THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, as amended, if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all your shares in Electra Private Equity PLC (the **Company**), please forward this document, as soon as possible to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or the transferee. If you sell or have sold or otherwise transferred only part of your shares in the Company, you should retain these documents and consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

This document has been approved by the Financial Conduct Authority.

ELECTRA

Electra Private Equity PLC

(Incorporated in England and Wales with registered number 303062)

Directors:	Registered office:
Roger Yates (Chairman)	Paternoster House
Dame Kate Barker	65 St Paul's Churchyard
Francesca Barnes	London EC4M 8AB
Geoffrey Cullinan	t +44 (0)20 7214 4200
Josyane Gold	
Roger Perkin	

23 September 2014

Dear Shareholder

I refer to the notice of general meeting and explanatory circular which Electra Private Equity PLC (the **Company**) posted to its shareholders on 11 September 2014 (the **Circular**) and to the subsequent announcement by Sherborne Investors (Guernsey) B Limited (**SIGB**) dated 17 September 2014 (**Sherborne's Letter**).

Set out below is a copy of the RNS announcement made by the Company on 22 September 2014 in response to Sherborne's Letter. The Board of Directors of the Company has decided to supply a copy of this RNS by post to ensure that all shareholders are able to consider the arguments made by it in advance of the general meeting of the Company at 11.00 a.m. on 6 October 2014, which was requisitioned on behalf of SIGB and its associates (the **General Meeting**).

The RNS below and the Circular, together, contain all up-to-date information necessary to allow shareholders to make a properly informed decision in respect of the resolutions to be voted on at the General Meeting.

The Board of Directors still considers that the resolutions to appoint Mr. Bramson and Mr. Brindle, and remove Mr. Cullinan from the Board of Directors of Electra are not in the best interests of the Company's shareholders as a whole.

The Board of Directors of Electra unanimously recommends that all shareholders VOTE AGAINST ALL the resolutions proposed by Sherborne.

Whether or not you intend to be present at the General Meeting, you are asked to complete and return the Form of Proxy accompanying the Circular in accordance with the instructions printed on it **as soon as possible** and, in any event, so as to be received by Equiniti Limited, Aspect House, Spencer Road, Lancing, BN99 6DA, United Kingdom by **no later than 11.00 a.m. on Saturday 4 October 2014** (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned General Meeting).

Please find enclosed another Form of Proxy for the General Meeting in case you have lost the Form of Proxy which the Company sent to you on 11 September 2014. If you have already completed and returned a Form of Proxy for the General Meeting, no further action is required.

Yours sincerely

Roger Yates

Chairman

''Electra Private Equity PLC

22 September 2014

Response to Sherborne's Letter to Electra Private Equity PLC Shareholders

Electra Private Equity PLC (''Electra'' or the ''Company'') notes the letter from Sherborne Investors Management (Guernsey) LLC (together with its associates, ''Sherborne'') to the Company's shareholders which was set out in the announcement made by Sherborne Investors (Guernsey) B Limited (''SIGB'') on 17 September 2014 (the ''Sherborne Letter'' or ''Sherborne's Letter'').

The Board of Directors of Electra has always listened, and will continue to listen, to the views of all shareholders. Consistent with this, it has reviewed the Sherborne Letter in detail.

Electra has delivered an annualised return on equity of 14% over the 10 years to 31 March 2014, at the upper end of its 10%-15% targeted range[1]. Moreover, on a relative basis, against any relevant industry benchmark, Electra has delivered superior performance over the long-term. The strategic review proposed by Sherborne would have a deeply destabilising effect on Electra, Electra Partners LLP (''Electra Partners'' or the ''Manager'') and the portfolio companies, and risks destroying significant shareholder value in the future.

The Board of Directors of Electra believes that Sherborne's Letter contains unverifiable statements and unsubstantiated claims. Furthermore, the Board of Directors believes that Sherborne's Letter merely serves to highlight a lack of understanding of the Electra business and its fundamental investment proposition and why Sherborne's nominees, Mr. Bramson and Mr. Brindle, should not be elected.

With regard to Sherborne's Letter, there are a number of important points which the Board of Directors would like to bring to the attention of all shareholders:

- **Sherborne's Unsubstantiated Claims:** Sherborne's Letter claims its strategic review will create over £1bn of value – but provides no further detail on how this might be achieved. Sherborne's claims appear to be based upon analysis of a ''representative'' sample of Electra's portfolio companies; in reality, they are based on public information covering less than 30% of the current investment portfolio[2];

- **Electra's Superior and Sustainable Track Record:** Contrary to Sherborne's claim, Electra's performance is **not** declining:

    - Electra's stated target since the current investment strategy was approved by shareholders is to deliver a 10%-15% annualised return on equity – over the 10 years to 31 March 2014 Electra has delivered a 14% annualised return on equity
    - Electra's performance has consistently beaten the FTSE 250 Index over the last 10 years including in each of the last three years
    - Compared to unlisted private equity peers, the returns generated by Electra Partners are in the top third across 2006, 2009 and 2012 vintages, with the 2006 vintage in the top decile[3]

  - Sherborne's strategic review would have a deeply destabilising effect and risks disrupting the continuation of this highly successful track record and destroying significant shareholder value.

- **Electra Partners' Delivery of Significant Operational Improvement:** Electra invests in businesses where it can improve operating performance and drive value creation through profits growth, cashflow generation and multiple expansion. Over 50% of Electra's realised investment returns have come through profits growth[4] and, since 30 September 2010, Electra portfolio companies have grown profits at a weighted average compound rate of 9.2%[5];
- **Sherborne's Lack of Relevant Experience and Track Record:** Sherborne has provided details of five key UK investments over the last 10 years prior to its investment in Electra[6]. One of these investments was a passive investment in 3i Group plc where Sherborne did not obtain board representation. Another was in F&C Asset Management Plc (''F&C''), which underperformed its peers during the time of Sherborne's involvement. The remaining three investments, totalling just c.£80m, were in operating companies that required a turnaround. Electra is not an operating company, nor does it invest only or predominantly in turnaround companies;
- **Prudent Balance Sheet Management through the Economic Cycle:** Electra successfully navigated the global financial crisis and diversified its sources of financing at a time when traditional forms of funding were increasingly difficult to access. These prudent actions not only ensured Electra's stability at a time when many other investment vehicles required emergency fund raisings or comprehensive restructurings to survive but also ensured that, as global markets have recovered, Electra has been able to deploy capital in attractive investment opportunities. As a result of the high level of investment activity over the past two years, Electra's cash balance is now equivalent to less than one year's investment requirement at current rates[7];
- **Board Strength and Relevant Private Equity Experience:** The Board of Directors of Electra has direct and relevant experience in private equity. Sherborne's Letter identifies that its nominees have ''extensive operating company turnaround experience''; however, Electra does not invest solely or predominantly in turnaround companies, nor is Electra in need of ''turning around''; and
- **Market Standard Fees:** The Board of Directors of Electra reviews fees annually and, in 2012, commissioned a comprehensive and external investigation of the fee structure of the Manager. The Board of Directors of Electra believes that the fees charged by the Manager are broadly in line with market standard.

Further consideration of each of these important points is outlined below.

Electra's Chairman, Roger Yates, said:

''We are surprised that Sherborne's Letter demonstrates considerable misunderstanding of how Electra works. Exuberant and unsubstantiated claims are no substitute for Electra's consistently superior track record. The Board of Directors of Electra would again like to reassure shareholders of its unrelenting focus on delivering superior returns for all shareholders. Against any sensible industry benchmark, Electra has delivered exceptional performance over the long-term. Your board aims to continue this record without the destabilising efforts of Mr. Bramson. The Board of Directors of Electra strongly urges all shareholders to vote against the resolutions.''

Sherborne's Unsubstantiated Claims

Sherborne claims that:

''With certain changes in approach, the aggregate value of shareholdings in Electra could be increased by more than £1 billion with lower risks and less volatility than under the current strategy. This equates to a price per share in the region of £60, significantly above current levels.''

There is no explanation as to what these ''certain changes'' are and no detail is provided as to how there would be ''lower risks and less volatility than under the current strategy''.

The Board of Directors of Electra does not believe that a reliable and responsible forecast of delivery of future value, in particular, can be made without a working knowledge of at least the majority of the investment portfolio. On the basis of limited information, to claim, as Sherborne does, that a strategic review will deliver this increase in the share price is irresponsible and potentially misleading to shareholders and investors.

Sherborne also makes claims with regard to the level of operational improvement at Electra portfolio companies. Sherborne states that the analysis is in respect of companies:

''...which represent more than 70% of the value of direct unlisted operating companies owned by Electra for more than one year [at 30 September 2013].''

This appears to be based upon public information covering less than 30% of the current investment portfolio.

Electra's Superior and Sustainable Track Record

Sherborne has presented a number of arguments which seek to undermine the investment performance of Electra. The Board of Directors of Electra disagrees with Sherborne's assessment on both an absolute and relative basis:

- **Absolute Performance:** Over the 10 years to 31 March 2014, Electra's annualised return on equity has been 14%.This is at the upper end of its target range of 10%-15%.
- **Relative Performance:** As can be seen from both the 1-year and rolling 10-year annualised share price total return tables below, against any relevant industry benchmark, Electra has outperformed on a relative basis over the long-term. In addition, Electra's performance has beaten the FTSE 250 Index in each of the last three years.

1-Year Share Price Total Return

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Electra Share Price Total Return	**20.2%**	**42.5%**	**26.7%**	**22.1%**	**(6.8)%**	**(23.8)%**	**14.8%**	**10.1%**	**17.8%**	**33.2%**	**20.2%**
FTSE All-Share Share Price Total Return	10.8%	24.1%	16.8%	11.8%	(8.7)%	(8.2)%	10.6%	7.3%	10.2%	18.9%	10.3%
Electra Better / (Worse)	**9.4%**	**18.4%**	**10.0%**	**10.2%**	**1.9%**	**(15.6)%**	**4.2%**	**2.8%**	**7.7%**	**14.3%**	**9.9%**
FTSE 250 Share Price Total Return	11.9%	30.9%	27.0%	20.5%	(14.5)%	(2.8)%	14.3%	10.1%	11.7%	31.7%	11.5%
Electra Better / (Worse)	**8.4%**	**11.6%**	**(0.3)%**	**1.5%**	**7.7%**	**(21.0)%**	**0.4%**	**(0.0)%**	**6.1%**	**1.5%**	**8.8%**
Morningstar UK Private Equity Index ex. Electra	0.3%	35.4%	22.5%	10.0%	(9.3)%	(50.0)%	2.1%	7.4%	2.3%	42.7%	9.1%
Electra Better / (Worse)	**20.0%**	**7.0%**	**4.2%**	**12.0%**	**2.6%**	**26.2%**	**12.6%**	**2.7%**	**15.6%**	**(9.4)%**	**11.1%**

Source: Datastream data for FTSE indexes as at 31 August in each year, Morningstar UK for Electra and Morningstar UK PE index. 1 year share price total return defined as the total return change (representing the share price change with dividends reinvested) over the 12 months prior to 31 August of the selected financial year.

10-Year Annualised Trailing Share Price Total Return

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Electra Share Price Total Return	**9.5%**	**12.0%**	**13.4%**	**13.9%**	**10.9%**	**3.4%**	**2.4%**	**7.2%**	**12.6%**	**14.1%**	**14.1%**
FTSE All-Share Share Price Total Return	6.5%	7.8%	7.7%	6.7%	4.7%	1.7%	1.6%	4.3%	7.5%	8.9%	8.8%
Electra Better / (Worse)	**3.0%**	**4.3%**	**5.7%**	**7.2%**	**6.1%**	**1.7%**	**0.8%**	**2.9%**	**5.1%**	**5.2%**	**5.3%**
FTSE 250 Share Price Total Return	8.2%	10.4%	11.2%	12.4%	10.0%	6.8%	6.3%	8.6%	12.1%	13.2%	13.1%
Electra Better / (Worse)	**1.4%**	**1.6%**	**2.2%**	**1.5%**	**0.9%**	**(3.4)%**	**(4.0)%**	**(1.5)%**	**0.5%**	**0.9%**	**0.9%**
Morningstar UK Private Equity Index ex. Electra	NA	NA	11.5%	11.7%	9.7%	(2.0)%	(7.7)%	(2.3)%	0.9%	2.9%	3.7%
Electra Better / (Worse)	**NA**	**NA**	**1.9%**	**2.2%**	**1.2%**	**5.4%**	**10.1%**	**9.5%**	**11.7%**	**11.2%**	**10.3%**

Source: Datastream data for FTSE indexes as at 31 August in each year, Morningstar UK for Electra and Morningstar UK PE index. 10 year trailing share price total return annualised defined as the total return change (representing the share price change with dividends reinvested) over the 10 years prior to 31 August of the selected financial year.

The Board of Directors of Electra believes that the information presented by Sherborne in their table entitled ''10 year % growth Annualised'' is misleading. Only the data in the column marked as ''2004'' is actually calculated over a period of 10 years[8]. This belief has been reinforced by market commentators who have also remarked upon the unusual and potentially misleading presentation of the information in Sherborne's Letter.

Sherborne has sought to portray Electra's business as being in decline by using a set of highly selective and misleading statistics to support the contention that the Board needs its help. The Board of Directors of Electra believes that Electra's performance has been strong and is certainly not in decline. The Board of Directors of Electra will continue to review the Manager's performance against relevant and meaningful benchmarks.

Sherborne's strategic review would have a deeply destabilising effect. It risks disrupting the continuation of this highly successful track record and destroying significant shareholder value.

Furthermore, since SIGB was listed on 29 November 2012 Electra has outperformed SIGB on a share price total return basis by 23%[9].

Relative performance versus unlisted private equity

The Sherborne Letter compares Electra's net asset value performance since 2009 to the performance of private equity funds raised in 2009. A comparison of Electra's returns since 2009 with unlisted private equity funds that were raised in 2009 is not relevant. Electra's portfolio in 2009 contained investments that were made in preceding years whereas unlisted funds raised by private equity in 2009 will only contain investments from that date forward.

The Board of Directors of Electra has compared the performance of Electra's investments since 2006 with that of private equity funds of comparable ''vintages'' (2006, 2009 and 2012). For private equity funds with a similar mandate, Electra Partners' returns are in the top third across each vintage with the 2006 vintage in the top decile.

Electra's Delivery of Significant Operational Improvement

Sherborne's statistics are misleading and irrelevant and display a lack of understanding of Electra's investment policy and of the broader environment in which Electra operates. Electra does not invest solely or predominantly in companies which need to be ''turned around''. The investment philosophy of Electra is to invest in fundamentally good businesses and to help them grow and increase the level of absolute profits over time. As such, Sherborne's assessment of increased operating expenses as an indicator of negative performance is oversimplistic and misguided. Often operating expenses will rightly increase as the overall level of profits within the business grows.

Private equity delivers value to shareholders through:

- Profits growth;
- Cashflow generation; and
- Multiple expansion.

Profits growth is derived from a combination of revenue growth and operational efficiencies as well as external enhancements through value creating acquisitions.

Electra Partners has been highly successful in growing profits generated by portfolio companies:

- More than 50% of Electra's realised returns have come from profits growth; and
- Between 30 September 2010 and 31 March 2014, Electra portfolio companies' profits grew at a weighted average compound rate of 9.2% p.a., supported by weighted average revenue growth of 4.5% p.a[10].

The two largest investments in Electra's portfolio are AXIO Data Group (''AXIO'') and Park Resorts. Both are recent investments that illustrate value creation.

AXIO comprises seven business information services providers serving a range of sectors in over 25 countries. Electra invested £91 million in AXIO in April 2013. The performance of AXIO since acquisition demonstrates the successful implementation of the investment strategy by the Manager. Notwithstanding business disposals, profits, which had been in decline prior to Electra's investment, have grown by 8% to £31m and the margin has improved by more than three percentage points to 20% as costs have reduced by more than £20m. 95% of profits have converted into operating cash flow. The valuation of the investment at 31 March 2014, together with cash received of £27m, is 1.7x cost.

Park Resorts is a UK caravan park operator. Prior to Electra's involvement it had become overleveraged and was a classic case of a good underlying business with the wrong capital structure. In January 2012, Electra acquired £87m face value of debt in Park Resorts for £45m from a major bank, followed by additional purchases, until Electra held debt with a total face value of £130m for an investment cost of £70m. The Manager used this position to lead a consensual debt restructuring and took equity control of the business. Under the first year of the Manager's control, profits have risen by 22% to £40m and the margin has risen by 3% to 23%.The valuation at March 2014, combined with cash interest received from the debt, is 1.5x cost. The investment has been enhanced still further as a result of two more acquisitions in the caravan park sector, those of South Lakeland Parks (which is already growing profits faster than Park Resorts itself) and of Southview and Manor Park.

Sherborne's Lack of Relevant Experience and Track Record

Sherborne has undertaken investments in UK assets where the underlying business has required operational improvement and turnaround. Electra is not an operating company nor does it invest solely or predominantly in turnaround companies.

The Board of Directors of Electra also notes that:

- Sherborne has disclosed details of five key UK investments over the last 10 years prior to its investment in Electra; and
- None of the businesses in respect of which Sherborne has had board representation[11] are similar to Electra.

Of the UK investments where Sherborne had board representation, the most recent and largest was F&C. During the period of Mr. Bramson's active involvement as a director of F&C, the share price total return of F&C was almost half of that achieved by its peers (F&C share price total return of 23.1% versus 46.0% achieved by peers)[12], assets under management fell by 22.4% and revenue fell by 0.8%[13].

In the US, Sherborne has made some even less successful investments including Ampex, which filed for bankruptcy in 2008 shortly after Mr. Bramson resigned as CEO[14] and Nautilus, where the market capitalisation of Nautilus fell by 80% during the period of his investment[15].

Prudent Balance Sheet Management through the Economic Cycle

The Board of Directors of Electra has always taken a conservative approach to the capital structure within Electra and the Manager has taken a similar approach within the portfolio. This has served shareholders well, especially during and after the global financial crisis. In 2009 and 2010, in the wake of the global financial crisis, the Board of Directors of Electra took the opportunity to secure additional and diversified long-term sources of finance at a point in time when Electra's available cash resources were low. This allowed Electra to continue to make investments at a time when traditional bank financing was not as readily available as it had been previously or has been subsequently. Subsequent to these financings, Electra realised an unprecedented amount of capital, totalling in excess of £1bn in the three and a half years to 31 March 2014[17]. At the time of raising the zero dividend preference shares and convertible bond, the Board of Directors of Electra could not have foreseen these unprecedented realisations which exceeded the expectations of both the Board of Directors of Electra and the Manager.

This prudent capital structure management not only ensured Electra's stability at a time when many other investment vehicles required emergency fund raisings or comprehensive restructuring to survive but also ensured that, as global markets have recovered, Electra has been able to deploy capital in attractive investment opportunities. These most recent investments are already generating returns. As a result of the high level of investment over the past two years, Electra's cash balance is now equivalent to less than one year's investment requirement at current rates.

Board Strength and Relevant Private Equity Experience

The Board of Directors of Electra believes that the current directors are appropriately skilled and experienced to fulfil their roles and responsibilities. In particular, they have direct and relevant experience in private equity. Sherborne's Letter identifies that its nominees have "extensive operating company turnaround experience"; however, Electra does not invest solely or predominantly in turnaround companies, nor is Electra itself in need of "turning around".

We still fail to see any credible rationale for the removal of Mr. Cullinan as a director of the Company. As well as founding and leading Bain & Company's private equity advisory business in Europe from 1997 to 2005, he also has extensive operating experience having served as Chief Executive of Hamleys plc and co-founded OC&C Strategy Consultants, which advises many of the leading global private equity firms.

Market Standard Fees

The fees and expenses charged by the Manager are broadly consistent with those charged by other, similar types of vehicle and are considered to be in-line with market. The Board of Directors of Electra reviews fees annually and, in 2012, commissioned a comprehensive and external investigation of the fee structure of the Manager.

Electra has delivered an annualised return on equity of 14% over the 10 years to 31 March 2014, at the upper end of its 10%-15% targeted range. Moreover, on a relative basis, against any relevant industry benchmark, Electra has delivered superior performance over the long-term. The Board of Directors of Electra consistently examines strategy to ensure continued superior performance and in this regard, the Board of Directors of Electra has carried out a detailed review of Sherborne's Letter.

The Board of Directors of Electra believes that Sherborne's Letter contains potentially misleading and unverifiable statements as well as a number of unsubstantiated claims. Furthermore, the Board of Directors believes that Sherborne's Letter merely serves to highlight a lack of understanding of the Electra business and its fundamental investment proposition and why Sherborne's nominees, Mr. Bramson and Mr. Brindle, should not be elected. Sherborne's strategic review would have a deeply destabilising effect on Electra, the Manager and the portfolio companies and risks destroying significant shareholder value in the future.

The Board of Directors of Electra unanimously recommends that all shareholders <u>VOTE AGAINST ALL</u> the General Meeting resolutions.

TIMETABLE FOR GENERAL MEETING

Voting record time for the General Meeting:
6.00 p.m. on Thursday 2 October 2014

Latest time and date for receipt of Form of Proxy from shareholders:
11.00 a.m. on Saturday 4 October 2014

Time, date and location of the General Meeting:
11.00 a.m. on Monday 6 October 2014
at Saddlers' Hall, 40 Gutter Lane, London, EC2V 6BR

Enquiries

Goldman Sachs International +44 (0) 207 774 1000
Anthony Gutman
Alex Garner
Ken Hayahara

J.P. Morgan Cazenove +44 (0) 207 742 4000
Michael Wentworth-Stanley
William Simmonds

Greenbrook Communications +44 (0)20 7952 2000
Andrew Honnor
Charlotte Balbirnie
Matthieu Roussellier

<u>Sources and Bases</u>

[1] Source: Update of Investment Strategy, Terms of Appointment of Electra Partners and Related Matters, 19 September 2006.
[2] c.59% of the direct unlisted portfolio was over a year old at 30 September 2013 equating to c.40% of the total investment portfolio. Since 30 September 2013 the portfolio has evolved, such that those direct unlisted investments which were more than a year old at 30 September 2013 now represent only c.38% of the direct unlisted portfolio or c.29% of the total investment portfolio.
[3] Source: Preqin; private equity funds sized $500m – $1,000m with a Western European focus. For the 2006 vintage, Electra's investment returns are in the top decile based on money multiple and IRR; for the 2006 and 2009 vintages, Electra's investment returns are in the top 30% based on both money multiple and IRR; for the 2012 vintage, Electra's investment returns are in the top 30% based on money multiple, with no comparable IRR data being available.
[4] Analysis based upon a pool of 11 direct unlisted investments which account for 75% of realisations of direct unlisted investments in the five years to 31 March 2014.
[5] Annualised growth in profits from the later of 30 September 2010 and the date of investment to 31 March 2014 for those direct unlisted equity investments which were at least six months old at 31 March 2014 and

which are valued on an earnings basis. Profits are defined throughout this announcement as earnings before interest tax depreciation and amortization (EBITDA).
[6] Disclosure by SIGB with regard to 4imprint Group plc, Spirent Communications plc, Elementis plc, F&C Asset Management Plc and 3i Group plc.
[7] Electra's management accounts for August 2014 show total cash of £336m (including the prudential reserve) compared to investments made in the 11 months to August 2014 of £345m.
[8] Only the column in Sherborne's Letter referring to 2004 actually shows 10 year performance annualised (2014 change versus 2004 on an annualised basis), whilst the other columns show annualised performance for periods between 1 and 9 years in length.
[9] Source: Bloomberg; total returns data from 29 November 2012 to 31 August 2014.
[10] Annualised growth in revenue from the later of 30 September 2010 and the date of investment to 31 March 2014 for those direct unlisted equity investments which were at least six months old at 31 March 2014 and which are valued on an earnings basis. Profits are defined throughout this announcement as earnings before interest tax depreciation and amortization (EBITDA).
[11] Source: SIGB Prospectus (May 2013); disclosed UK investments.
[12] Source: Datastream; Index based on the daily market capitalisation weighted average share price total return of Jupiter Fund Management, Ashmore Group, Man Group, Schroders, Henderson Group, Aberdeen Asset Management and Hargreaves Lansdown. F&C Total Return of 23.1% vs Index total Return of 46.0% from 3 February 2011 to 21 August 2013.
[13] Source: F&C Annual Reports; Based on the change from 2010 to 2013 (financial year end).
[14] Source: SEC filings.
[15] Source: Capital IQ; market capitalisation from 5 July 2007 to 27 May 2011.
[16] Source: Electra Half Year Review and Analysis (May 2014), and Electra Annual Review and Analysis, (November 2013).

Further Information

AXIO
AXIO comprises seven business information services providers serving a range of sectors in over 25 countries. Electra invested £91 million in AXIO in April 2013.

Prior to Electra's investment, AXIO was a non-core division of a listed company and its profits were in decline. The Manager's investment strategy was to grow profits through revenue growth, performance improvement and acquisition, and to realise multiple arbitrage by selling the portfolio's component parts to strategic acquirors.

Since taking control of the group, the Manager has initiated a number of steps to improve performance. Management teams across the group have been strengthened in order to bring greater rigour and focus to business execution. During its due diligence the Manager identified opportunities to reduce cost and working capital, and therefore programmes were rapidly implemented to improve operating and capital efficiency. Total costs have reduced by more than £21m and working capital has been reduced by more than £10m. The company has disposed of non-core businesses, for example Medical Observer in Australia, in order to simplify its portfolio; and it has acquired complementary businesses, for example FOEX in Finland, to strengthen its strategic position in selected markets.

The performance of AXIO since acquisition demonstrates the successful implementation of the investment strategy by the Manager. Notwithstanding business disposals, profits have grown by 8% to £31m and the margin has improved by more than three percentage points to 20%. 95% of profits have converted into operating cash flow. The valuation of the investment at 31 March 2014, together with cash received of £27m, is 1.7x cost.

Park Resorts
Park Resorts is a UK caravan park operator. Prior to Electra's involvement it had become overleveraged and was a classic case of a good underlying business with the wrong capital structure. Growth had stalled.

In January 2012, Electra acquired £87m face value of debt in Park Resorts for £45m from a major bank. This was soon followed by additional purchases from other banks, such that Electra built a controlling minority position in the debt and held debt with a total face value of £130m for an investment cost of £70m.

The Manager used this position to lead a consensual debt restructuring under a Manager-developed business plan allowing more investment in growth. This restructuring was achieved in August 2013 when *the Manager took equity control of the business. At this time, Park Resorts had just delivered profit of £32.5m corresponding to a 21% margin in the 12 months to August 2013. Some senior management changes were made to deal with both succession and skill gaps.*

Under the Manager's new business plan, the winter of 2013/14 was spent investing significantly in new capacity and growth. Under the first year of the Manager's control, profits have risen by 22% to £40m and the margin has risen to 23%. This expansion has of course meant an increase in the cost base, but this has been more than compensated by the growth in profits.

Recognising that Park Resorts was a very strong platform for additional growth, the Manager also developed acquisition opportunities. Two additional park groups have been acquired, South Lakeland Parks in September 2013 (which is already growing profits faster than Park Resorts itself) and Southview and Manor Park in August 2014. These were both owned by banks and were acquired as attractive entry multiples in deals with limited competition.

Park Resorts represents a classic Electra investment. In the first instance, the flexible mandate allowed access to a deal off-limits to most PE funds at a very attractive entry price. The Manager then worked to put in place the right financing and management structure to deliver an aggressive growth plan. This plan has already been exceeded organically and has been boosted through further acquisitions. The valuation at March 2014, combined with cash interest received from the debt, is 1.5 × cost.''