equipment maintenance for food service industry	0.
0	J. Crew	Consumer	Specialty apparel retailer	0.

<sup>&</sup>lt;sup>1</sup> Relates to the main company associated with each distribution.

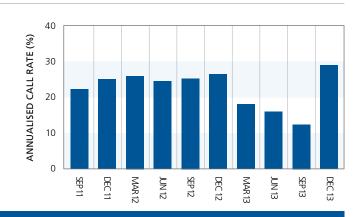
# Investments Called in the Half-Year to 31st December 2013

Investments called during the half-year ranged across many sectors and regions, from retail firms to restaurant chains, IT companies to specialised manufacturers and from financial services companies to oil and gas exploration companies.



#### Quarterly Call Rate<sup>1</sup>

PIP's call rate continued to decline in the September quarter, consistent with the trend from the first six months of 2013. However, the call rate jumped significantly in the December quarter as PIP received a number of larger capital calls from managers.



#### Largest 25 Calls by Value

The largest 25 calls show a high proportion of new investment focused on the consumer sector. Good-quality consumer companies, often operating in niches with solid customer bases and sound business models, should be well positioned to benefit from a continuation in the recovery of the global economy.



<sup>1</sup> Call rate equals calls in period divided by opening undrawn commitments. All call figures exclude the acquisition cost of new secondary and co-investment transactions.

# New Company Investments in the Half-Year to 31st December 2013

#### Largest 10 Calls in the Half-Year to 31st December 2013

COMPANY <sup>1</sup>	SECTOR	DESCRIPTION	FUND CALLS £M
Byron Burger	Consumer	Chain of high-quality burger restaurants	2.1
Dedalus	Information Technology	Software development for healthcare providers	0.7
Beats Electronics	Consumer	Headphones and audio accessories	0.6
ILX II	Energy	Upstream oil and gas company	0.5
Umoe Schat-Harding; Noreq	Industrials	Marine life-saving systems	0.5
Tecomet	Healthcare	Medical instrument manufacturer	0.4
Santander Asset Management; Dudalina	Financials; Consumer	SAM: Asset management; D: Brazilian fashion manufa	cturer <b>0.4</b>
Assisted Living Concepts; AV Homes	Healthcare; Financials	ALC: Senior care provider; AV: Property development	0.4
Neiman Marcus	Consumer	Luxury retailer	0.3
Camfin	Energy	Oil and gas refining and marketing	0.3
TOTAL			6.2
COVERAGE OF TOTAL CALLS			33%

#### New Co-investments in the Half-Year to 31st December 2013

COMPANY	SECTOR	DESCRIPTION	COMMITMENT £M
Allied Glass	Materials	Glass packaging for food and beverage industries	2.3
Bracket	Healthcare	Pharmaceutical clinical trial support services	2.3
Heptagon	Information Technology	Optical components for electronic devices	2.1
P&I	Information Technology	Payroll and HR software provider	2.1
ILXII	Energy	Oil and gas exploration	2.0
ISTA	Industrials	Utility metering hardware and services	2.0
Xeikon	Industrials	Printing systems supplier	1.9
Neiman Marcus	Consumer	Luxury goods retailer	1.8
Inseec	Consumer	Post-secondary education services provider	1.4
Globecomm	Telecom Services	Communication services and infrastructure	1.3
Schat Harding	Industrials	Life boat manufacturer and service provider	1.0
TOTAL			20.2

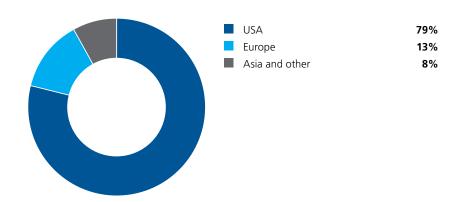
<sup>&</sup>lt;sup>1</sup> Relates to the main company or companies associated with each call. Calls with insufficient information available have been excluded from the largest 10 list, with the next largest call listed in its place.

## **New Commitments**

PIP committed £96m to new investments during the half-year, concentrated on US buyout assets. These commitments were on average approximately 62% funded on completion, resulting in an initial investment of £60m.

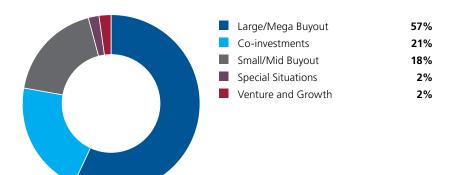
#### **New Commitments by Region**

79% of new commitments were made to private equity funds which concentrate on the US market. The US is the most developed private equity market and in our view currently offers some of the most attractive growth opportunities.



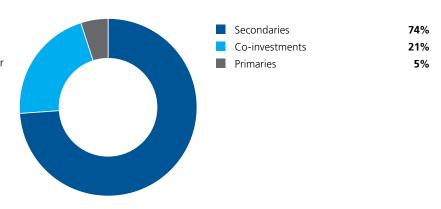
#### **New Commitments by Stage**

The majority of investments were in funds which focus on buyout transactions. Buyout funds tend to have shorter payback periods relative to venture and growth assets.



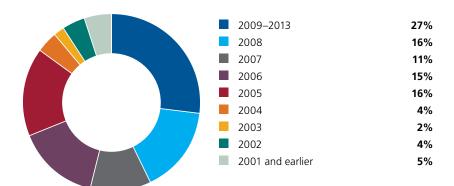
#### **New Commitments by Deal Type**

In line with our investment strategy, the majority of new commitments were across four secondary transactions. The four transactions saw PIP committing to 29 funds. PIP also invested in 11 co-investments, and made two primary commitments, taking advantage of attractive opportunities. Co-investments offer PIP access to private equity investments at a lower management cost.



#### **New Commitments by Fund Maturity**

59% of new commitments were to funds of vintage 2005 to 2008, reflective of the supply of these funds in the secondary market. Co-investments and primary commitments offer PIP exposure to more recent vintages which are currently less available in the secondary market.



#### **New Commitments Case Studies<sup>1</sup>**

#### £39.0m Secondary<sup>2</sup>

#### 48% funded



- Diversified high-quality portfolio of 17 primarily US buyout fund interests
- > Purchased with an attractive deferral structure in rarely traded funds
- Pantheon had information advantage given prior coverage of the managers

#### £10.5m Secondary

#### 85% funded



- Portfolio of three brand name US buyout fund interests with global exposure
- Coverage in Pantheon's fund monitoring initiative enabled fast execution
- > Increased PIP's exposure to two highquality managers

#### £15.9m Secondary

#### 92% funded



- High-quality portfolio of seven primarily European buyout fund interests with global exposure
- > Pantheon invited into restricted process given relationships with four top-quality managers
- Mature portfolio with strong distribution activity prior to deal closing

#### £1.4m Co-investment

#### INSEEC



(Apax France)

- > French post-secondary education services provider
- Attractive business model with recurring revenues, high margins and strong cash conversion
- Potential growth from international expansion and online programmes

## £1.8m Co-investment Neiman Marcus



(Ares Management)

- US luxury retailer
- Attractive long-term growth characteristics and resilience through downturn
- Capital investment opportunities in systems, store improvements and the online platform

#### £2.3m Co-investment



(Parthenon Capital Partners)



- Clinical services technology solutions provider
- > Attractive entry valuation, comparing favourably to quoted comparable company averages
- Growing market and opportunities for accretive add-on acquisitions

#### **Pantheon Vehicles**

At 31st December 2013, 7% of PIP's portfolio value and 9% of PIP's outstanding commitments were comprised of funds-offunds directly managed by Pantheon. Pantheon is not entitled to management and commitment fees in respect of PIP's holdings in, and outstanding commitments to, the firm's

managed fund-of-funds vehicles. In addition, Pantheon has agreed that PIP will never be disadvantaged in terms of fees compared with the position it would have been in had it made investments directly into the underlying funds rather than indirectly through such fund-of-funds vehicles.

<sup>&</sup>lt;sup>1</sup> The funds acquired in new secondary transactions are not named due to non-disclosure agreements.

<sup>&</sup>lt;sup>2</sup> Includes three funds which were closed in January 2014. In addition, the unfunded component at acquisition includes a partial deferral of the initial purchase price.

## Portfolio Overview

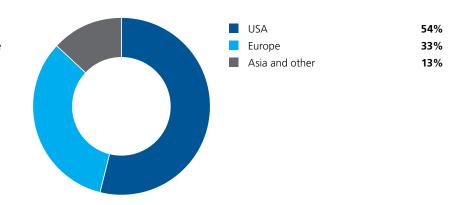
The Company offers a global, diversified selection of private equity assets, carefully selected by Pantheon for their quality. The diversification of PIP's portfolio, with assets spread across different investment styles and stages including buyout, venture and growth, and special situations, helps to reduce volatility both of returns and cash flows. The maturity profile of the portfolio ensures that PIP is not overly exposed to any one vintage. PIP's geographical diversification extends its exposure beyond the US and Europe, to regions with higher rates of economic growth such as Asia.

#### Portfolio Analysis by Value as at 31st December 2013<sup>1</sup>

#### **Fund Geography**

The majority of PIP's geographical exposure is focused on the US and Europe, reflecting the fact that these regions have the most developed private equity markets.

PIP's assets based in Asia and other regions provide access to faster-growing economies.



#### **Fund Stage**

PIP's portfolio is well diversified across different private equity investment styles and stages.

PIP's portfolio is predominantly made up of buyout funds. Exposure to these funds increased in the half-year driven by new investments. Exposure to co-investments, largely buyout in nature, increased to 5% (from 3%) during the half-year, also due to new investments.

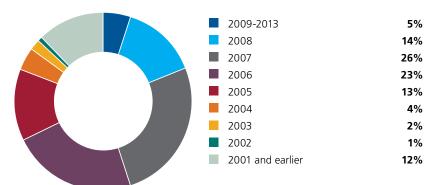
PIP has a significant exposure to venture and growth-focused funds, many of which were acquired through the secondary market. The size of PIP's venture and growth portfolio is reducing as a result of distributions and the Company's emphasis on buyouts when making new investments.



<sup>&</sup>lt;sup>1</sup> Fund geography, stage, maturity and primary/secondary charts are based upon underlying fund valuations and account for 100% of PIP's overall portfolio value. Company sector and company geography charts are based upon underlying company valuations at 30th June 2013 and account for greater than 95% of PIP's overall portfolio.

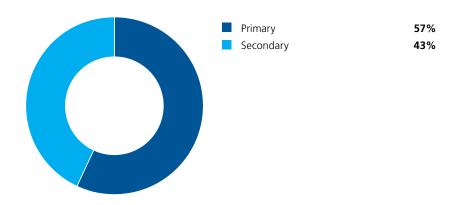
#### **Investment Maturity**

PIP's portfolio is well diversified by fund vintage (referring to the year the fund made its first investment). PIP's secondary focus is expected to lead to continued high exposure to the high fundraising years of 2006–2008. New co-investments are increasing PIP's exposure to more recent vintages.



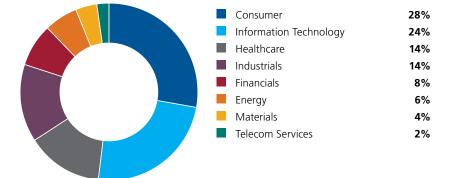
#### **Primary/Secondary**

57% of the portfolio is derived from primary transactions. However, PIP's strategic emphasis means that secondaries are becoming an increasingly large proportion of the portfolio.



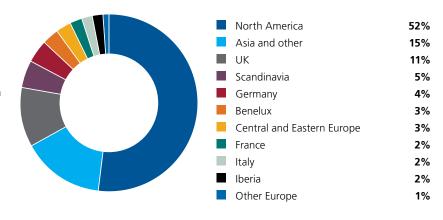
#### **Company Sectors**

PIP's sectoral diversification helps to minimise the effects of cyclical trends within particular industry segments. Relative to the FTSE All-Share and MSCI World indices, PIP has higher exposure to information technology, and lower exposure to the banking, mining and utilities sectors.



#### **Company Geography**

Half of PIP's portfolio is in companies based in North America which has, in our view, better growth prospects than many other areas of the developed world. PIP's European exposure, which represents just over one-third of the portfolio, is predominantly in companies based in the stronger Northern European economies, including the UK, Scandinavia and Germany. Approximately 15% of PIP's portfolio companies are principally active in Asia and other regions, providing access to faster-growing economies such as China and India.



## Portfolio Analysis

#### Portfolio Performance by Stage for the Half-Year to 31st December 2013

- The portfolio generated an investment return of 5.7% in the half-year, prior to foreign exchange effects.
- Returns were highest in the large/mega buyout segment of the portfolio, which benefited from significant distributions and earnings growth from the underlying companies. PIP's recent new investments, which have been concentrated in these areas, have shown positive early performance.

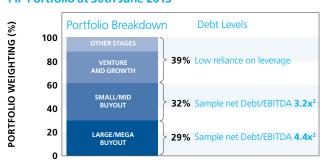
#### Portfolio Return: Half-Year to 31st December 2013 10.0 8.2% 8.0 RETURN (%) 6.5% 5.7% 5.4% 6.0 5.2% 3.7% 4.0 2.1% 2.0 0.0 NAV% 29% **27**% GENERALIST CO-INVESTMENTS ₽ SMALL/MID BUYOUT SPECIAL SITUATIONS LARGE/MEGA BUYOUT VENTURE & GROWTH

#### Debt Multiples<sup>2</sup>

Venture and growth and buyout investments have differing leverage characteristics.

- > The venture and growth portfolio accounts for 27% of portfolio value and has very little or no reliance on leverage.
- The small/mid buyout portfolio sampled contains a moderate level of debt, with net debt/EBITDA of 3.2 times at 30th June 2013.
- The large/mega buyout funds sampled contain higher levels of debt, with net debt/EBITDA of 4.4 times as at 30th June 2013. Investments made between 2006–2008, a time period associated with high debt levels, had net debt/EBITDA of 4.4 times, consistent with the remainder of the sample.

#### PIP Portfolio at 30th June 2013



## Portfolio Analysis – Buyout

#### Valuation Multiple<sup>2</sup>

- Accounting standards require private equity managers to value their portfolio at fair value. As public markets move, this can be reflected in valuations.
- Sample-weighted average enterprise value/EBITDA for the year to 30th June 2013 was 9.5 times, broadly in line with public market benchmarks.

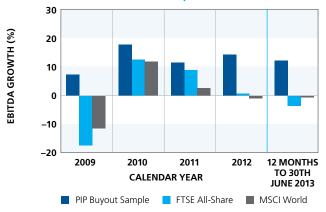
#### Valuation Multiple at 30th June 2013



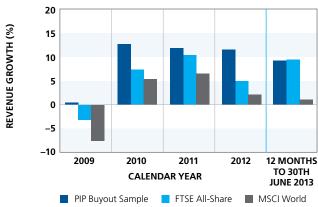
#### Revenue and EBITDA Growth<sup>2</sup>

- Weighted average EBITDA growth for the sample buyout companies was +12.0% in the 12 months to 30th June 2013, compared to -3.6% and -0.7% for the FTSE All-Share and MSCI World indices.
- Weighted average revenue growth for the sample buyout companies was +9.1% compared to +9.4% and +1.1% for the FTSE All-Share and MSCI World indices.
- This strong top-line performance with efficient cost control is a principal objective of PIP's investment focus, where opportunities for managers to add value provides scope for outperformance under the private equity model.

#### **Annual EBITDA Growth: PIP Sample vs Indices**



#### **Annual Revenue Growth: PIP Sample vs Indices**



<sup>1</sup> Portfolio returns include income, exclude gains and losses from foreign exchange movements, and look through feeders and funds-of-funds.

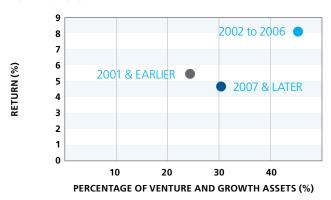
<sup>&</sup>lt;sup>2</sup> Buyout Sample Methodology The sample buyout figures for the 12 months to 30th June 2013 were calculated from the companies in PIP's largest 50 buyout funds and direct investments at 30th June 2013. The figures are based on unaudited data collected by Pantheon from managers with which PIP is invested. The revenue and EBITDA figures were based upon the 12 months to 30th June 2013 and provide coverage of 47% and 48% respectively of PIP's buyout portfolio. Individual company revenue and EBITDA growth figures were calculated in local currency and capped between +100% and -100% to avoid large distortions from excessive outliers. Enterprise value is defined as carrying value + net debt. The net debt and enterprise value figures were based upon 30th June 2013 underlying valuations. The valuation multiple sample covers approximately 50% of PIP's buyout portfolio. The debt multiple sample covers 45% of PIP's buyout portfolio. The weightings are by portfolio NAV. Historical figures are consistent with PIP's prior annual reports and do not contain the same sampled companies as the current period. Index statistics sourced from S&P Capital IQ and Bloomberg.

## Portfolio Analysis – Venture and Growth

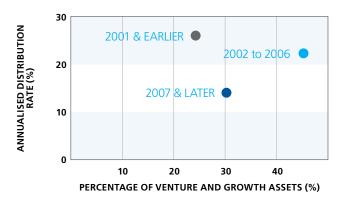
#### **Venture and Growth Performance**

- Prior to foreign exchange effects, PIP's venture and growth funds generated a return of 6.5% in the six months to 31st December 2013. Funds of vintage from 2002 to 2006 performed most strongly, with returns of 8.2%. These funds constitute 46% of the venture and growth portfolio.
- The venture and growth portfolio generated significant cash flow during the six months to 31st December 2013, particularly the older vintage funds. Distributions were a key driver of returns, with distributing funds achieving returns of 10.8% in the half-year.
- In our view, the venture and growth portfolio, which has a weighted average age of 8.8 years, can continue to produce a substantial level of distributions.

#### Venture and Growth Returns:<sup>1</sup> 2012 and 2013



## Venture and Growth Distribution Rates:<sup>2</sup> 2012 and 2013



<sup>&</sup>lt;sup>1</sup> Returns exclude foreign exchange movements.

<sup>&</sup>lt;sup>2</sup> Distribution rate equals distributions in period divided by opening portfolio value.

## Finance and Share Buybacks

#### Finance

#### **Cash and Available Bank Facility**

At 31st December 2013 PIP had cash balances of £68m.

In addition to these cash balances, PIP can also finance investments out of its multi-currency revolving credit facility agreement ("Loan Facility"). The Loan Facility is due to expire in June 2015 and comprises facilities of \$82m and €57m which, using exchange rates at 31st December 2013, amount to a sterling equivalent of £97m. At 31st December 2013 the Loan Facility remained fully undrawn.

#### **Undrawn Commitment Cover**

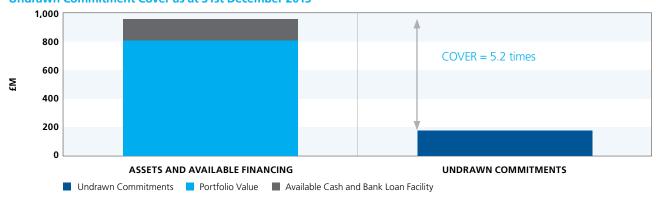
At 31st December 2013, the Company had £165m of available financing, comprised of its cash balances and Loan Facility. The sum of PIP's available financing and private equity portfolio provides 5.2 times cover relative to undrawn commitments.

It should be noted that a portion of the Company's undrawn commitments of £188m are unlikely to be called in full by the underlying managers. When a fund is past its investment period, which is typically between five and six years, it generally cannot make any new investments (only drawing capital to fund existing follow-on investments or pay expenses). As a result, the rate of capital calls in these funds tends to slow dramatically. Approximately 63% of the Company's undrawn commitments are in fund vintages that are greater than six years old.

#### **Share Buybacks**

PIP bought back 1.4%¹ of its shares in the half-year, taking advantage of the investment opportunity offered by its shares continuing to trade at high discounts. In total, 0.7m ordinary shares and 0.3m redeemable shares were bought back at weighted average discounts of 22% and 25% respectively, resulting in a total uplift to NAV per share of 4.4p, or 0.3% of opening NAV per share. Whilst PIP's shares trade at high discounts the Board will continue to consider further share buybacks for investment purposes.

#### **Undrawn Commitment Cover as at 31st December 2013**



<sup>1.4%</sup> is calculated using the number of shares bought back in the half-year divided by the number of shares outstanding at 30th June 2013.

## **Outstanding Commitments**

## PIP's outstanding commitments to fund investments are diversified by stage and geography.

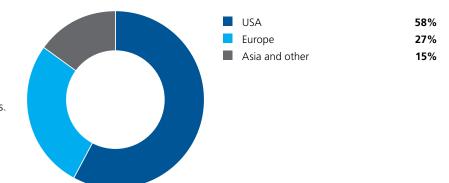
#### Analysis of Outstanding Commitments as at 31st December 2013

PIP's outstanding commitments to investments decreased to £188m at 31st December 2013 compared with £195m at 30th June 2013. The Company paid calls of £19m and acquired an additional £36m of outstanding commitments associated with new investments made in the half-year. The remaining movements of -£24m were caused by foreign exchange movements and cancellations of outstanding commitments in the portfolio's underlying funds.

#### Geography

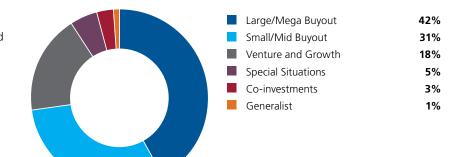
The US and Europe have the largest outstanding commitments, reflecting the Company's investment emphasis.

Commitments to Asia and other regions provide access to faster-growing economies.



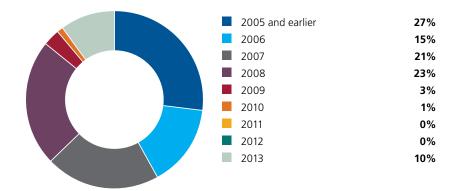
#### Stage

PIP's undrawn commitments are diversified across all major stages of private equity.



#### Maturity

63% of PIP's undrawn commitments are in the 2007 vintage or older. Most relate to funds that are outside their investment periods and, as such, are expected to have slower call rates. It is likely that a portion of these commitments will not be drawn.



## The Largest 50 Managers by Value

Largest 50 Managers by Value as at 31st December 2013<sup>1</sup>

% OF PIP'S TOTAL PRIVATE NUMBER REGION<sup>2</sup> **EQUITY ASSET VALUE** MANAGER STAGE BIAS 1 Global 4.2% TPG **Buyout** 2 **Providence Equity Partners** USA Buyout 2.4% 3 Carlyle Group Global Generalist 2.4% 4 **Apax Partners** Europe **Buyout** 2.3% 5 **Blackstone Capital Partners** USA **Buyout** 2.2% 6 **Vision Capital** Europe **Buyout** 2.1% 7 **CVC Capital Partners** Global 2 1% **Buyout** 8 **Apollo Management** USA **Buyout** 2.0% **Hutton Collins Special Situations** Europe 1.7% 10 **Brentwood Associates** USA **Buyout** 1.6% 11 **Golden Gate Capital** USA **Buyout** 1.6% 12 Global Buyout 1.6% 13 **Cinven Partners** Buyout Europe 1.4% 14 Equistone Europe Buyout 1.4% 15 **Baring Vostok Capital Partners** Russia **Buyout** 1.3% 16 **Oak Investment Partners** USA Venture and Growth 1.2% 17 **Baring Private Equity Asia** Growth Asia 1.2% **Bain Capital** USA **Buyout** 1.2% 18 19 **Doughty Hanson & Co** Europe **Buyout** 1.2% **Nova Capital Management** 20 Europe **Buyout IK Investment Partners** 21 Europe 1.1% **Buyout** 22 Permira Europe **Buyout** 1.0% 23 **Mid-Europa Partners** Europe **Buyout** 1.0% 24 **Nordic Capital** 1.0% Europe Buvout 25 Mercapital **Europe Buyout** 0.9% 26 **Summit Partners** Global Generalist 0.9% 27 **Avista Capital Partners** USA **Buyout** 0.9% 28 **Riverstone Holdings** USA Energy 0.9% 29 **Altor Capital** Europe **Buyout** 0.9% 30 Francisco Partners USA Buyout 0.9% 31 Polaris Venture Partners USA Venture and Growth 0.9% 32 Matlin Patterson USA **Special Situations** 0.9% 33 **Genstar Capital Partners** USA **Buyout** 0.9% 34 **ABS Capital Partners USA** Venture and Growth 0.9% 35 **Canaan Partners** USA Venture and Growth 0.9% 36 **New Enterprise Associates** USA Venture and Growth 0.8% 37 **Warburg Pincus Partners** Global Generalist 0.8% 38 **Catalyst Investors** USA Venture and Growth 0.8% **Tricor US Management** 39 USA **Buyout** 0.8% 40 **Sterling Investment Partners** USA Buyout 0.8% Venture and Growth 41 **Technology Crossover Ventures** USA 0.8% **Bridgepoint Partners Buyout** 42 Europe 0.7% 43 Global **Buyout** 0.7% 44 **Bencis Capital Partners** Europe **Buyout** 0.7% 45 Thomas H Lee Partners USA **Buyout** 0.7% 46 **Index Ventures** Europe Venture and Growth 0.7% 47 **ARCH Venture Partners** USA Venture and Growth 0.7% 48 **Hony Capital** Asia **Buvout** 0.6% 49 **Weston Presidio Capital** Venture and Growth 0.6% 50 Yorktown Partners USA Energy 0.6% 61.0% **COVERAGE OF PIP'S TOTAL PRIVATE EQUITY ASSET VALUE** 

Percentages look through feeders and funds-of-funds.

<sup>&</sup>lt;sup>2</sup> Refers to the regional exposure of the funds in which PIP is invested.

## The Largest 50 Companies by Value

#### Largest 50 Companies by Value as at 31st December 2013

% OF PIP'S TOTAL PRIVATE

NUMBER	COMPANY	COUNTRY	SECTOR EQUIT	Y ASSET VALU
1	Attendo	Sweden	Healthcare	1.0%
2	JDR	USA	Energy	0.9%
3	Spotify	Sweden	Information Technology	0.8%
4	Bibby Scientific	UK	Industrials	0.8%
5	Applied Medical Resources	USA	Healthcare	0.7%
6	InterXion	Netherlands	Information Technology	0.7%
7	Convatec	USA	Healthcare	0.5%
8	LBX Pharmacy Chain	China	Consumer	0.5%
9	SoftBrands	USA	Information Technology	0.5%
10	Fairway Market	USA	Consumer	0.5%
11	Oriental Brewery Company	South Korea	Consumer	0.4%
12	CSPC Pharmaceutical	China	Healthcare	0.4%
13	Alarm.com	USA	Industrials	0.4%
14	CPL Industries	UK	Energy	0.4%
15	CPI Card Group	USA	Industrials	0.4%
16	Cosan	Brazil	Energy	0.4%
17	Nord Anglia Education	China	Consumer	0.4%
18	EP Energy	USA	Energy	0.4%
19	The Teaching Company	USA	Consumer	0.4%
20	Property Portfolio	UK	Financials	0.4%
21	PRA International	USA	Healthcare	0.3%
22	AutoTrader Group	USA	Information Technology	0.3%
23	Mindbody	USA	Information Technology	0.3%
24	Zoe's Kitchen	USA	Consumer	0.3%
25	Michaels Stores	USA	Consumer	0.3%
26	GGC Credit Opps	USA	Financials	0.3%
27	Standard Pacific Corporation	USA	Consumer	0.3%
28	Wrist	Denmark	Industrials	0.3%
29	Evonik	Germany	Materials	0.3%
30	Allison Transmission	USA	Industrials	0.3%
31	China Yongda Automobiles	China	Consumer	0.3%
32	Jimmy John's	USA	Consumer	0.3%
33	Classic Fine Foods	Singapore	Consumer	0.3%
34	Booz Allen Hamilton	USA	Industrials	0.3%
35	TMF	Netherlands	Financials	0.3%
36	BrightHouse	UK	Consumer	0.3%
37	Vitruvian Exploration	USA	Energy	0.3%
38	Byron Burger	UK	Consumer	0.3%
39	USI	USA	Financials	0.3%
40	Siltron	South Korea	Information Technology	0.3%
41	Standard Bancshares	USA	Financials	0.3%
42	Heptagon	USA	Information Technology	0.3%
43	Syniverse Technologies	USA	Telecommunication Services	0.3%
44	Wagamama	UK	Consumer	0.2%
45	Allied Glass	Europe	Industrials	0.2%
46	K-Mac Enterprises	USA	Consumer	0.2%
47	Visma	Norway	Information Technology	0.2%
48	Caffè Nero	UK	Consumer	0.2%
49	ATI	USA	Healthcare	0.2%
50	Sapphire Energy	USA	Energy	0.2%
			37	19.2%

## **Historical Data**

		NAV	ORDINARY	PRIVATE EQUITY	OUTSTANDING
	NAV <sup>1,2</sup>	PER SHARE <sup>2</sup>	SHARE PRICE	PORTFOLIO	COMMITMENTS
Historical Data	(£M)	(PENCE)	(PENCE)	(£M)	(£M)
Half-year ended 31st December 2013	871.6	1,303.9	1,028.0	803	188
Financial year end (30th June):					
2013	903.3	1,331.9	1,042.0	826	195
2012	845.4	1,193.5	725.5	800	191
2011	733.1	1,104.1	714.0	810	243
2010	636.5	958.7	486.0	763	331
2009	513.6	773.6	295.3	648	428
2008	736.1	1,108.7	750.0	806	641
2007	610.3	919.2	917.5	527	528
2006	441.0	796.8	726.5	372	365
2005	381.5	657.9	650.5	315	245
2004	245.2	572.5	463.0	233	137
2003	220.9	546.8	447.0	237	158
2002	196.4	541.6	486.5	175	138
2001	206.1	669.1	574.0	201	138
2000	161.3	599.9	457.5	140	77
1999	145.8	405.6	302.5	78	45
1998	131.3	368.6	294.5	79	50
1997	116.8	328.4	270.0	73	47
1996	106.2	302.5	225.0	48	25
1995	86.9	255.1	207.5	33	8
1994	47.4	239.6	176.5	42	7
1993	30.8	195.5	172.5	28	1
1992	21.3	139.7	93.5	28	0
1991	21.0	129.1	86.5	31	1
1990	20.2	126.7	80.5	32	2
1989	16.7	120.9	95.0	25	2
1988	12.4	102.5	75.0	2	0

<sup>&</sup>lt;sup>1</sup> Includes participating loan notes in issue between 2000 and 2004.

<sup>&</sup>lt;sup>2</sup> Historical NAV and NAV per share figures disclosed in the table above relate to adjusted NAV and adjusted NAV per share where applicable.

## Objective and Investment Policy

#### **Objective and Investment Policy**

The Company's primary investment objective is to maximise capital growth by investing in a diversified portfolio of private equity funds and directly in private companies.

The Company's policy is to make unquoted investments, in general by subscribing for investments in new private equity funds ("Primary Investment") and by buying secondary interests in existing private equity funds ("Secondary Investment"), and from time to time to capitalise further on its fund investment activities by acquiring direct holdings in unquoted companies, usually either where a vendor is seeking to sell a combined portfolio of fund interests and direct holdings or where there is a private equity manager, well known to the Company's Manager, investing on substantially the same terms.

The Company may invest in private equity funds which are quoted. In addition, the Company may from time to time hold quoted investments in consequence of such investments being distributed to the Company from its fund investments or in consequence of an investment in an unquoted company becoming quoted. The Company will not otherwise normally invest in quoted securities, although the Company reserves the right to do so should this be deemed to be in the interests of the Company.

The Company may invest in any type of financial instrument, including equity and non-equity shares, debt securities, subscription and conversion rights and options in relation to such shares and securities and interests in partnerships and limited partnerships and other forms of collective investment scheme. Investments in funds and companies may be made either directly or indirectly, through one or more holding, special purpose or investment vehicles in which one or more co-investors may also have an interest.

The Company employs a policy of over-commitment. This means that the Company may commit more than its available uninvested assets to investments in private equity funds on the basis that such commitments can be met from anticipated future cash flows to the Company and through the use of borrowings and capital raisings where necessary.

The Company's policy is to adopt a global investment approach. The Company's strategy is to mitigate investment risk through diversification of its underlying portfolio by geography, sector and investment stage. Since the Company's assets are invested globally on the basis, primarily, of the merits of individual investment opportunities, the Company does not adopt maximum or minimum exposures to specific geographic regions, industry sectors or the investment stage of underlying investments.

In addition, the Company adopts the following limitations for the purpose of diversifying investment risk:

- that no holding in a company will represent more than 15% by value of the Company's investments at the time of investment (in accordance with the requirement for approval as an investment trust which applied to the Company in relation to its accounting periods ended on and before 30th June 2012);
- the aggregate of all the amounts invested by the Company in (including commitments to or in respect of) funds managed by a single management group may not, in consequence of any such investment being made, form more than 20% of the aggregate of the most recently determined gross asset value of the Company and the Company's aggregate outstanding commitments in respect of investments at the time such investment is made;
- the Company will invest no more than 15% of its total assets in other UK-listed closed-ended investment funds (including UK-listed investment trusts).

The Company may invest in funds and other vehicles established and managed or advised by Pantheon or any Pantheon affiliate. In determining the diversification of its portfolio and applying the manager diversification requirement referred to above, the Company looks through vehicles established and managed or advised by Pantheon or any Pantheon affiliate.

The Company may enter into derivatives transactions for the purposes of efficient portfolio management and hedging (for example, hedging interest rate, currency or market exposures).

Surplus cash of the Company may be invested in fixed interest securities, bank deposits or other similar securities.

The Company may borrow to make investments and typically uses its borrowing facilities to manage its cash flows flexibly, enabling the Company to make investments as and when suitable opportunities arise and to meet calls in relation to existing investments without having to retain significant cash balances for such purposes. Under the Company's articles of association, the Company's borrowings may not at any time exceed 100% of the Company's net asset value. Typically, the Company does not expect its gearing to exceed 30% of gross assets. However, gearing may exceed this in the event that, for example, the Company's pipeline of future cash flows alters.

The Company may invest in private equity funds, unquoted companies or special purpose or investment holding vehicles which are geared by loan facilities that rank ahead of the Company's investment. The Company does not adopt restrictions on the extent to which it is exposed to gearing in funds or companies in which it invests.

# Interim Management Report and Responsibility Statement of the Directors

#### IN RESPECT OF THE HALF-YEARLY FINANCIAL REPORT

#### **Interim Management Report**

The important events that have occurred during the period under review, the key factors influencing the financial statements and the principal uncertainties for the remaining six months of the financial year are set out in the Chairman's Statement and the Manager's Review.

The principal risks facing the Company are substantially unchanged since the date of the Annual Report for the year ended 30th June 2013 and continue to be as set out in that report.

Risks faced by the Company include, but are not limited to, funding of investment commitments, risks relating to investment opportunities, financial risk of private equity, long-term nature of private equity investments, liquidity risk, valuation uncertainty, gearing, foreign currency risk, the unregulated nature of underlying investments, defaults on commitments, taxation, the risks associated with the engagement of the Manager or other third party advisers and the implementation of the Alternative Investment Fund Managers' Directive ("AIFMD").

#### **Responsibility Statement**

Each Director confirms that to the best of their knowledge:

- the set of financial statements has been prepared in accordance with the Statement on Half-Yearly Financial Reports issued by the UK Accounting Standards Board and gives a true and fair view of the assets, liabilities, financial position and return of the Company; and
- this Half-Yearly Financial Report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last annual report that could do so.

This Half-Yearly Financial Report was approved by the Board of Directors on 27th February 2014 and the above responsibility statement was signed on its behalf by Tom Bartlam, Chairman.

## Income Statement (unaudited)

FOR THE SIX MONTHS TO 31ST DECEMBER 2013

	SIX MONTHS TO 31ST DECEMBER 2013		SIX MONTHS TO 31ST DECEMBER 2012			YEAR TO 30TH JUNE 2013			
	REVENUE	CAPITAL	TOTAL*	REVENUE	CAPITAL	TOTAL*	REVENUE	CAPITAL	TOTAL*
	£′000	£′000	£′000	£′000	£'000	£'000	£′000	£'000	£′000
(Losses)/gains on investments designate	d								
at fair value through profit or loss**	=	(15,946)	(15,946)	-	3,319	3,319	-	82,202	82,202
Currency (losses)/gains on cash and									
borrowings	-	(7,466)	(7,466)	-	(1,401)	(1,401)	-	3,720	3,720
Investment income	7,925	-	7,925	6,600	-	6,600	12,410	-	12,410
Investment management fees	(4,232)	-	(4,232)	(4,317)	-	(4,317)	(8,839)	-	(8,839)
Other expenses	(615)	-	(615)	(543)	-	(543)	(1,134)	-	(1,134)
RETURN ON ORDINARY ACTIVITIES BEFOR	RE								
FINANCING COSTS AND TAX	3,078	(23,412)	(20,334)	1,740	1,918	3,658	2,437	85,922	88,359
Interest payable and similar charges/									
finance costs	(724)	-	(724)	(715)	-	(715)	(1,453)	-	(1,453)
RETURN ON ORDINARY ACTIVITIES									
BEFORE TAX	2,354	(23,412)	(21,058)	1,025	1,918	2,943	984	85,922	86,906
Tax on ordinary activities	(612)	-	(612)	(1,037)	-	(1,037)	(2,401)	-	(2,401)
RETURN ON ORDINARY ACTIVITIES AFTER									
TAX FOR THE PERIOD***	1,742	(23,412)	(21,670)	(12)	1,918	1,906	(1,417)	85,922	84,505

<sup>\*</sup> The total column of the statement represents the Company's profit and loss statement prepared in accordance with UK Accounting Standards. The supplementary revenue return and capital columns are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement relate to continuing operations.

No operations were acquired or discontinued during the period.

There were no recognised gains or losses other than those passing through the Income Statement.

<sup>\*\*</sup> Includes currency movements on investments.

<sup>\*\*\*</sup> Return per ordinary and redeemable share is shown in note 6.

# Reconciliation of Movements in Equity Shareholders' Funds (unaudited)

					CAPITAL			
			CAPITAL	OTHER	RESERVE ON			
	SHARE	SHARE	REDEMPTION	CAPITAL	INVESTMENTS	SPECIAL	REVENUE	
	CAPITAL	PREMIUM	RESERVE	RESERVE	HELD	RESERVE	RESERVE	TOTAL
	£′000	£′000	£′000	£′000	£′000	£′000	£′000	£′000
Movement for the six months ended								
31st December 2013								
OPENING EQUITY SHAREHOLDERS' FUNDS	23,454	283,555	2,091	314,138	296,763	41,304	(58,021)	903,284
Return for the period	-	-	-	10,969	(34,381)	-	1,742	(21,670)
Ordinary shares bought back for cancellation	(452)	-	452	-	-	(7,044)	-	(7,044)
Redeemable shares bought back for cancellation	(3)	-	3	-	-	(3,005)	-	(3,005)
CLOSING EQUITY SHAREHOLDERS' FUNDS	22,999	283,555	2,546	325,107	262,382	31,255	(56,279)	871,565
Movement for the six months ended								
31st December 2012								
OPENING EQUITY SHAREHOLDERS' FUNDS	24,549	283,555	996	265,724	259,255	67,939	(56,604)	845,414
Return for the period	-	-	-	19,581	(17,663)	-	(12)	1,906
Ordinary shares bought back for cancellation	(718)	-	718	-	-	(9,074)	-	(9,074)
Redeemable shares bought back for cancellation	(8)	-	8	-	-	(6,951)	-	(6,951)
CLOSING EQUITY SHAREHOLDERS' FUNDS	23,823	283,555	1,722	285,305	241,592	51,914	(56,616)	831,295
Movement for the year ended								
30th June 2013								
OPENING EQUITY SHAREHOLDERS' FUNDS	24,549	283,555	996	265,724	259,255	67,939	(56,604)	845,414
Return for the year	-	-	-	48,414	37,508	-	(1,417)	84,505
Ordinary shares bought back for cancellation	(1,081)	-	1,081	-	-	(14,764)	-	(14,764)
Redeemable shares bought back for cancellation	(14)	-	14	-	-	(11,871)	-	(11,871)
CLOSING EQUITY SHAREHOLDERS' FUNDS	23,454	283,555	2,091	314,138	296,763	41,304	(58,021)	903,284

## Balance Sheet (unaudited)

	AS AT 31ST DECEMBER 2013	AS AT 31ST DECEMBER 2012	AS AT 30TH JUNE 2013
	£′000	£'000	£'000
I .			
Fixed assets	002.255	766 710	026 422
Investments designated at fair value through profit or loss	803,366	766,719	826,423
Current assets			
Debtors	967	1,998	1,051
Cash at bank	68,103	69,915	78,387
	69,070	71,913	79,438
Creditors: amounts falling due within one year			
Other creditors	871	7,337	2,577
	871	7,337	2,577
NET CURRENT ASSETS	68,199	64,576	76,861
NET ASSETS	871,565	831,295	903,284
Capital and reserves			
Called-up share capital	22,999	23,823	23,454
Share premium	283,555	283,555	283,555
Capital redemption reserve	2,546	1,722	2,091
Other capital reserve	325,107	285,305	314,138
Capital reserve on investments held	262,382	241,592	296,763
Special reserve	31,255	51,914	41,304
Revenue reserve	(56,279)	(56,616)	(58,021)
TOTAL EQUITY SHAREHOLDERS' FUNDS	871,565	831,295	903,284
NET ASSET VALUE PER SHARE – ORDINARY AND REDEEMABLE	1,303.87p	1,206.32p	1,331.89p
TELLIBET WILDELENGINGE SHOWING AND REDEEMADLE	ι,505.07μ	- 1,200.32μ	1,551.65β
NUMBER OF ORDINARY SHARES IN ISSUE	33,832,013	35,049,013	34,507,013
NUMBER OF REDEEMABLE SHARES IN ISSUE	33,012,534	33,862,534	33,312,534
TOTAL SHARES IN ISSUE	66,844,547	68,911,547	67,819,547
	70,044,547	88,311,347	57,513,347

## Cash Flow Statement (unaudited)

#### FOR THE SIX MONTHS TO 31ST DECEMBER 2013

	SIX MONTHS TO	SIX MONTHS TO	YEAR TO
	31ST DECEMBER 2013	31ST DECEMBER 2012	30TH JUNE 2013
	£′000	£'000	£′000
Cash flow from operating activities			
Investment income received	7,899	6,570	12,357
Deposit and other interest received	26	30	53
Investment management fees paid	(4,481)	(4,387)	(9,574)
Performance fee paid	-	-	(5,057)
Secretarial fees paid	(115)	(127)	(211)
Other cash payments	(477)	(68)	(1,077)
Withholding tax deducted	(612)	(1,037)	(2,401)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	2,240	981	(5,910)
Servicing of finance			
Loan commitment and arrangement fees paid	(551)	(539)	(1,138)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE	E <b>(551)</b>	(539)	(1,138)
Capital expenditure and financial investment			
Purchases of investments	(78,866)	(63,262)	(128,198)
Disposals of investments	85,811	99,024	183,995
NET CASH INFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	6,945	35,762	55,797
NET CASH INFLOW BEFORE FINANCING	8,634	36,204	48,749
Financing			
Ordinary shares purchased for cancellation	(8,484)	(9,074)	(13,324)
Redeemable shares purchased for cancellation	(3,005)	(6,951)	(11,871)
NET CASH OUTFLOW FROM FINANCING	(11,489)	(16,025)	(25,195)
(DECREASE)/INCREASE IN CASH	(2,855)	20,179	23,554

# Notes to the Half-Yearly Financial Statements (unaudited)

#### 1. Financial Information

The financial information has been prepared using the accounting policies set out in the statutory accounts for the year ended 30th June 2013 and are in accordance with the Accounting Standards Board Statement 'Half-Yearly Financial Reports' issued in July 2007.

These accounting policies are based on the historical cost basis of accounting, except for the measurement at fair value of investments and financial instruments, and are in accordance with applicable UK accounting standards.

The accounting policies are also consistent with the Statement of Recommended Practice (revised January 2009) issued by the Association of Investment Companies.

The financial information contained in this Half-Yearly Financial Report is not the Company's statutory accounts. The financial information for the six months ended 31st December 2013 and 31st December 2012 are not for a financial year and have not been audited but have been reviewed by the Company's auditors and their report is attached. The statutory accounts for the financial year ended 30th June 2013 have been delivered to the Registrar of Companies and received an audit report which was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain any statements under section 498 (2) and (3) of the Companies Act 2006.

#### 2. Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, including its financial position, are set out in the Chairman's Statement and Manager's Review on pages 4 to 29.

At each Board meeting, the Directors review the Company's latest management accounts and other financial information. Its commitments to private equity investments are reviewed, together with its financial resources, including cash held and the Company's borrowing capability. One-year cash flow scenarios are also presented to each meeting and discussed.

After due consideration of the balance sheet and activities of the Company and the Company's assets, liabilities, commitments and financial resources, the Directors have concluded that the Company has adequate resources to continue in operation for the foreseeable future. For this reason, they consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

#### 3. Tax on Ordinary Activities

The tax charge for the six months to 31st December 2013 is £612,000 (six months to 31st December 2012: £1,037,000; year to 30th June 2013: £2,401,000). The tax charge is wholly comprised of irrecoverable withholding tax suffered. Investment gains are exempt from capital gains tax owing to the Company's status as an investment trust.

#### 4. Related Party Transactions

Under the FCA listing rules, the Manager, Pantheon Ventures (UK) LLP, is regarded as a related party of the Company.

During the period, services with a total value of £4,522,000, being £4,232,000 directly from Pantheon Ventures (UK) LLP and £290,000 via Pantheon managed fund investments (31st December 2012: £4,620,000, £4,317,000 and £303,000; year to 30th June 2013: £9,454,000, £8,839,000 and £615,000 respectively) were purchased by the Company. At 31st December 2013, the amount due to Pantheon Ventures (UK) LLP in management fees disclosed under creditors was £520,000.

#### 5. Fees

The Manager is entitled to a monthly management fee at an annual rate of (i) 1.5% on the value of the Company's investment assets up to £150m and (ii) 1% on the value of such assets in excess of £150m. In addition, the Manager is entitled to a monthly commitment fee of 0.5% per annum on the aggregate amount committed (but unpaid) in respect of investments, up to a maximum amount equal to the total value of the Company's investment assets.

The Manager is entitled to a performance fee from the Company in respect of each 12 calendar month period ending on 30th June in each year. The performance fee payable in respect of each such calculation period is 5% of the amount by which the net asset value at the end of such period exceeds 110% of the applicable "high-water mark", i.e. the net asset value at the end of the previous calculation period in respect of which a performance fee was payable, compounded annually at 10% for each subsequent completed calculation period up to the start of the calculation period for which the fee is being calculated. For the six month period ended 31st December 2013, the notional performance fee hurdle is a net asset value per share of 1,932.06p.

The performance fee is calculated so as to ignore the effect on performance of any performance fee payable in respect of the period for which the fee is being calculated or of any increase or decrease in the net assets of the Company resulting from any issue, redemption or purchase of any shares or other securities, the sale of any treasury shares or the issue or cancellation of any subscription or conversion rights for any shares or other securities and any other reduction in the Company's share capital or any distribution to shareholders.

6. Return per Ordinary and Redeemable Share									
	SIX MONTHS TO 31ST DECEMBER 2013			SIX MONTHS TO 31ST DECEMBER 2012			YEAR TO 30TH JUNE 2013		
	REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL
Return on ordinary activities after tax £'000 Weighted average ordinary	1,742	(23,412)	(21,670)	(12)	1,918	1,906	(1,417)	85,922	84,505
and redeemable shares		6	7,389,248		7	0,204,792		(	59,296,879
Return per ordinary and									
redeemable share	2.58p	(34.74)p	(32.16)p	(0.02)p	2.73p	2.71p	(2.04)p	123.99p	121.95p

7. Net Asset Value per Share			
	31ST DECEMBER 2013	31ST DECEMBER 2012	30TH JUNE 2013
Net assets attributable in £'000	871,565	831,295	903,284
Ordinary and redeemable shares	66,844,547	68,911,547	67,819,547
Net asset value per share – ordinary and redeemable	1,303.87p	1,206.32p	1,331.89p

8. Reconciliation of Return on Ordinary Activities before Financing Costs and Tax to Net Cash Flow from Operating Activities			
	SIX MONTHS TO	SIX MONTHS TO	YEAR TO
	31ST DECEMBER 2013	31ST DECEMBER 2012	30TH JUNE 2013
	£′000	£'000	£'000
Return on ordinary activities before financing costs and tax	(20,334)	3,658	88,359
Withholding tax deducted	(612)	(1,037)	(2,401)
Losses/(gains) on investments	15,946	(3,319)	(82,202)
Currency losses/(gains) on cash and borrowings	7,466	1,401	(3,720)
(Decrease)/increase in creditors	(266)	261	(5,921)
Decrease/(increase) in other debtors	40	17	(25)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	2,240	981	(5,910)

9. Reconciliation of Net Cash Flows to Movements in	Net Funds		
	SIX MONTHS TO	SIX MONTHS TO	YEAR TO
	31ST DECEMBER 2013	31ST DECEMBER 2012	30TH JUNE 2013
	£′000	f'000	£'000
(Decrease)/increase in cash in the period	(2,855)	20,179	23,554
Non-cash movement			
– foreign exchange (losses)/gains	(7,429)	(1,407)	3,690
Movement in net cash flows	(10,284)	18,772	27,244
Net cash at beginning of period	78,387	51,143	51,143
NET FUNDS AT END OF PERIOD	68,103	69,915	78,387

# Notes to the Half-Yearly Financial Statements (unaudited)

#### (CONTINUED)

10. Analysis of Net Funds			
	31ST DECEMBER 2013	31ST DECEMBER 2012	30TH JUNE 2013
	£′000	£′000	£′000
Cash at bank	68,103	69,915	78,387
	68,103	69,915	78,387

#### 11. Fair Value Hierarchy

#### Financial Assets at Fair Value through Profit or Loss at 31st December 2013

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	£′000	£′000	£′000	£′000
Unlisted holdings	-	-	803,327	803,327
Listed holdings	39	-	-	39
TOTAL	39	-	803,327	803,366

#### Level 3 Financial Assets at Fair Value through Profit or Loss at 31st December 2013

#### PRIVATE EQUITY INVESTMENTS

	£′000
Opening balance	826,224
Purchases at cost	78,866
Transfer of book cost to level 1*	(892)
Sales proceeds	(84,371)
Total gains or losses included in "Gains on investments" in the Income Statement	
– on assets sold	17,761
– on assets held as at 31st December 2013	(34,261)
CLOSING BALANCE	803,327

<sup>\*</sup> The transfer of book cost to level 1 is due to stock distributions received from private equity investments.

#### 12. Contingencies, Guarantees and Financial Commitments

At 31st December 2013 there were financial commitments outstanding of £187.8m (31st December 2012: £183.0m; 30th June 2013: £195.1m) in respect of investments in partly paid shares and interests in private equity funds.

## Independent Review Report

#### TO PANTHEON INTERNATIONAL PARTICIPATIONS PLC

#### Introduction

We have been engaged by the Company to review the financial information in the Half-Yearly Financial Report for the six months ended 31st December 2013 which comprises the Income Statement, Reconciliation of Movements in Equity Shareholders' Funds, Balance Sheet, Cash Flow Statement and Notes to the Half-Yearly Financial Statements. We have read the other information contained in the Half-Yearly Financial Report which comprises only the Performance Summary, Chairman's Statement, Manager's Review and the Interim Management Report and Responsibility Statement of the Directors and considered whether it contains any apparent misstatements or material inconsistencies with the information in the set of financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in a review 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, for our review work, for this report, or for the conclusion we have formed.

#### **Directors' Responsibilities**

The Half-Yearly Financial Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half-Yearly Financial Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 1, the annual financial statements of the Company are prepared in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', issued in January 2009. The financial information in the Half-Yearly Financial Report has been prepared in accordance with the Accounting Standards Board Statement 'Half-Yearly Financial Reports' issued in July 2007.

#### **Our Responsibility**

Our responsibility is to express to the Company a conclusion on the financial information in the Half-Yearly Financial Report based on our review.

#### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the Half-Yearly Financial Report for the six months ended 31st December 2013 is not prepared, in all material respects, in accordance with the Accounting Standards Board Statement 'Half-Yearly Financial Reports' and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

#### **GRANT THORNTON UK LLP**

Auditor London 27th February 2014

## **Directors and Contacts**

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Ian Barby

Sir Laurie Magnus

Susannah Nicklin

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Rhoddy Swire

#### Manager

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