

CONTRIBUTORS

OAKLEY CAPITAL INVESTMENTS	
Description Closed-end Fund	Total return on position FY19 (local)² 17.5%
% of portfolio¹ 5.4%	Total return on position FY19 (GBP) 17.5%
Discount -29.3%	Contribution (GBP)³ 0.88%
% of investee company 11.9%	ROI since date of initial purchase⁴ 35.3%

Oakley Capital Investments ('OCI') is a London-listed fund investing in, and making co-investments alongside, the private funds run by Oakley Capital – a private equity firm set up by Peter Dubens, a well-regarded UK entrepreneur, with over EUR1.5bn under management.

Oakley Capital has a distinctive approach to private equity investing, as it focuses on complex deals (such as carve-outs) sourced by its network of entrepreneurs who believe in the Oakley philosophy. This method allows Oakley to avoid the auction process – where competitive bids push up asset prices – and assemble a portfolio of businesses currently growing EBITDA at 31% annually, held at an EV/EBITDA multiple of just 12x, which we consider to be modest in light of the aforementioned earnings growth and the multiples at which comparable listed peers trade. Oakley focuses on niche areas where it has expertise, such as consumer, TMT and education.

The portfolio consists of 17 companies spread across those three sectors. Major holdings include Inspired (a global network of K-12 schools), Time Out (a media brand in the roll-out phase of a food-market concept), WebPros (a US and European provider of web-hosting services and software), Career Partner (a German private university) and Schülerhilfe (a provider of after-school tutoring in German-speaking countries).

The past year has been a busy one for Oakley Capital and OCI. Oakley Capital successfully marketed its Fund IV, which raised almost EUR1.5bn from institutional and private investors; OCI itself made a commitment of EUR400m to Fund IV, accounting for 27% of the total. Fund IV made its first investment in May of this year into Seagull & Videotel, providers of e-learning solutions to the maritime sector, and subsequently invested in Seven Miles, a German seller of digital and physical gift vouchers to both consumers and B2B clients.

In addition to this, Fund III (2016 vintage) made three new investments into Ekon (a Spanish provider of ERP software), Rastreator & Acierto (Spanish price comparison websites) and Alessi (an Italian provider of luxury household goods). The Alessi investment will be Fund III's last, with the remainder of committed capital used to finance further investments into the existing holdings.

Fund II also saw a major transaction occur, with Warburg Pincus buying a significant stake in Inspired, which resulted in a 72% uplift to the carrying value. OCI retains exposure to Inspired both through Fund II and through a co-investment.

In August, OCI completed its admission to the Specialist Fund Segment ('SFS') of the London Stock Exchange, which we view as an improvement over the previous Alternative Investment Market ('AIM') listing, where corporate governance protections are weaker. When we consider previous corporate governance improvements – including a share buyback (albeit small), repeated public commitments not to issue shares at a discount, an energised marketing campaign and improved transparency in financial reporting – it is clear that OCI has made great strides in improving its governance standards, notwithstanding there remains considerable room for further advances.

Despite the strong growth in NAV (+28% total return) and corporate governance improvements over the year, OCI's discount widened from 24% to 29%, resulting in a share price total return of +19%. While we accept that OCI has a lingering reputation for violating shareholder rights, we believe that the current discount is an excessive punishment for past transgressions that are now receding into the rear-view mirror. With an attractive portfolio of fast-growing stocks acquired at reasonable multiples, a unique approach of avoiding auctions and leveraging its network of entrepreneurs, and a wide discount to NAV, we think that OCI remains as compelling an investment as when we first invested in it 18 months ago.

¹ For definitions, see Glossary on pages 89 to 92.

² Weighted returns adjusted for buys and sells over the year.

³ Figure is an estimate by the managers and sum of contributions will not equal quoted total return over the financial year.

⁴ Figure quoted in GBP terms. Refer to Glossary on pages 89 to 92 for further details.



**OAKLEY CAPITAL INVESTMENTS /
CAREER PARTNER GROUP**

Career Partner Group is a leading provider of higher education in Germany, operating principally under the brand of the International University of Applied Sciences Bad Honnef. The group has over 20,000 students, offering more than 80 study programmes at Bachelor, Master, and MBA level.

5.4%
% of portfolio

 Source / Career Partner Group