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✖ Hg Capital
Trust plc

Annual report and accounts
31 December 2021



The objective of HgCapital Trust ('HGT') is to provide shareholders with consistent long-term returns in excess of the FTSE All-Share Index by investing predominantly in unquoted companies where value can be created through strategic and operational change.

HGT provides investors with unique exposure to a fast-growing portfolio of unquoted investments, primarily in the software and business services sectors, located throughout Europe and North America.

References in this annual report and accounts to HgCapital Trust plc have been abbreviated to 'HgCapital Trust' or 'HGT'. HGT refers to the trading name of Hg Pooled Management Limited and HgCapital Ltd. Hg Pooled Management Limited is the 'Manager'.

References in this annual report and accounts to 'total return' refer to a return where it is assumed that an investor has reinvested all historic dividends at the time when they were paid.

References in this annual report and accounts to pounds sterling have been abbreviated to 'sterling'.

Past performance is not a reliable indicator of future results. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations and investors may not get back the amount they originally invested.



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Strategic report



Hg's review



Financial statements



Corporate governance



Further information

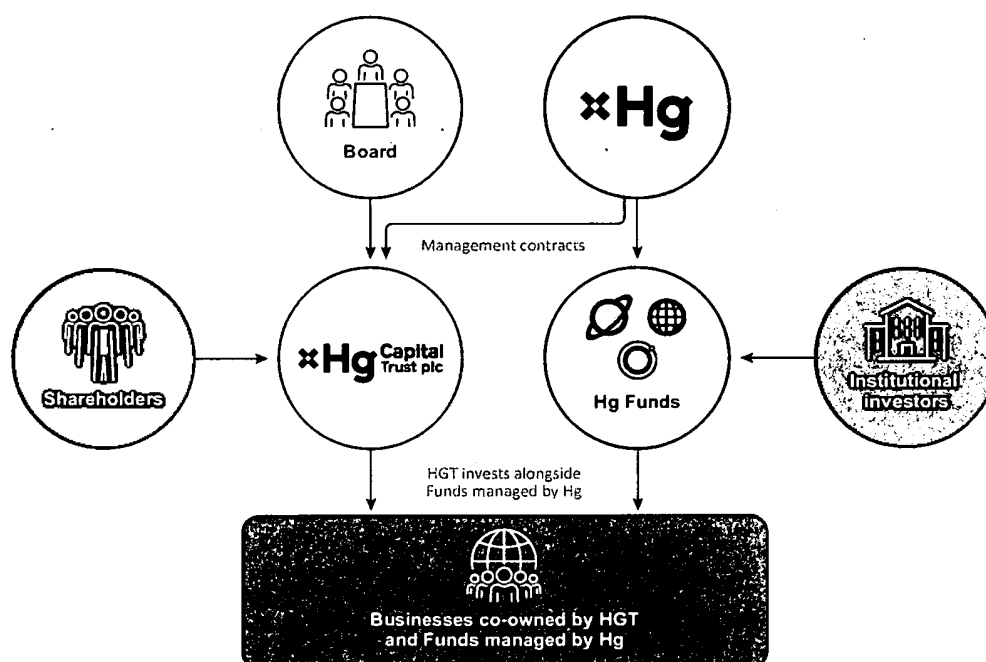
The investment opportunity

HGT provides investors with a unique **opportunity** to participate in the growth in value of a portfolio of more than 40 private companies sourced by Hg. Value is created through implementing an investment strategy focused on software and business service companies with resilient, recurring revenue streams and from leveraging the network and expertise of Hg to support management teams to deliver the full potential of their respective businesses.

With highly predictable and stable cash flows, the **top 20** businesses (representing **78%** by value of HGT's investments) reported aggregate **sales of £6.3 billion¹** and **EBITDA of £2.2 billion** over the last 12 months, equating to an **EBITDA margin of 35%**.

Hg brings to HGT an experienced team of more than **280 employees**, including more than **160 investment and portfolio management professionals**, supported by a **network of portfolio partners**, all of them seasoned senior managers from across industry, who work with the management teams of the companies in which we are invested to create value for shareholders. At the centre of this network, Hg builds and shares knowledge and expertise by facilitating the active collaboration of management teams across sector clusters and geographies.

HGT's funds are invested pro rata alongside those of Hg's other institutional clients. This enables shareholders to invest, on similar terms, alongside some of the world's largest investors in private equity, in high-growth private companies, which would otherwise be inaccessible. This allows HGT to achieve diversification across markets and geographies and gain exposure to fast growing portfolio companies at different stages of their development and size – from an enterprise value of **£100 million** to over **£10 billion**.



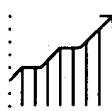
¹ Source Hg: LTM December 2021 revenue for the Top 20 investments.



Financial and performance highlights



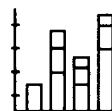
+43.9%¹
NAV per share (440.5p)²
31 December 2020: +24.0%



£2.0bn
Net assets
31 December 2020: £1.29bn



+39.8%¹
Share price (420.5p)
31 December 2020: +20.9%



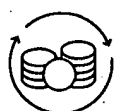
£1.9bn
Market capitalisation
31 December 2020: £1.27bn



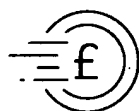
7.0p
Full-year dividend
31 December 2020: 5.0p



1.4%
Total ongoing charges
31 December 2020: 1.8%³



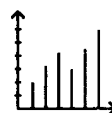
£424m
Cash invested on
behalf of HGT



£271m
Cash returned
to HGT



£470m
Available liquid resources
(23% of NAV)
31 December 2020: £388m
This includes a bank facility
of £250m of which £99m was
undrawn at 31 December.



£992m
Outstanding commitments
(49% of NAV)
31 December 2020: £647m
Commitments will be drawn down over
the next three to four years (2022–26)
and are likely to be financed partly by
cash from future realisations.

HGT can opt out of a new investment without penalty, should it not have the cash available to invest.

Top 20 investments (78% of portfolio value)



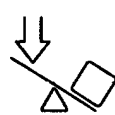
+27%
Top 20 LTM sales growth
31 December 2020: +22%



+30%
Top 20 LTM EBITDA growth
31 December 2020: +31%



27.4x
Top 20 EV to EBITDA multiple
31 December 2020: 22.1x



7.1x
Top 20 net debt to EBITDA ratio
31 December 2020: 6.4x

¹ NAV per share and share price returns on a total return basis assuming all historical dividends have been re-invested, which is an Alternative Performance Measure ('APM').

² Please refer to note 10(b) on page 90 for further detail on the calculation of NAV per share.

³ Please refer to page 114 for further detail on the calculation of ongoing charges.

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Key performance indicators

The objective of HgCapital Trust ('HGT') is to provide shareholders with consistent long-term returns in excess of the FTSE All-Share Index by investing predominantly in unquoted companies where value can be created through strategic and operational change.

The Board reviews six separate Key Performance Indicators (KPIs) to assess the success of HGT in meeting its stated objective.

Financial performance

NAV per Share

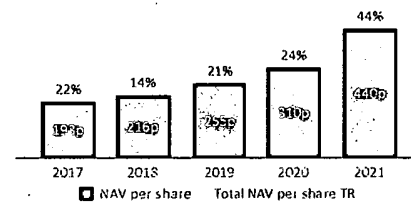
The value of the portfolio and liquid resources post costs and dividends paid:

5-year annualised return

+25%¹

5-year cumulative return

+200%¹



Total Shareholder Return

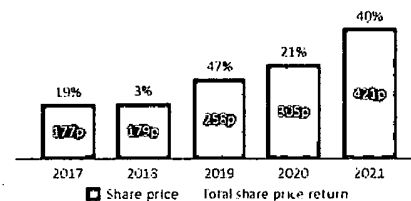
Share price total return assuming all historical dividends have been re-invested:

5-year annualised return

+25%¹

5-year cumulative return

+208%¹



Portfolio Performance

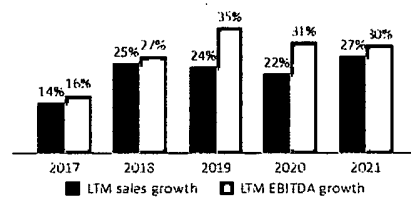
Trading performance of the top 20 portfolio companies (78% of total portfolio):

5-year average sales growth

+22%¹

5-year average EBITDA growth

+28%¹



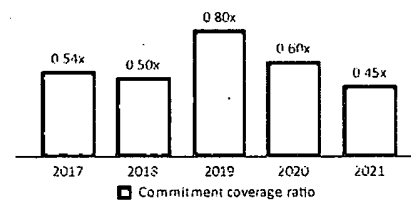
Balance sheet

Commitment Coverage Ratio:

Sum of available liquid resources (including credit facility) divided by total commitments²

5-year average

0.58x¹



Risk management and governance:

Key risks

Key risks are identified via the comprehensive risk management framework and process adopted by HGT. Overall risk management is a continuous process where principal and emerging risks are identified and suitable mitigating actions agreed and tracked by the Board.

Current key risks identified by the process are 1) Impact of inflationary pressure on cost and price levels across the portfolio, 2) Increasing threat to portfolio companies and Hg from cyber attack and 3) Elevated geopolitical risk and uncertainty. For more details see pages 16 and 17.

Governance

Ensuring strong governance and operating in a socially and environmentally responsible manner

By implementing strong and transparent governance practices, the Board ensures, not only the effective and proper administration of HGT, but also that Hg, as manager, acts and behaves in a socially and environmentally responsible manner across all its operations.

¹Alternative Performance Measure ('APM') ²HGT can opt out of a new investment without penalty, should it not have the cash available to invest. Past performance is not a reliable indicator of future results. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations and investors may not get back the amount they originally invested.

Key performance indicators continued

The Board and Hg track progress against the identified KPIs in the manner noted below.

Objective

Activities undertaken

Maintaining historic levels of growth in HGT's NAV.

The Board holds regular discussions both formally and between Board and AVRC meetings in order to monitor the performance of the portfolio. These will include:

- A rigorous review of valuations
- Fees
- FX and hedging
- Cash, commitments and credit availability

Continuing to deliver consistently strong returns to shareholders.

The Board regularly reviews the marketing and IR functions of HGT with the Manager to continue to provide transparent and clear reporting. These include:

- Shareholder views
- Volumes and liquidity
- Market performance
- Share price discount to NAV

Ensuring underlying portfolio companies continue to grow at attractive rates.

The Board regularly reviews the performance of the underlying portfolio companies and meets with the deal executives to focus in detail on particular businesses and 'clusters'.

For further information please refer to pages 16 to 17 of this report.

Ensuring HGT's balance sheet is optimally structured to support investment activity and future growth in NAV.

The Board holds regular meetings with Hg to review the cash, commitments and availability of credit in order to optimise the balance sheet and ensure sufficient capacity to underwrite future commitments.

For further information please refer to pages 16 to 17 of this report.

Ensuring a rigorous risk management process is in place and that key risks are identified, monitored and suitable mitigating actions are undertaken.

The HGT AVRC support the Board in the creation of a strong risk management framework to provide a robust assessment of principal and emerging risks facing HGT.

For further information please refer to pages 16 to 17 of this report.

Ensuring HGT is managed to the highest standards of governance and that HGTs affairs are conducted in a socially and environmentally responsible manner.

The Board recognises HGT's responsibility to its shareholders and the wider society and endorses Hg's policy to invest in a socially responsible manner.

The Board meets regularly with the Head of ESG at Hg to monitor this.

For further information please refer to pages 17 to 18 of this report.





Financial and performance highlights continued

Historical total return performance

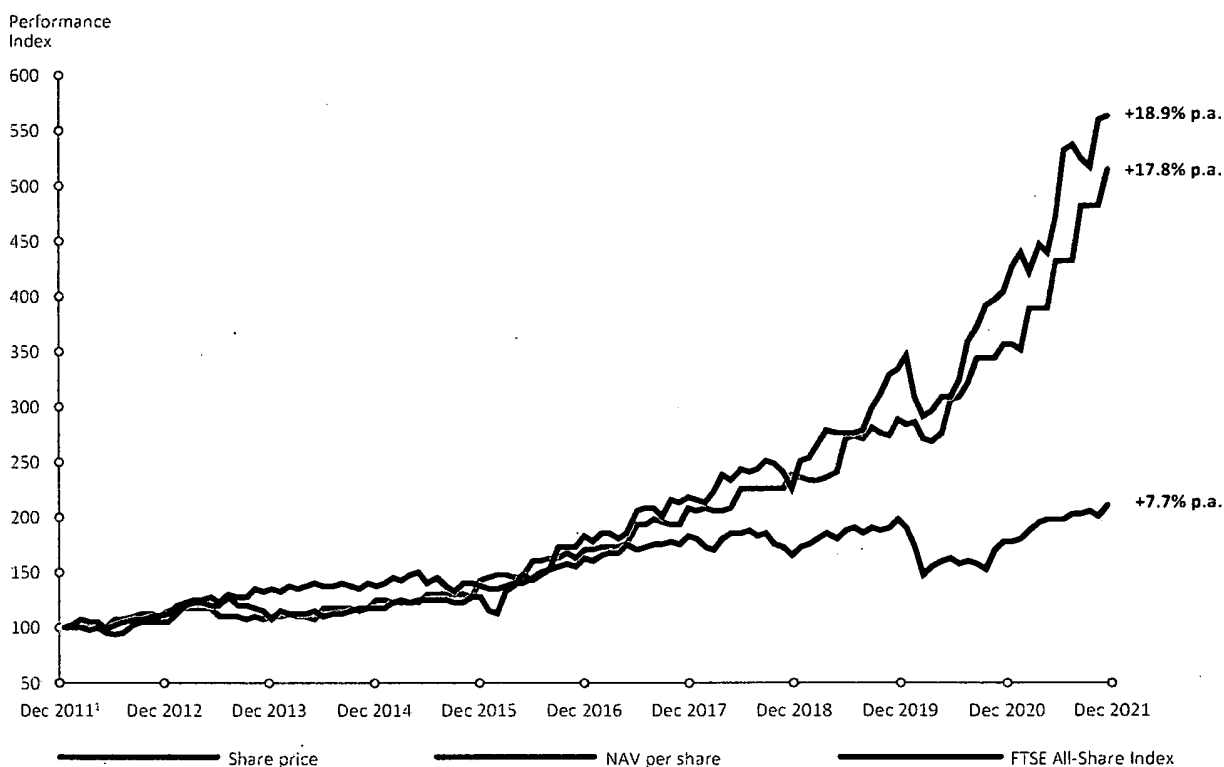
Both HGT's share price and net asset value per share have continued to outperform the FTSE All-Share Index.

	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	20 years % p.a.
NAV per share*	43.9	29.2	24.5	17.8	15.6
Share price	39.8	35.6	25.3	18.9	17.3
FTSE All-Share Index	18.3	8.3	5.4	7.7	6.2
NAV per share performance relative to the FTSE All-Share Index	25.6	20.9	19.1	10.1	9.4
Share price performance relative to the FTSE All-Share Index	21.5	27.3	19.9	11.2	11.1

*Please refer to note 10(b) on page 90 for further detail on the calculation of NAV per share.

Based on HGT's share price at 31 December 2021 and allowing for all historic dividends being reinvested, **an investment of £1,000 made 20 years ago would now be worth £24,134, a total return of 2,313%.** An equivalent investment in the FTSE All-Share Index would be worth £3,360.

Long-term performance – 10-year share price total return: +18.9% p.a.

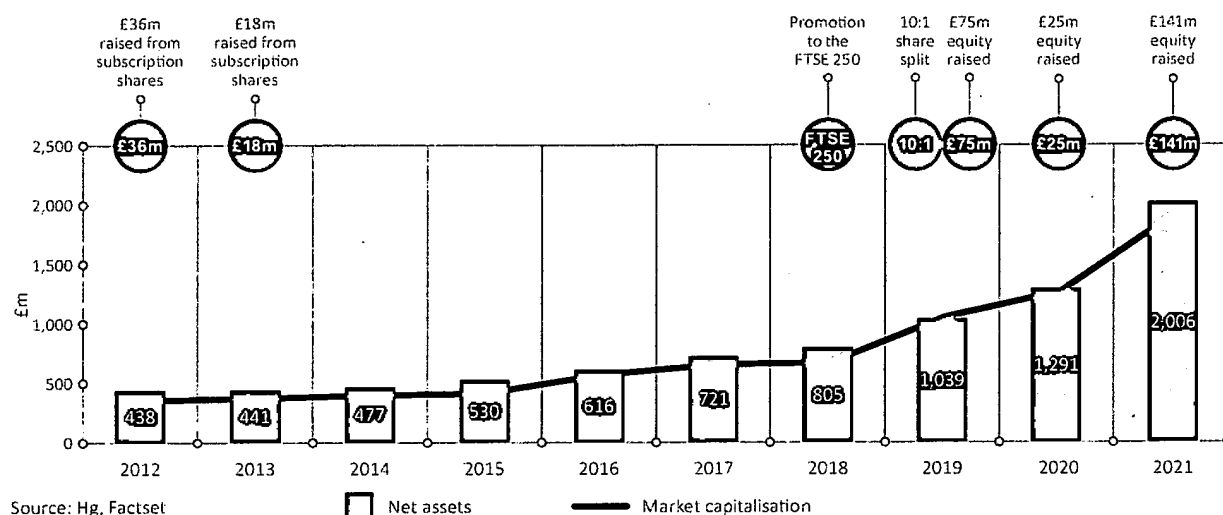


¹Performance record rebased to 100 at 31 December 2011. Source: Factset, Hg.

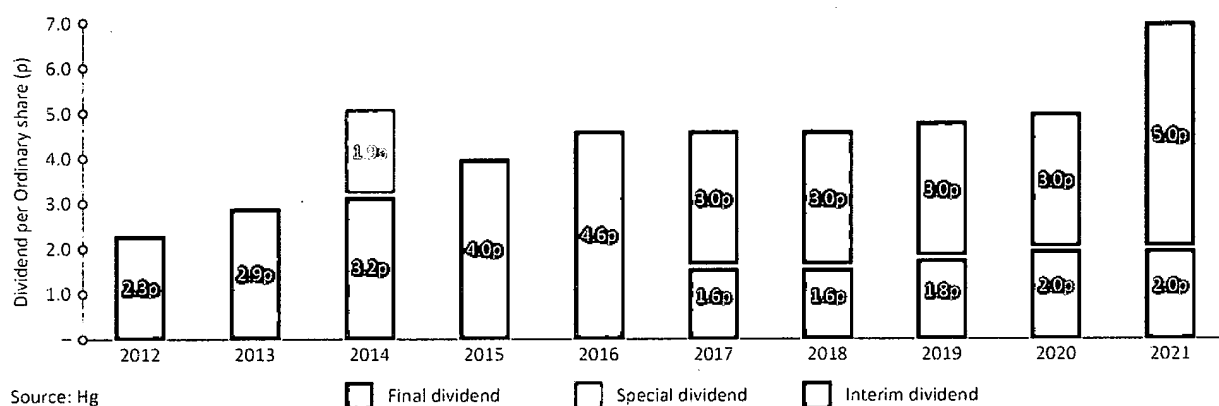
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Financial and performance highlights continued

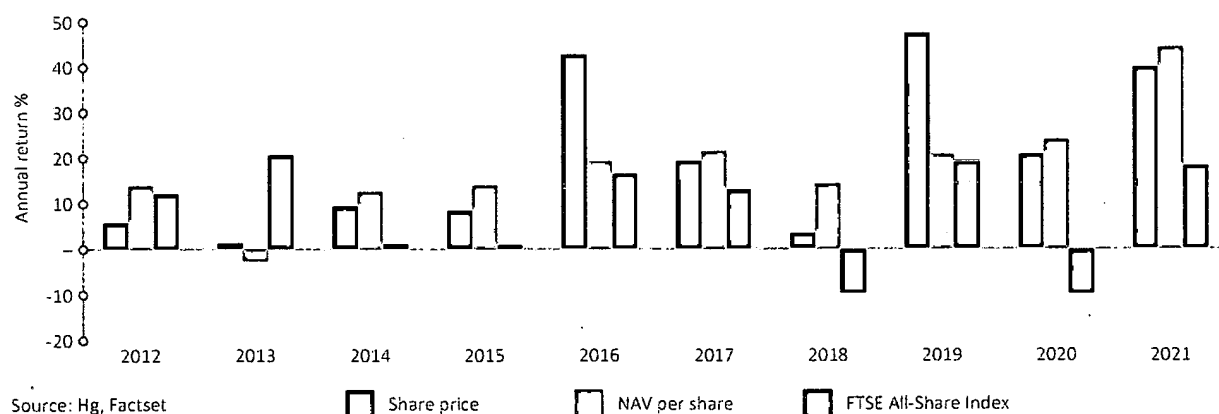
Long-term net asset growth



Ten-year dividend history



Discrete annual total return performance against the FTSE All-Share Index



Past performance is not a reliable indicator of future results. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations and investors may not get back the amount they originally invested.



“As I noted in my last review, HGT and its portfolio have coped well with the challenges presented by the COVID-19 pandemic. The defensive nature of the businesses within the portfolio and the operational skill of Hg have both contributed to the success of HGT in weathering this challenging period. I am happy to report that our full-year results continue to see the portfolio delivering strong growth and excellent returns.”

Jim Strang, Chairman, HgCapital Trust plc



Dear Shareholder,

As I noted in my last review, HGT and its portfolio have coped well with the challenges presented by the COVID-19 pandemic. The defensive nature of the businesses within the portfolio and the operational skill of Hg have both contributed to the success of HGT in weathering this challenging period. I am happy to report that our full-year results continue to see the portfolio delivering strong growth and excellent returns.

The investment strategy that HGT follows is one of clear focus and discipline. The clarity of this strategy and the effectiveness Hg demonstrates in its execution has allowed the investment machinery of HGT to continue to function very effectively over the course of the last year. Several new companies were added to the portfolio, either as primary platform investments or as value accreting acquisitions for existing investments. As regards exit and realisation activity, again the year has been a productive one with numerous exits not only delivering material gains to HGT, but also validating the valuations placed on these assets. Exits over the last 12 months have been at an average of 34% over carrying NAV.

The strong results produced this year support HGT engaging in a new cycle of investment with Hg, which is now one of the largest European private equity managers. The Board believe that Hg continues to innovate and improve its own processes and investment strategy, ensuring its operations are at the forefront of best practice in the private equity industry, including areas such as ESG, Diversity and Inclusion.

Consequently, the Board has articulated its desires to make a series of further commitments to new Hg funds as they are raised. The first such commitment of \$850 million (£628 million) was recently made to Hg's latest upper mid-market fund. A number of further commitments are anticipated to follow in the coming year as your Board looks to invest across the Hg fund family in order to continue the successful development of HGT and to support future growth. Through this programme, HGT will continue to be Hg's largest client and the most substantial investor in its funds.

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Highlights in 2021 included:

- 44% NAV per share growth on a total return basis, with net assets attaining a record level of £2.0 billion;
- 40% share price growth on a total return basis, resulting in a market capitalisation of £1.9 billion;
- £424 million of new and further investments by HGT, primarily into 16 new businesses across the core investment clusters targeted by Hg;
- £271 million of proceeds returned to HGT, primarily from seven full realisations;
- More than £141 million of new equity issued;
- \$975 million committed to invest alongside Hg funds over the next 3-4 years.

Performance

HGT performed extremely well during 2021. The NAV per share has increased from £3.10 to £4.40, an increase of 44% on a total return basis. Strong earnings growth from the underlying portfolio companies drove this performance, as well as market support and valuation multiple increases for software investments, notably the kind of profitable, cash-flow generative businesses in which HGT is invested. Portfolio performance over the year was impressive, with the top 20 underlying companies (78% of the portfolio) generating year-on-year growth of 27% (2020: 22%) in revenue terms and 30% (2020: 31%) in EBITDA. These businesses have continued to trade successfully, despite the ongoing disruptions affecting major economies and, with their significant and predictable forward cash flows, are appropriately financed with an average net debt-to-EBITDA ratio of 7.1x. Currently, 100% of the portfolio by value is held above its original cost of acquisition. The total net assets of HGT at 31 December reached £2.0 billion, an increase of £715 million over the reported figures at 31 December 2020. These figures also reflect the dividend payments of £21.7 million in May and October 2021, as well as the proceeds from the tap issuance of shares over the year of more than £140 million.

Over 2021, HGT has seen share price performance (on a total return basis) of 39.8%, outperforming the FTSE All-Share Index by more than 21 percentage points. The analysis of NAV movements and attribution analysis (on pages 38–39 of this report) set out a breakdown of movements in the NAV and the underlying investment portfolio.

“ While 2021 has been very encouraging for HGT, we have all witnessed the recent events unfolding in Eastern Europe. Your Board remains extremely focused on ensuring that the risks inherent in managing a successful and fast-growing investment company, during such uncertain times, are fully addressed. The Board and its sub-committees, notably the Audit, Valuations and Risk Committee, continues to develop the process and approaches used across HGT to mitigate risk and strives to ensure that governance remains at the highest possible level. Despite the challenges in the external environment and the volatility they may induce, the Board is confident about the future prospects for HGT. ”

Investments and realisations

Over 2021, HGT invested £424 million, primarily in 16 new investments, including insightsoftware, Howden, Benevity, Litera, Trackunit, HHAExchange, Serrala and MMIT Evaluate. Since the year-end, a further £49 million has been invested primarily into 3 new investments, including Fonds Finanz, Pirum and Waystone. These investments all fall within Hg's eight focus 'clusters', solving workflow problems and serving the needs of similar business customer sets in comparable end markets. Hg targets businesses with compelling market positions within these clusters, and while such assets often command a full price on acquisition, the experience and capability which Hg brings help to drive these companies to realise their full potential.

It is also worth noting that HGT currently holds around 6% of NAV in co-investments; these are investments made alongside Hg funds which are free from any fees or carried interest payable to the Manager. HGT will continue to take up co-investment opportunities as they arise and will seek to maintain 10 to 15% of NAV in this strategy across different fund deployment cycles. Co-investments provide a useful mechanism to optimise the use of HGT's balance sheet capital and help reduce overall costs.

In 2021, Hg returned £271 million to HGT, primarily through the exits of Allocate, Mitrtech, BrightPay, Achilles and APG. In aggregate, these realisations were at an average uplift to their December valuations of 34%, with an average multiple of cost achieved of 2.4x, reinforcing the value that buyers place on the quality of the assets within the portfolio. For further information about investments and realisations, please refer to pages 44–51.

New commitments

Long-term shareholders will be familiar with the commitment-investment-realisation cycle which underpins the HGT investment model. Every two to four years, HGT and Hg's other institutional investors make commitments to invest in funds which seek to make investments over the following three to four years. HGT thereby enables shareholders to invest alongside the world's largest institutional investors in businesses which would otherwise be potentially inaccessible to public market investors.

In 2021, HGT committed \$850 million (£628 million) to Hg's latest upper mid-market fund and expects to make further commitments across Hg's fund family, ensuring that HGT can continue to participate in the investments made by Hg.

Further detail on all commitments to Hg funds can be found on page 42 of the Manager's Review.

The Board has additionally chosen to commit \$125 million (£92.3 million) to a programme of junior debt investments organised by Hg, via HGT LP. This capital will be used to invest into the junior debt financings across the Hg portfolio over the next two to three years, alongside a group of Hg's institutional investors. These investments have an attractive risk and return profile and are a further effective means to manage liquidity on HGT's balance sheet.

Across all funds, HGT will continue to have the benefit of an 'opt-out' from the commitment to invest in any individual new transaction, if HGT does not have sufficient funds available; this feature, which we understand is unique to HGT, is of considerable benefit to managing HGT's balance sheet efficiently.

Balance sheet

Following the new commitment programme established in 2020, the Board agreed on a revised multi-currency revolving credit facility of £200 million. In 2021 this facility was increased to £250 million in order to optimise balance sheet management and to help manage foreign exchange risk. A total of £99 million remained undrawn from this facility at 31 December 2021.

Including cash on the balance sheet, and the undrawn facility above, HGT had available liquid resources of £470 million at the end of the year.

As shares in HGT have traded at a premium to NAV over much of the year, HGT has taken the opportunity to increase balance sheet liquidity through a series of equity tap issuances, raising more than £140 million. When possible, the Board will continue to consider new equity issuance, providing that market conditions permit, offering existing and new investors the opportunity to subscribe to and increase HGT's equity base, while always bearing in mind our current shareholders' interests. The Board regularly reviews the balance sheet, commitment profile and available liquid resources at hand to optimise this mix for the benefit of HGT.

Impact and responsible investment

Your Board and the Manager continue to increase their focus on the topics of ESG and sustainability. We share a firmly held view that not only should the financial returns to you, the shareholders, be attractive, but these must be delivered in a manner which is consistent with our responsibility to society.



As a technology investor, we understand the need to ensure that those businesses in which we invest reduce their carbon footprint and contribute to tackling climate change. Hg is, itself, independently certified as a carbon-neutral company with a UNPRI assessment of Hg's approach to responsible investment of AA++ (the highest available rating). The Board of HGT meets regularly with the Hg Responsible Investment team to ensure that Hg's work is fully understood and endorsed by the Board.

As we reported in the 2020 full year accounts, Hg launched The Hg Foundation in 2020 – a charitable initiative to provide funding and operational support to schemes across Europe, the UK and the US. The Hg Foundation's goal is to have an impact on the development of those skills most required for employment within the technology industry, focusing on individuals who might otherwise experience barriers to access this education. This Foundation is funded by the Hg management company and its team members. For further information about this and the responsible investment focus at Hg, please see pages 34–37 of the Manager's Review.

Dividend

As noted previously, HGT aims to achieve growth in the net asset value per share and in the share price, rather than to achieve a specific level of dividend. Furthermore, the ability of HGT to pay dividends is very much influenced by the capital structures of the transactions entered into by Hg and by income received on any liquid resources held subject to investment. Nevertheless, HGT will continue to provide guidance as to the broad dividend objectives and, currently, the Board expects to be able to deliver modest dividend progression.

As regards the current financial year, and subject to shareholder approval, HGT will deliver a final dividend of 5.0 pence per share, payable in May, following the interim dividend of 2.0 pence in October, bringing the full year dividend to 7.0 pence per share (2020: 5.0 pence per share). The Board keeps the dividend objective of HGT under frequent review and will communicate, to shareholders, further guidance on the dividend when it is practicable to do so.

Board and corporate governance

As previously communicated, and in line with the Board's succession plan, Peter Dunscombe will be retiring from the Board at the AGM in 2022. Consequently, the Board has undertaken an externally supported search process over the last six months to find a new Non-Executive Director. This process, which is now at an advanced stage, has been

informed by the results of the regular Board effectiveness review, ensuring that new joiners to the Board bring with them the most relevant skills and experience for, not only today, but for the future development of HGT. In closing, I would like to extend my sincere thanks on behalf of all my Board colleagues to Peter for his many years of service and for his significant contribution to the success of HGT.

Prospects

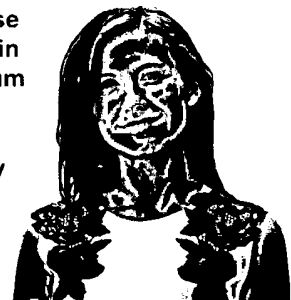
The last year proved to be a highly successful one for HGT, with strong growth both in assets and in share value, as HGT successfully navigated the risks and opportunities that prevailed. Turning to the future, it is clear that the risk environment will present new challenges. Not only will HGT have to deal with the impact of a rising interest rate environment for the first time in several years but also with the sharp increase in inflation witnessed around the world. Significantly, the increase in geo-political risk seems set to persist for some time and while the direct impact on HGT and its underlying investments are not currently anticipated to be material, the collateral risks and in particular the threat posed by cyber-attacks are of very real relevance for the HGT portfolio and the many cloud software businesses within it.

Despite these obvious challenges and the volatility they may induce, the Board remains optimistic about the future prospects for HGT. The assets within the portfolio provide critical solutions to their clients and reduce the costs and complexity of doing business. Notwithstanding the high multiples that these assets currently attract, the long-term value creation prospects from owning such a portfolio remains very attractive and the machinery Hg operates to continue to refresh this portfolio while optimising returns, continues to improve. The Board continues to work collaboratively with Hg to optimise the investment opportunity for HGT and shareholders, while at all times ensuring the many risks that prevail are as comprehensively and effectively managed as is possible.

Jim Strang
Chairman
4 March 2022

“In partnership with our Hg colleagues, whose guidance and expertise has been invaluable, we have driven successful transformation at IRIS in the past two years. The Hg portfolio team helped us roll out our Quantum Programme, which has brought disparate divisions onto a single best practice set of processes and systems, enabling us to vastly improve general efficiency and effectiveness – with the benefit of also materially improving our commercial ability to cross-sell and up-sell. Thank you for helping us maximise the potential of our IRIS success.”

Elona Mortimer-Zhika, CEO, IRIS





Investment objective and investment policy

The objective of HGT is to provide shareholders with consistent long-term returns in excess of the FTSE All-Share Index by investing predominantly in unquoted companies where value can be created through strategic and operational change.

During the year, the Board reviewed the Investment Policy and is submitting an amended Investment Policy for approval by shareholders at the 2022 AGM. The Board would like to recommend that:

- on investment, no initial (rather than total) investment in a single business will exceed a maximum of 20% of gross assets. This change is proposed to allow additional flexibility in the size of investments that can be made;*
- the policy of HGT is to invest predominantly, directly or indirectly, in a portfolio of unlisted software and tech-enabled services companies and HGT holds a spread of businesses diversified by the end-markets the investee companies serve and by geographies in which they operate;*
- the Manager invests mainly in companies that have substantial business operations and opportunities in Europe, though the investee companies themselves may serve, or be present in, a variety of sectors;*
- part of HGT's portfolio is located outside of the UK, predominantly in northern Europe, and now, increasingly, in North America.*

A blackline version of the investment policy, showing the proposed changes is set out at the end of the Notice of AGM on page 149.

Investment policy

The policy of HGT is to invest, directly or indirectly, in a portfolio of unlisted companies where Hg believes that it can add value through increasing organic growth, generating operational improvements, driving margin expansion, reorganisation or acquisition – to achieve scale. HGT seeks to maximise its opportunities and reduce investment risk by holding a spread of businesses diversified by end-market and geography.

Risk management

HGT has adopted formal policies to control risk arising through excessive leverage or concentration. On investment, no investment in a single business will exceed a maximum of 20% of gross assets. HGT may invest in other listed closed-ended investment funds, up to a maximum at the time of investment of 15% of gross assets. HGT's maximum exposure to unlisted investments is 100% of the gross assets of HGT from time to time.

Sectors and markets

As HGT's policy is to invest in businesses in which Hg can play an active role in supporting management, Hg invests primarily in companies whose operations are headquartered or substantially based in Europe. These companies operate in a range of countries, but there is no policy of making allocations to specific countries or markets. Investments are made across a range of sectors where Hg believes that its skills can add value, but there is no policy of making allocations to sectors.

HGT may, from time to time, invest directly in private equity funds managed by Hg where it is more economical and practical to do so.

Leverage

Each underlying investment is usually leveraged, but no more than its own cash flow can support, in order to enhance value creation; it is impractical to set a maximum for such gearing across the portfolio as a whole. HGT commits to invest in new opportunities in order to maintain the proportion of gross assets which are invested at any time, but monitors such commitments carefully against projected cash flows.

HGT has the power to borrow and to charge its assets as security. The articles restrict HGT's ability (without shareholders' approval) to borrow to no more than twice HGT's share capital and reserves, allowing for the deduction of debit balances on any reserves.

Hedging

Part of HGT's portfolio is located outside of the UK, predominantly in northern Europe, with a further part in businesses which operate in US dollars. HGT may therefore hold investments valued in currencies other than sterling. From time to time, HGT may put in place hedging arrangements with the objective of protecting the sterling translation of a valuation in another currency. Derivatives are also used to protect the sterling value of the cost of investment made or proceeds from realising investments in other currencies, between the exchange of contracts and the completion of a transaction.

Commitment strategy

HGT employs a commitment strategy to ensure that its balance sheet is managed efficiently. The level of commitment is regularly reviewed by the Board and Hg.

Liquid funds

HGT maintains a level of liquidity to ensure, as far as can be forecast, that it can participate in all investments made by Hg throughout the investment-realisation cycle. At certain points in that cycle, HGT may hold substantial amounts of cash awaiting investment. HGT may invest its liquid funds in government or corporate debt securities, or in bank deposits, in each case with an investment grade rating, or in managed liquidity funds which hold investments of a similar quality.

If there is surplus capital and conditions for new investment appear to be unfavourable, the Board will consider returning capital to shareholders, probably through the market purchase of shares.

Any material change to HGT's investment objective and policy will be made only with the approval of shareholders in a general meeting.



Business model and risk framework

The Board has a clear view of the rationale for investing in unquoted businesses where the private equity ownership model has the potential to accelerate the growth in value creation. HGT seeks to capture this upside, whilst operating within a rigorous risk-management framework.

The Board believes that there is a convincing rationale for directly investing in well-researched private businesses where there is potential for substantial growth in value, notably where there is the ability to work with management to implement strategic or operational improvements.

HGT offers a simple and liquid means by which shareholders can invest in unquoted growth companies, while benefiting from an investment company's governance model.

Business model

To achieve HGT's investment objective and within the limits set by the investment policy, HGT is an investor in unquoted businesses managed, and in most cases controlled, by the Manager. From time to time, HGT may hold listed securities in pursuit of its investment policy.

HGT is currently invested in more than 40 companies (as set out on page 27 of this report), ranging in size, sector and geography, providing diversification.

The Board has delegated the management of HGT's investments to Hg Pooled Management Limited (the 'Manager' or 'Hg'). Further details of the terms of the management agreement are set out on page 114 of this report. The Manager invests predominantly in unquoted software and business service companies in expanding sectors and provides portfolio management support. Hg's review on pages 23–54 of this report outlines how HGT's investments are managed on behalf of HGT. Most of HGT's investments are held through special-purpose partnerships, of which it is the sole limited partner.

Periodically, HGT enters into a formal commitment to invest in businesses identified by the Manager, alongside institutional investors which invest in an Hg Limited Partnership Fund. Such commitments are normally drawn down over three to four years. The institutional investors and HGT invest on similar terms.

HGT is usually the largest investor in each business. The Board has a further objective of keeping HGT as fully invested as is practicable, while ensuring that it will have the necessary cash available when a new investment arises.

The Board, on the advice of the Manager, makes assumptions about the rate of deployment of funds into new investments and the timing and value of realisations. However, to mitigate the risk of being unable to fund any draw-down under its commitments to invest, the Board has negotiated a right to opt out, without penalty, of its obligation to fund such draw-downs, should the need arise.

HGT may also take up a co-investment in some businesses (in addition to the investment which it has committed to make).

Typically, HGT has no liability to pay fees on such co-investment and no carried interest incentive is payable to the Manager on realisation (currently 6% of HGT's NAV is in co-investments). HGT may also offer to acquire a limited partnership interest in any of Hg's funds, in the event that an institutional investor wishes to realise its partnership interest.

The Board regularly monitors progress across all of the businesses in which it is invested as well as their valuation, the development of the Manager's investment strategy and the resources and sustainability of the business model.

Investment trust status

As HGT is constituted as an investment trust and its shares are listed on the London Stock Exchange, it can take advantage of tax benefits available to investment trusts. This allows HGT to realise investments from its portfolio without liability to corporation tax. The Board intends to retain this status provided that it is in shareholders' interest to do so. This will require the Board to declare dividends so that not more than 15% of taxable income is retained each year.

Performance targets

HGT's aim is to achieve returns in excess of the FTSE All-Share Index over the long term. To this end, the Board monitors the performance indicators, as set out on pages 6 and 7 of these Accounts. In the year to 31 December 2021, HGT's NAV per share increased by 43.9% on a total return basis. The FTSE All-Share Index increased by 18.3% on a total return basis over the year. The year to date total return of HGT's share price was 39.8%. NAV per share has grown by 17.8% p.a. compound over the last 10 years and 15.6% p.a. compound over the last 20 years. The share price has seen broadly similar performance growing by 18.9% p.a. compound over the last 10 years and 17.3% p.a. compound over the last 20 years.

All of the above returns assume the reinvestment of all historical dividends. The Board and the Manager aim to continue to achieve consistent, long-term returns in this range.

HGT is not managed so as to achieve any short-term performance relative to any index. The Board also compares HGT's NAV and share price performance versus other comparable indices with similar characteristics.

Dividend

The Board reviews HGT's approach to dividends on a regular basis, taking into consideration feedback from shareholders and the evolving nature of HGT's income streams, which are driven by the investment structures Hg utilises in its various transactions.

Past performance is not a reliable indicator of future results. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations and investors may not get back the amount they originally invested.

The Board regards the full year dividend declared in respect of 2020 (5.0 pence) as a sustainable level, absent some material shift in underlying deal structures. From time to time, the pattern of deployment and the income which may arise may allow for a higher level of dividend to be supported. The current year is an example of such a year allowing a further distribution of residual income and a higher full year dividend of 7.0 pence. It is important to note that HGT, in order to qualify for investment trust tax status, can only retain a maximum of 15% of the income.

Going concern

HGT's business activities, together with those factors likely to affect its future development, performance and financial position are described in the Board's Strategic Report and Hg's Review. The financial position of HGT, its cash flows, liquidity

and borrowing facilities are described in the Strategic Report. The Directors have considered the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and believe that HGT is well placed to manage its business risks successfully. The Directors review cash flow projections regularly, including important assumptions about future realisations and the rate at which funds will be deployed into new investments. The Directors have a reasonable expectation that HGT will have adequate resources to continue in operational existence for at least the next 12-month period from the date of approval of this Report and to be able to meet its outstanding commitments. Accordingly, they continue to adopt the going concern basis in preparing these results.

Longer-term viability statement

In accordance with provision 36 of the AIC Code of Corporate Governance, the Directors have also assessed the prospects of HGT over a period longer than the 12 months required by the 'Going Concern' provision. The Board believes that the appropriate period over which to assess HGT's viability may vary from year to year depending on several factors: the outstanding investment commitments in particular. Therefore, the Directors evaluate and decide it on an annual basis.

The objective of HGT is to provide shareholders with consistent, long-term and sustainable returns, and the Board believes that it should assess the viability of HGT over a minimum of five years. This year, the Directors have elected to assess HGT's viability over the five-year period ending December 2026, because the current commitments, at year end, run until 2026.

The key assumption underpinning the strategic planning is that HGT's business model remains broadly unchanged and HGT continues to invest in unquoted businesses acquired by Hg.

Assessment of prospects

The Board has assessed HGT's prospects and longer-term viability, taking into account:

- HGT's position with reference to the business model (a description of which can be found on pages 14 and 15);
- the balance sheet, cash flow projections (including the key assumptions on which these are modelled), and availability of funding. During the year, the bank facility was increased from £200 million to £250 million and as at year end, including cash on the balance sheet and the undrawn facility, HGT had available liquid resources of £470 million, 23% of the NAV. More details are on page 80.
- HGT's contractual commitments (detailed on page 101).
- the principal risks and uncertainties, including: performance; regulatory; operational; financial; liquidity; and borrowing, detailed on page 16 of the Strategic Report. Assessment of risks is described below.

Assessment of risks

As part of the Risk Management Framework (described on pages 14 and 15), Principal and emerging risks and uncertainties are routinely subject to a comprehensive review by the Audit, Risk and Valuations Committee and the Board. Managing risk is fundamental to the delivery of HGT's strategy, and this is achieved by defining HGT's risk appetite and managing risks within that appetite, particularly those which would threaten its business model, future performance, solvency, valuation, liquidity or reputation. Of the identified risks, the following are the most important to the assessment of the viability: availability of capital; under-performance of underlying portfolio companies;

political and macro-economic uncertainty and its impact on the markets; and associated risks to the valuations. More details on financial risk are included on pages 95 to 99 in Note 19 to the financial statements. Principal and emerging risks and uncertainties, their potential impact on HGT, and the mitigating actions are set out in full on pages 16 and 17 of the Strategic Report.

Sensitivity analysis

The Directors of HGT regularly stress test the portfolio and its cash flows and review and challenge the sensitivity of the business model against the principal risks which are that are likely to have an adverse impact, including:

- Insufficient funds to meet commitments. A base case and downside scenarios for cash flow projections, which take into account pipeline activity, commitments, and the potential timings of new acquisitions and exits, and which model HGT's liquid resources and available borrowing are reviewed regularly. Details of HGT's financial position, including the amount of available borrowing, are on page 5; and
- A significant economic downturn, including sensitivity to equity price risk. The impact of 1x reduction in EV to EBITDA multiple applied to unquoted investments, as well as mitigating actions, are set out on page 97 in Note 19 to the financial statements.

Assessment of viability

Based on the Board's assessment, the Directors have a reasonable expectation that HGT will be able to continue to operate and meet its liabilities, as they fall due, over a five-year period ending December 2026.



Principal and emerging risks and uncertainties

The Board uses a comprehensive Risk Management Framework as a means to assess the principal and emerging risks facing HGT. Managing risk is fundamental to the sustainable long term delivery of HGT's strategy and this Risk Management Framework provides the objective context for the decisions taken by the Board, particularly as they relate to performance, liquidity, valuation and business model.

The Risk Management Framework is dynamic and is used by the Audit, Valuations and Risk Committee to assess the probability and likely impact of principal risks, to ensure that HGT is operating within a defined risk appetite for each category of risk, and that focus is maintained upon those risks which require attention, prioritising mitigating action from both HGT and the Manager. This risk register is regularly stress tested, to provide assurance that the performance of HGT is insulated, as far as practical, from exogenous factors in the operating environment.

During 2021, the relevance and efficacy of the Risk Management Framework was thoroughly tested by the conditions of the global pandemic, where changes in the operating environment were more rapid and more pronounced than had been experienced previously. During the year, the mitigations in place ensured that principal risks remained substantially within appetite, and the resilience both of the

portfolio investments and their valuations was demonstrated. Looking forward, the Board and AVRC recognise the probability of increasing interest rates, cost inflation and a tightening fiscal environment. Similarly, there is the prospect of increased operating risk from cyber-crime, wage pressure and a reducing supply of talent. Whilst the revenues and operations of Hg's portfolio companies are not reliant on the economies of Russia or Ukraine, the heightened geopolitical uncertainty in the countries of Eastern Europe is an emerging risk that could lead to broader economic impacts. The Board and AVRC ensure that the Risk Management Framework is reviewed regularly and the mitigating actions in place are appropriate to ensure keep principal risks within appetite.




HGT considers the principal risks to be in four main categories:



Investment Risk: the risk to HGT that inappropriate investment or realisation decisions reduce the returns made.




Financial Risk: the risk that HGT's valuation, liquidity or resources are insufficient to allow HGT to invest sufficiently.

Operational Risk: the risk of changing regulation, the risk of failure of Hg's processes and systems of internal control, and the underlying performance of the portfolio.

External Risk: the risk of adverse macro-economic, regulatory or geo-political change.

Risk trend:  improving
 stable
 worsening

Appetite:  within
 outside

Potential risk	Potential impact	Mitigation	Trend/Appetite
Investment			
Performance Risk that underlying portfolio companies underperform.	<ul style="list-style-type: none"> Reduction in NAV Reduction in share price Reputational damage 	<ul style="list-style-type: none"> Deployment of capital is a rigorous process determined by the Hg Investment Committee, operated by experienced investment professionals. Portfolio performance is reviewed regularly by Hg's Realisation Committee comprising experienced investment professionals and the HGT AVRC. An operational performance group interacts across the portfolio to drive performance. 	
Financial			
Valuations Risk that inaccurate valuations would lead to a misleading NAV.	<ul style="list-style-type: none"> False market in HGT shares Reputational damage Reduction in share price Constrained access to capital 	<ul style="list-style-type: none"> Valuations are prepared in accordance with IPEV guidelines and tested against HGT's Valuation Policy. The Manager's Valuation Committee, independently chaired, reviews and approves valuations quarterly. The auditors of both Hg funds and HGT review the valuation and methodology as part of their audit procedures. The AVRC reviews and cross-checks valuations against a broad range of objective valuation methodologies. 	
Liquidity Risk that insufficient liquid resources are available to make investments.	<ul style="list-style-type: none"> Reputational damage Reduced NAV growth Reduced shareholder return 	<ul style="list-style-type: none"> Borrowing structures and cash flow forecasts are considered at each HGT Board meeting. An additional £250 million of liquidity is available through a bank facility, which was 60% drawn at the year end. An opt-out facility is available across all investing funds. 	

Potential risk	Potential impact	Mitigation	Trend/Appetite
Commitment Risk that capacity is insufficient to underwrite future commitments to Hg funds.	<ul style="list-style-type: none"> Reduced shareholder return Reduction in share price 	<ul style="list-style-type: none"> A bank facility is in place to facilitate orderly management of the balance sheet. There is an opt-out facility across all investing funds. A five year cash and commitment forecast is independently reviewed by the AFRG. 	➤
Operational			
Regulation Risk that regulation changes affect investment trust status.	<ul style="list-style-type: none"> Increased corporation tax, leading to higher fees and potential impact on valuation Reduction in share price 	<ul style="list-style-type: none"> The Manager monitors investment movements, forecast income and expenditure and retained income (if any) to ensure compliance with sections 1158 and 1159 of the CTA. Continuing investment trust status is certified by the Manager at each meeting of the Board. 	➤
Regulation Risk that other changes in legislation, regulation or government policy could influence the decisions of investors.	<ul style="list-style-type: none"> Misunderstood or misreported regulation leading to reduced demand for shares Lack of adherence to regulation leading to reputational risk 	<ul style="list-style-type: none"> Regular compliance and risk reviews are reported to the Board by the Manager's compliance team. Strong shareholder engagement through: <ul style="list-style-type: none"> dedicated investor relations team corporate broker. company secretary. 	➤
Manager internal controls and processes Risk that control weaknesses of the Manager lead to poor performance or non-compliance with regulations.	<ul style="list-style-type: none"> Reputational damage Reduced shareholder returns 	<ul style="list-style-type: none"> The Manager is regulated and supervised by the FCA. The Manager has controls in place, including those related to investment decisions, portfolio reviews, recruitment, training and promotions, financial performance and payments, protection of client assets, compliance, regulation. The Board of HGT and its auditors regularly review these processes and controls. 	➤
Cyber security Risk of cyber attack and data loss at Hg and portfolio companies.	<ul style="list-style-type: none"> Loss of or lack of control over data due to cyber attacks Reputational damage Regulatory sanction 	<ul style="list-style-type: none"> A portfolio cyber security team monitors cyber security across Hg and the portfolio companies and drives improvements. The GDPR Committee has successfully implemented mandatory training for all staff. 	➤
External			
Political and macro-economic uncertainty Risk arising from geopolitical instability and conflict.	<ul style="list-style-type: none"> reduction in valuation of portfolio investments disruption to capital markets 	<ul style="list-style-type: none"> Hg's portfolio is diversified with a high degree of recurring revenue. The Manager remains focused on the various issues which may need to be addressed, including: <ul style="list-style-type: none"> reduced availability of credit to fund future investments regulation, marketing, trade and foreign exchange movements These are regularly monitored by the Board of HGT, considering a range of downturn scenarios in our business planning. 	➤
Foreign exchange Risk of foreign exchange movements affecting investments made in currencies other than Sterling.	<ul style="list-style-type: none"> Reduction in shareholder returns 	<ul style="list-style-type: none"> The Board of HGT regularly monitors currency fluctuations. The Hg treasury functions hedge currency exposure and actively mitigate currency risk where appropriate. 	➤
Global pandemic Risk of performance and investment disruption from current and future pandemic events.	<ul style="list-style-type: none"> Portfolio companies suffer revenue declines Earnings multiples of listed companies applied to valuations might be adversely affected 	<ul style="list-style-type: none"> Portfolio resilience is stress-tested against pandemic impacts. The majority of revenues are derived from subscription-based recurring revenues for non-discretionary technology-led services. Operational performance, valuations and investment deal flow have shown resilience to pandemic disruptions. 	➤



Environmental, social and governance matters

Socially responsible investment

The Board has endorsed Hg's policy to invest in a socially responsible manner and Hg's approach to responsible investing, including Hg's sustainable business framework and how ESG is embedded in the deal process, is described in detail on pages 34–35) and at www.hgcapital.com/responsibility. Hg's focus is on identifying high-quality and sustainable businesses and supporting their growth for the benefit of shareholders and the wider society. The Board monitors investment activity to ensure that it is compatible with these policies.

HGT has no employees and has limited direct impact on the environment. HGT aims to conduct itself responsibly, ethically and fairly and has sought to ensure that Hg's management of investments takes account of social, environmental and ethical factors where appropriate. The sectors in which the Manager invests do not generally raise material ethical issues.

Employees, human rights and community issues

The Board recognises the requirement under section 414C of the Companies Act 2006 to provide information about employees, human rights and community issues, including information in respect of any of its policies in relation to these matters and their effectiveness. These requirements do not apply to HGT as it has no employees, all of the Directors are non-executive and it has outsourced all of its functions to third-party providers. HGT has not, therefore, reported further in respect of these provisions.

Modern slavery

HGT has no employees of its own. The Directors are satisfied that, to the best of their knowledge, Hg complies with the provisions of the UK Modern Slavery Act 2015. For further information: <https://hgcapital.com/wp-content/uploads/2021/09/Hg-Modern-Slavery-Act-Statement-Sep-2021.pdf>

Diversity

All financial decisions are made under conditions of uncertainty. The Board recognises the value of both identity and cognitive diversity in ensuring that varied perspectives are considered when making decisions.

The Board places value on attracting Directors with diverse outlooks and experience. The skills and experience which the current members of the Board bring to HGT's leadership are described on pages 112 and 113 and the details of the Board's Diversity and Inclusion policy are set out on page 33. At the end of the year under review, the Board of Directors of HGT comprised four men and two women.

The Manager has an equal opportunities policy and currently employs 147 men and 135 women. Nic Humphries, Senior Partner, Hg, is a member of the Level 20 Advisory Council, a not-for-profit organisation which aims to inspire more women to join and succeed in the European private equity industry. Details of Hg's diversity and inclusion initiatives can be found on page 33.

Climate change

Hg is a carbon neutral company and the details of Hg's efforts to offset carbon emissions, including Hg's carbon footprint for the financial year 2020/21 are described on page 35. Understanding and managing climate-related risks and opportunities based on the Taskforce on Climate-related Financial Disclosure's ('TCFD') recommendations is a fundamental part of Hg's Sustainability Policy. TCFD provides a guiding framework for the Manager's investment and ownership strategy. Hg's inaugural TCFD report can be found on Hg's website <https://hgcapital.com/wp-content/uploads/2021/11/Taskforce-on-Climate-related-Financial-Disclosures-Report-2021-Final.pdf>



Section 172 of the Companies Act 2006

Fulfilling the duty under section 172 of the Companies Act 2006 ('the Act') naturally supports HGT in achieving its investment objective and helps to ensure that all decisions are made in a responsible and sustainable way.

To ensure that the Directors are aware of, and understand, their duties, they are provided (when they first join the Board) with a tailored induction, including details of all relevant regulatory and legal duties as a Director of a UK public limited company. They continue to receive regular and ongoing updates and training on relevant legislative and regulatory developments. They also have continued access to the advice and services of the Company Secretary and can seek independent professional advice, when required. The schedule of Matters Reserved for the Board, as well as the terms of reference of its committees is reviewed annually and further describe Directors' responsibilities and obligations, including any statutory and regulatory duties.

Purpose

The purpose of HGT is to deliver to shareholders consistent long-term returns in excess of the FTSE All-Share Index by investing predominantly in unquoted companies where value can be created through strategic and operational change. HGT provides shareholders with exposure to a fast-growing network of unquoted investments, primarily in European software and business service companies. In providing access to investments not otherwise usually available to its shareholders, HGT's values focus on transparency and clarity in its reporting, constructive challenge in maintaining a strong relationship with the Manager and mitigating avoidable risk. The Board's strategy is to work closely with its selected Manager in a long-term relationship designed to support and encourage the Manager to build and maintain the skills and resources to deliver long-term, consistent returns through a concentrated portfolio of carefully selected businesses.

Decision-making

The importance of stakeholder considerations, in particular in the context of decision-making, is regularly brought to the Board's attention by the Company Secretary and taken into account at every Board meeting, with a paper reminding Directors of the relevant matters at the start of every Board meeting. For example, the strategic planning discussions involve careful considerations of the longer-term consequences of any decisions and their implications on shareholders and other stakeholders and are supported by detailed cash flow projections based on various scenarios, including: assumptions around HGT's contractual commitments; availability of funding; borrowing; foreign currency management; wider economic conditions; market performance.

Culture

In 2020, the Directors considered and defined HGT's culture, purpose and values and, during 2021, through assessing the culture policy and reconfirming that this remained valid and discussing both the culture of the Company and its Manager at the Strategy Day. By formally identifying the important elements of HGT's culture, the Directors can assess and monitor the culture and ensure that it remains well aligned with HGT's purpose, values and strategy in the pursuance of the long-term sustainable success of HGT.

The culture of an externally managed investment trust is the product of the Board's diversity and behaviours, the values and behaviours of the Manager and the way in which the Board and the Manager interact with each other and with HGT's stakeholders.

The Directors have worked to incorporate these behaviours and processes into the annual review of the Manager, strategic planning, the annual evaluation of Board effectiveness and reporting to stakeholders – thus embedding consideration of stakeholders' interests, long-term perspective, maintaining reputation for fairness and high standards of governance, corporate reporting and business conduct more generally in HGT's culture and processes.

The Directors recognise the value in sustaining a culture which contributes to achieving the purpose of HGT in a way which is consistent with its values and strategy. Elements of culture include:

- Encouraging open and timely discussion within the Board and with the Manager, allowing time and space for original and innovative thinking.
- Ensuring that the interests of shareholders and the Manager (and its other clients) are well aligned, adopting a tone of constructive challenge, balanced when those interests are not fully congruent by robust negotiation of the Manager's terms of engagement.
- Drawing on Board Members' individual experience to support the Manager in its monitoring and change management of portfolio companies, for the benefit of all of the Manager's clients.
- Willingness to make the Board Members' experience available to support the Manager in the long-term development of its business and resources, recognising that the long-term health of the Manager is in the interests of shareholders in HGT.
- Appreciating that the asset class, as well as the individual businesses in which HGT invests, is not well understood by all shareholders, adopting a policy of maximum transparency, consistent with the commercial interests of the portfolio companies and clarity in reporting.
- Willingness to use all available means to communicate with shareholders and potential investors and to meet shareholders and consider their views.
- Acceptance that the prime purpose of HGT is to provide an efficient vehicle through which shareholders gain exposure to a well-managed, concentrated and leveraged portfolio and that the Board should not seek to add further investment risk.

A healthy corporate culture contributes to the long-term success of HGT. The following observable outcomes may be indicative of the Directors' success in embedding a healthy corporate culture in HGT's processes and policies and actively promoting it through their behaviours:

- Continued support for HGT's shares and good, consistent trading performance.
- The breadth and quality of the share register, including willingness of shareholders to maintain their holdings over the long term rather than trade them short term.
- The extent to which the partners and staff of the Manager are willing to be long-term shareholders in HGT.
- Recognition of the transparency and clarity of reporting in HGT's reports to shareholders and content disclosed on its website.
- Recognition of the quality of HGT's shares as an investment by the number of broker recommendations as a long-term hold.

Social responsibility

The Board recognises that HGT has a responsibility to its shareholders, stakeholders and the wider society. The Board endorses Hg's policy to invest HGT's funds in a socially responsible manner. This includes the desire that those businesses in which Hg invests are genuinely focused on making a positive contribution to all stakeholders including employees, customers, suppliers, shareholders and the wider society.



Hg has been a signatory of the UN Principles for Responsible Investment (UNPRI) since 2012 and the Board has welcomed Hg's continuing commitment to set ambitious goals for various aspects of environmental, social and governance (ESG) matters. Further details on how Hg integrates responsible investing into the investment process can be found on page 35.

Under listing rule 15.4.29(R), HGT, as a closed-ended investment fund, is exempt from complying with the Task Force on Climate-related Financial Disclosures; however, the Board fully recognises the impact climate change has on the environment and society and information on Hg's efforts on climate change can be found on page 35. The Manager is committed to measuring and managing the carbon emissions associated with its business operations, as well as the portfolio companies. Therefore, Hg continues to work with the investee companies to raise awareness on climate change risks, carbon

emission and energy efficiency. Hg is a certified Carbon Neutral company, committing to zero emissions by offsetting its entire carbon footprint. The Board monitors investment activity to ensure that it is compatible with the policy and receives periodic updates from the Manager on its initiatives and performance against its ESG goals. The Hg Responsible Investment Report 2020, Hg Responsible Investment Policy 2021 and Hg 2020/21 Carbon Footprint Report can be found on Hg's website: www.hgcapital.com/responsibility.

Stakeholders

The Board seeks to understand the needs and priorities of HGT's stakeholders – and these are taken into account during its discussions and as part of its decision-making. As an externally managed investment firm, HGT does not have any employees or customers. How the Board engages with each of HGT's group of stakeholders is described in the following table:

Stakeholders	Why they are important	Board engagement
Shareholders	Continued shareholder support and engagement are critical to the continuing existence of the business and the delivery of its long-term strategy of its business. A resolution to continue the life of HGT is put to the shareholders every five years. Having last been approved by shareholders at its AGM in 2020, a similar resolution will be put to shareholders for approval at the AGM in 2025.	<p>HGT has c. 1,000 shareholders, including institutional and retail investors. Over the years, HGT has developed various ways of engaging with its shareholders, in order to gain an understanding of their views. These include:</p> <ul style="list-style-type: none"> • Annual General Meeting (AGM): Whenever possible, HGT welcomes attendance and participation from shareholders at the AGM. If attending, shareholders have the opportunity to meet the Directors and ask questions at the AGM and the Board really values the feedback and questions which it receives from shareholders. The Manager delivers a presentation and is available to answer any questions. For further information about the upcoming 2022 AGM, please see page 142. • Publications: The annual and interim results presentations, as well as quarterly reports and factsheets, are available on HGT's website. Feedback and/or questions HGT receives from shareholders enable us to evolve our reporting which, in turn, helps to deliver transparent and understandable updates. • Shareholder communication: The Manager communicates with shareholders periodically. During the period, the Manager has held c. 90 meetings with current and potential investors including more than 400 people. All investors are offered the opportunity to meet the Chairman or other Board members. • Investor Relations updates: At every Board meeting, the Directors receive updates on the share trading activity, share price performance and any shareholders' feedback. To gain a deeper understanding of the views of HGT's shareholders and potential investors, the Manager also undertakes regular Investor Roadshows. From time to time, the Board also commissions perception studies based on in-depth interviews of shareholders, analysts and other stakeholders. Their feedback is then taken into account when Directors discuss the share capital, any possible fundraisings or the dividend. The willingness of the shareholders, including the partners and staff of the Manager, to maintain their holdings over the long-term period is another way for the Board to gauge how HGT is meeting its objectives. • Working with external partners: the Board also engages some external providers, such as investor communications advisors to obtain a more detailed view on specific aspects of shareholder communications, such as developing more effective ways to communicate with investors.

Stakeholders	Why they are important	Board engagement
The Manager	Holding HGT's shares offers investors a publicly traded investment vehicle through which they can obtain exposure to Hg's diversified portfolio of private equity investments. The Manager's performance is critical for HGT to deliver its investment strategy successfully and meet its objective to provide shareholders with consistent long-term returns in excess of the FTSE All-Share Index.	Maintaining a close and constructive working relationship with the Manager is crucial as the Board and the Manager both aim to continue to achieve consistent, long-term returns in line with HGT's investment objective. Important components in the collaboration with the Manager, consistent with the Board's culture, are: <ul style="list-style-type: none">• Encouraging open discussion and adopting a tone of constructive challenge,• Drawing on Board Members' individual experience to support the Manager in its monitoring and change management of portfolio companies, for the benefit of all of the Managers' clients,• Willingness to make the Board Members' experience available to support the Manager in the sound, long-term development of its business and resources, recognising that the long-term health of the Manager is in the interests of shareholders in HGT.
The Company Secretary, the Registrar, the Depository, the Broker, the AIFM	In order to function as an investment trust with a premium listing on the London Stock Exchange, HGT relies on a diverse range of advisers to support meeting all relevant obligations.	The Board maintains regular contact with its key external service providers, both through Board and Committee meetings, as well as outside of the regular meeting cycle. Their advice, needs and views are routinely taken into account. In addition, the Management Engagement Committee, tasked with periodic reviews of the external service providers, also holds relationship meetings and formally hears, and acts on, their feedback, as appropriate.
Lenders	Availability of funding and liquidity are crucial to HGT's ability to take advantage of investment opportunities as they arise.	Considering how important the availability of funding is, HGT aims to demonstrate to lenders that it is a well-managed business and, in particular, that the Board focuses regularly and carefully on the management of risk.
Institutional Investors and proxy advisers	The evolving practice and support of the major institutional investors and proxy adviser agencies are important to the Directors, as HGT aims to maintain its reputation for high standards of corporate governance, which contributes to the long-term sustainable success of HGT.	Recognising the principles of stewardship, as promoted by The UK Stewardship Code 2020, the Board welcomes engagement with all of its investors. The Board recognises that the views, questions from and recommendations of many institutional investors and proxy adviser agencies provide a valuable feedback mechanism and play a part in highlighting evolving shareholders' expectations and concerns.
Regulators	HGT can operate only with the approval of its regulators which have a legitimate interest in how HGT operates in the market and treats its shareholders.	HGT regularly considers how it meets various regulatory and statutory obligations and follows voluntary and best-practice guidance, while being mindful of how any governance decisions which it makes can affect its shareholders and wider stakeholders, in the short and in the long term. More detail, including HGT's engagement with the FRC, can be found in the Audit, Valuations and Risk Committee report on page 123.



Directors' duties continued

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Strategic report

Principal Decisions in 2021

Examples of the Board's principal decisions during the year, how the Board fulfilled its duties under Section 172 of the Act and the related engagement activities are set out below:

Principal decision	Long-term impact	Stakeholder Considerations and Engagement
To make commitments into new Hg funds	Commitments made totalling \$975 million across Hg's latest upper mid-market fund and junior debt to support the long term growth in the NAV of HGT and further strengthen the relationship with the Manager, Hg.	Consistent with its strategy and business model, HGT periodically enters into formal commitments to invest in certain investment vehicles raised by Hg. HGT is the largest such investor in these vehicles and shareholders benefit from the ability to deploy substantial capital in this manner in vehicles which would otherwise be inaccessible. Furthermore, HGT retains a unique 'opt-out' right associated with these investments which is further to the benefit of shareholders.
To renew and extend HGT's credit facility	In line with its approach to balance sheet management, HGT increased its multi-currency revolving credit facility from £200 million to £250 million. This provides additional flexibility to manage HGT's balance sheet to support the growth of NAV.	The Board regularly reviews HGT's cash position and commitments, taking into consideration the impact on shareholders. The revised banking facility will be used to support the long-term growth of HGT, to help facilitate the programme of investments undertaken by HGT over the coming years. This is discussed further on page 94.
To issue new shares in HGT	Issuing new shares allows HGT to increase its liquidity in the market – an important consideration for shareholders. Furthermore, successful investment of the capital raised in new issuances will promote further growth in HGT's NAV.	The Board regularly reviews the capital structure of HGT and seeks to issue new equity when market conditions allow it and where such action would, in the view of the Board, be in the best interests of HGT. When evaluating such decisions, the Board takes full account of the impact of any such capital raising on the existing shareholder base. The Board takes into consideration the ability of HGT to deploy any additional funds in a timely and successful manner. The continued demand for HGT's shares is an important indicator from our existing and new investors.
To make new appointments to the Board of HGT and long term succession planning	Continuing to develop and evolve the Board so that it contains an appropriate mix of skills, diversity and experience is important to promote the long-term, sustainable success of HGT.	During the year, the Nomination Committee, and the Board, has frequently considered the need for a strong succession plan and the recruitment of a new Non-Executive Director following the announcement of Mr. Duncombe's retirement from the Board at the 2022 AGM of HGT. During these discussions, the need to consider the long-term strategy and needs of HGT was continually taken into account. More information is available at the report of the Nomination Committee on page 127.

For and on behalf of the Board

Jim Strang

Chairman of the Board

4 March 2022

Hg is a specialist private equity investor focused on software and business service companies.

Our business model combines deep sector specialisation with dedicated operational support. M&G invests in growth companies in expanding sectors, primarily via leveraged buyouts in businesses with operations in or across Europe.

Hg's vision is to be the most sought-after private equity investor within our sector (focus, being a partner of choice for management teams, to provide consistent, superior returns for Hg) and our other clients, while providing a rewarding environment for Hg colleagues.



Europe's largest software and services investor with a transatlantic network

>25
years of
investment

>280
employees across
London, Munich
and New York

>150
highly regarded
institutional
investors

>\$40bn
funds under
management

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Hg's review

Overview

Hg is, itself, an entrepreneurially led, fast-growing business, 100% owned and managed by its partners.

Hg began life as Mercury Private Equity, the private equity arm of Mercury Asset Management plc. Mercury Asset Management was acquired by Merrill Lynch in 1997.

In December 2000, the executives of Mercury Private Equity negotiated independence from Merrill Lynch, and Hg was established as a fully independent partnership, owned entirely by its partners and employees.

Since then, Hg has worked hard to develop a unique culture and approach – setting us apart from other investors. We are committed to building businesses which change the way we all do business, through deep sector specialisation and dedicated, strategic and operational support.

Today, Hg has more than 280 employees, representing the largest technology investment team in Europe.

We have three investment offices, which are in London, Munich and New York, with funds under management of more than \$40 billion and serving more than 150 highly regarded institutional investors, including private and public pension funds, insurance companies, endowments and foundations.

HGT is the largest client of Hg, which has been contracted to manage HGT's assets since 1994 and offers investors a liquid investment vehicle, through which they can obtain exposure to Hg's diversified network of unquoted investments with minimal administrative burdens, no long-term lock up or minimum size of investment – and with the benefit of a Board of Independent Directors and corporate governance. HGT's strategy is to invest in parallel with all of Hg's current funds.

Note: All figures as at 31 December 2021.

Investment strategy

Hg's investments are focused primarily on defensive growth buyouts in software and business service companies operating in specific end-market 'clusters' with enterprise values ('EVs') of £100 million to over £10 billion, growing faster than the broader economy. We predominantly seek controlling equity buyout investments in businesses headquartered in Europe and North America, though such companies will often have a global footprint and customer base.

Hg's objective is to pursue investment theses supporting long-term growth, leveraging its expertise working in these sectors to implement initiatives designed to maximise organic expansion, as well as through rolling up fragmented sectors, over typical hold periods of approximately five years.

Hg has led over 170 investments in the software and service sector during the last 25 years. This focus means that we have developed an institutional expertise and a deep understanding of the markets and businesses in which we invest.

Hg applies a rigorous approach when evaluating all investment opportunities. Our objective is to invest in the most attractive businesses, rather than be constrained by a top-down asset allocation.

This flexible approach to investment means that, at any given time, the Hg portfolio is likely to comprise over 40 software and business service companies with similar characteristics, but of different sizes, end-market focus and maturity profiles.

Hg's office in New York enhances the ability to crystallise and develop transatlantic investment opportunities, manage existing investments and make bolt-on acquisitions, as well as continue to engage with – and ultimately sell – portfolio companies to North American trade buyers. As the US has the largest technology sector, this also helps to consolidate Hg's position as Europe's leading software investor.



×Hg☉Mercury

Lower mid-market
EVs: £100m–£450m

×Hg⊕Genesis

Mid-market
EVs: £450m–£1.3bn

×Hg♄Saturn

Upper mid-market
EVs focus: >£1.3bn

One strategy over three funds across the size range in software and service businesses

HGT has made commitments to invest on the same financial terms as all institutional investors in Hg funds, with investments made into businesses with enterprise values ranging from £100 million to over £10 billion.

The power of the portfolio

Hg has a unique approach and strategy, with a focus on achieving scale in tightly defined clusters of expertise.

As a result, we have assembled a portfolio of more than 40 companies, sharing similar characteristics, yet differing in size and maturity. This creates a natural environment for knowledge-sharing, creating a network effect to drive best

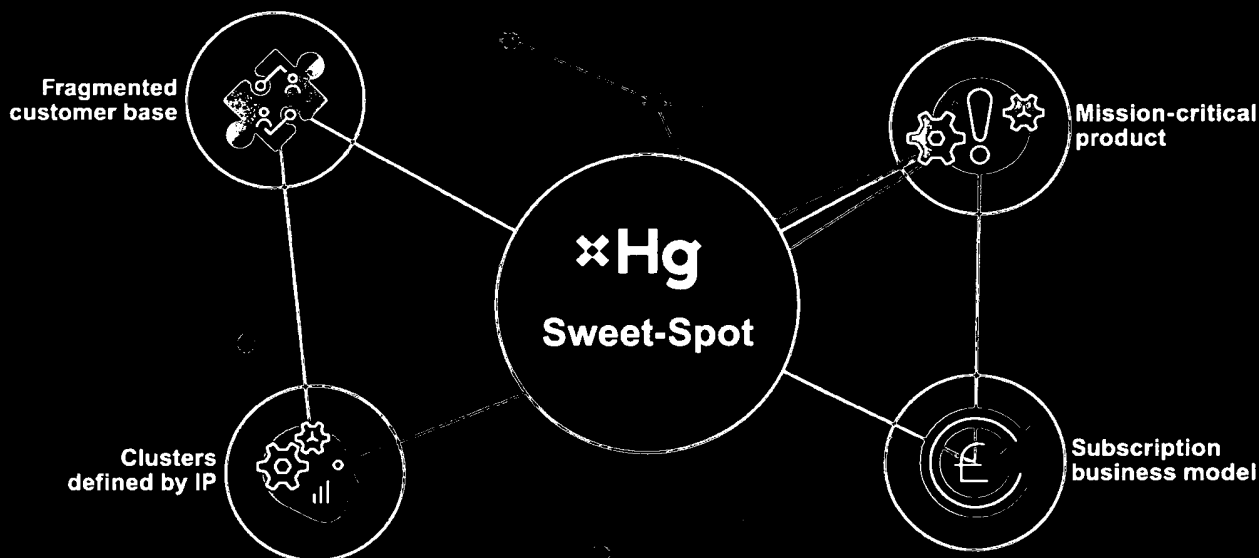
practices and value-creation initiatives. This is why we believe in collaboration and the 'power of the portfolio'.

This scale and focus enable our businesses to benefit from being part of one larger organisation, while retaining their own identity with each management team, incentivised by their own success.

The Hg portfolio, if taken as one company, would be one of the fastest-growing software businesses in Europe.



About Hg continued



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Hg's review

The 'Hg sweet-spot' business model

Hg has a clear and robust business model, focused on long-term, consistent and defensive growth, predominantly through investment in buyouts located throughout Europe and North America. We seek companies which share similar characteristics, often providing a platform for merger and acquisition ('M&A') opportunities.

We believe that such companies have the potential for significant performance improvement.



We invest primarily in two main market sectors:

Software

Software is our largest sector of investment. We focus on businesses providing B2B vertical market application software and data, regulatory software and fintech and internet infrastructure.

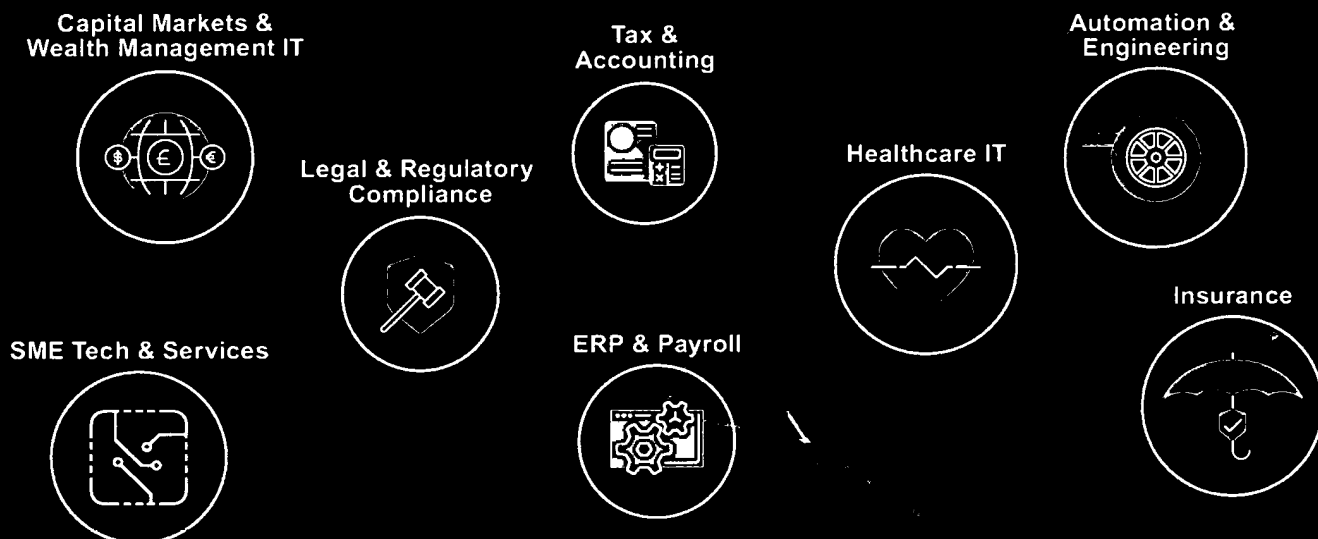
We have invested in high-quality industry champions which have strong sector reputations and diverse customer bases and which feature subscription-based business models generating predictable revenues and cash flows. With more than 40 software investments in our portfolio, we bring a unique set of networks and insights to help to support value creation in our businesses.

Tech-enabled services

Our business services investments focus on companies with high levels of intellectual property, large fragmented customer bases and long-term and stable customer relationships – and businesses which provide business-critical services, preferably on a repeat or recurrent basis.

We target businesses with strong reputations within a niche and aim to grow and scale these businesses, either organically within existing markets or through acquisitions.

About Hg continued



Deep knowledge and networks within our end-market clusters

Hg has a unique approach and strategy, with a focus on achieving scale in tightly defined clusters of expertise. This specialisation helps us to build deep know-how.

Cluster	Portfolio
Tax & Accounting 18+ years	TeamSystem [®] insightsoftware brightpay silverfin VISMA IRIS AZETS Prophix [®] SOVOS SERRALA CASEWARE
ERP & Payroll 18+ years	TeamSystem [®] TRANSPOREON brightpay IRIS VISMA PURE HR access benevity revalize
Legal & Reg Compliance 15+ years	LITERA The Citation Group septeo ProcessMAP
Automation & Engineering 13+ years	MeinAuto Group Trackunit [®] AUVESEY-MDT Geomatikk revalize
SME Tech & Services 12+ years	Commify itm8 [®] teamblue F24 The Citation Group
Capital Mkts & Wealth Mgmt IT 8+ years	FE fundinfo argus smartTrade GenII riskalyze [®] pirum
Insurance 8+ years	COSSLER, GORBIT & WOLTERS GRUPPE Howden Group Holdings fonds finanz
Healthcare IT 7+ years	MMIT Evaluate MEDIFOX DAN LYNIATE Intelerad HHAexchange

Note: Number of years refers to the number of years for which Hg has invested in each cluster. As at 31 December 2021.



Working together

Dawn Marriott
Partner and Head of Portfolio, Hg

Sharing Hg know-how and experience

By virtue of the fact that Hg invests repeatedly in specific business models, our dedicated portfolio team has been able to tailor a differentiated approach to driving value creation during our ownership. Following each investment, our portfolio team works with the management of our investee companies to focus on a set of operational levers which is key to performance in an 'Hg sweet-spot' business model: growth, transformation, technology, cyber security, data analytics, ESG and talent. For each of these levers, the portfolio team has the experience and deep knowledge of best practices to help drive value creation, in collaboration with management.

Every company can access the team, yet the nature of support can take a variety of forms. Often, our portfolio team members provide direct support, taking on roles to help the business to pursue growth more quickly. Another option is for our experienced industry experts to mentor senior executives, helping them to build more scalable functions. In other instances, the support comes through introducing management teams to their counterparts in other companies in which Hg is invested, specifically those who have faced comparable challenges.

“ Hg always has the long term perspective at hand. The team inspires us as leaders, supports and facilitates strategic discussions, helping us get in touch with other software-companies to learn from, both other Hg portfolio companies but also outside of their portfolio. ”

Merete Hverven, CEO, Visma



2021: **88** Portfolio team-led online events

5,750 total people in attendance

The Hg portfolio community

We view all our business management teams as a part of the Hg portfolio community and that means promoting a culture of working together to problem solve and innovate more rapidly. One of the most powerful ways in which we motivate change is through peer-to-peer collaboration, allowing management teams the opportunity to exchange ideas and insights, and learn from others across the Hg portfolio and our network of experts. In the last year, we've offered portfolio companies a full end-to-end digital engagement experience, by hosting virtual events and facilitating an increase in activity on the Hg online collaboration platform, Hive.

Virtual events

We have been delighted by the success of our virtual events this past year, which have continued to play a significant role in driving engagement across the entire portfolio of Hg investment companies, bringing the Hg family together during unprecedented times. Over 2021, we have had a diverse calendar of webinars, hangouts, summits and virtual networking events and, so far this year, we have hosted 51 events, reaching over 5,000 people.

Value creation

- We have over 50 senior operational experts who work with our portfolio management teams to drive impact through specific value creation projects. Additionally, we have a network of trusted third party associates and partners;
- The Portfolio team provides decades of accumulated IP on operational best practices, as well as the project execution resource to help implement them;
- We conduct value creation diagnostics upfront, comparing a company's operational maturity against our database of KPIs and best practices, to identify the highest potential projects to pursue;
- We then support the company in building a value creation plan to help achieve those enhancements.

The Hg Portfolio community

We work hard to create opportunities for connection and collaboration across the Hg portfolio. We facilitate frequent opportunities for individuals on management teams to network, share best-practice, ideas and learn from one another.



For further information, please visit hgcapiatal.com/working-together

About Hg continued

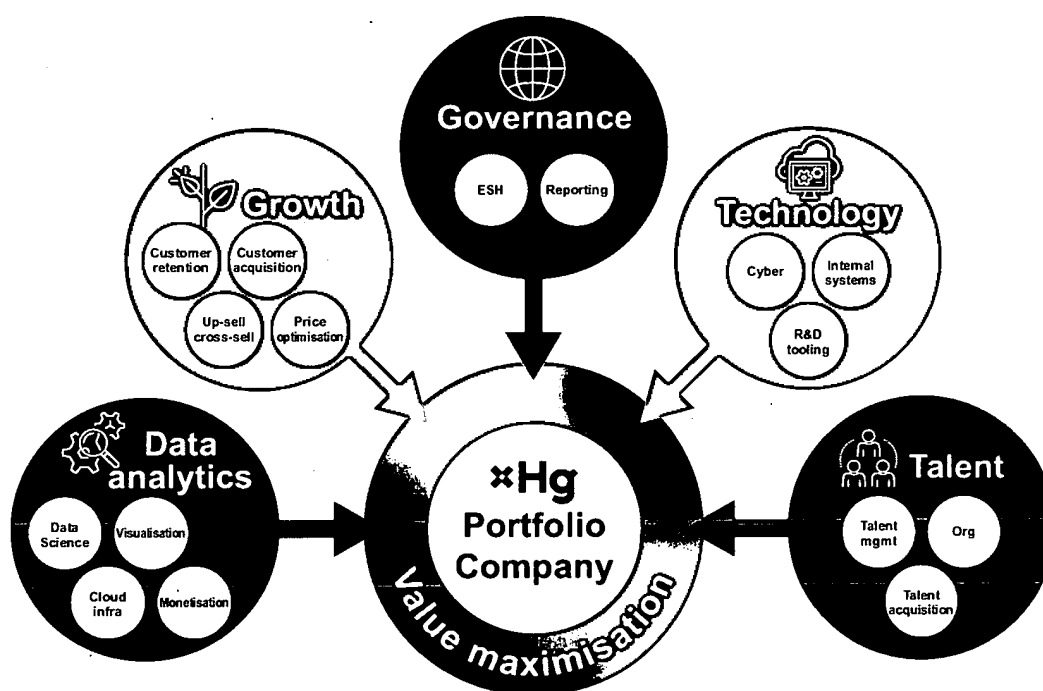
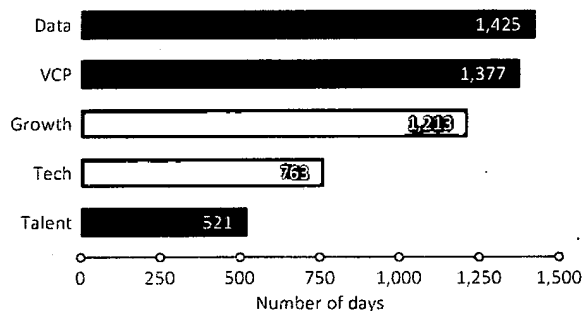
Our focus areas

From sharing best practice and resources through to tailored teams of technical experts, we work closely with the companies in which we invest to ensure that they gain the tools and guidance required for business success.

“You do a splendid job of keeping us connected and the monthly sessions are really useful. Whilst it has been an unusual year (again!), it has been great to be part of the wider Hg community. So thank you very much, it is appreciated.”

Richard Hanscott, CEO Commify

Number of portfolio team days worked across the Hg portfolio, by area: 2021



Hive

Hg's online community for everyday collaboration


Hive, Hg's online portfolio engagement platform, enables collaboration at scale across the entire Hg family and plays a central role in Hg's value-add proposition to portfolio companies. Hive provides members with a space to network with peers, access Hg events and a resource to share specialist knowledge and expertise through multiple specialist communities.

Spotlight on our CEO community

Our CEO community has gone from strength to strength over the last two years. During the pandemic, we hosted weekly 'hangouts' for our CEO community to share live experiences, problem-solve and seek advice from one another. The hangouts proved so valuable that they have remained ever since and the community continues to prosper, with many referring to the trusted community as a 'group of friends'.

2021: >700 new members over the year

2,500 active members and growing!

 For further information, please visit hive.hgcapital.com



Insights and case studies

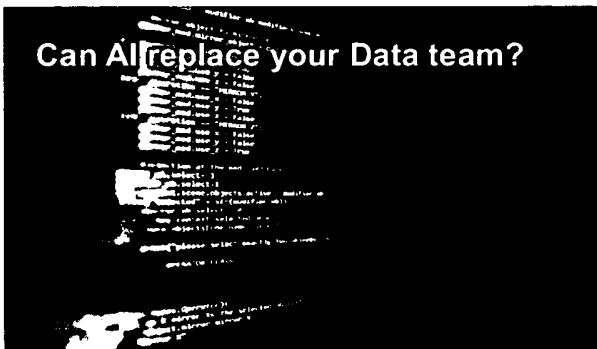
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Hg's review



**The year that
software ate PE**

Can AI replace your Data team?



**Podcasts
with Hg's
Nic Humphries**



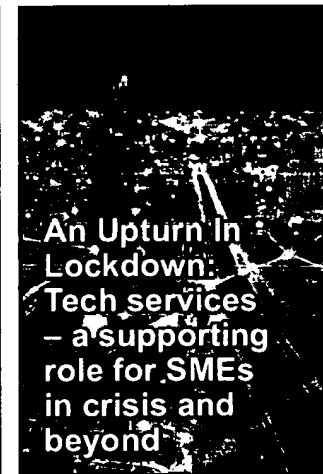
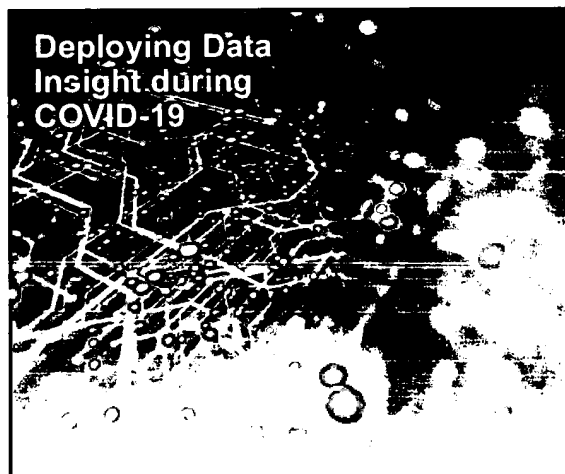
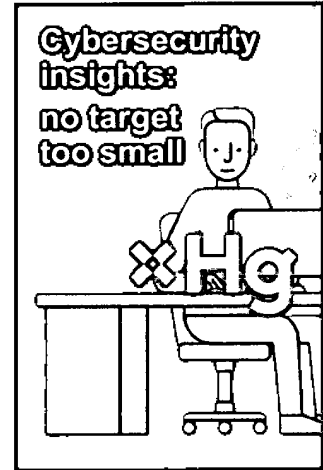
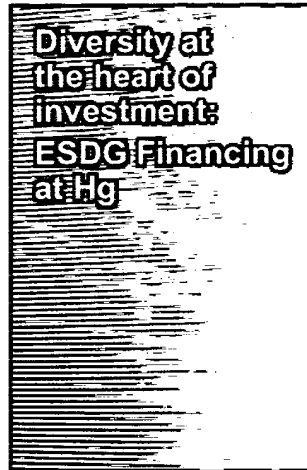
**Europe's Leading
Software Investor**



**Diversity in Executive Hiring:
a conversation with
Elizabeth Wallace**



For a selection of Hg's recent insight pieces, please visit hgcaptial.com/hg-insights/



For a selection of Hg's recent insight pieces, please visit hgcapiatal.com/hg-insights/



About Hg continued

“ COVID-19 has reinforced the need for us to continue to invest in our people and our expertise, especially given our focus on working with the very best management teams in our target clusters and to actively help them to build great businesses. ”

Steven Batchelor, Chief Operating Officer, Hg

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Hg's review



>280 members of the team



3 investment offices in London, Munich and New York



Our team

Hg succeeds through the analysis and understanding of new and emerging dynamics in the clusters in which it invests. This requires profound knowledge of technology, markets and business practices. To this end, we employ diverse and exceptionally talented teams to identify and execute investment opportunities and accelerate value creation during our ownership. This specialisation – in both investment selection and portfolio management – requires significant resources, and we have built a business employing more than 280 people, including more than 160 investment and portfolio management executives and other professionals. Our investment and portfolio management executives come from a range of backgrounds and experience, including private equity, consulting, investment banking, accounting and industry specialists. Our portfolio team comprises a mix of senior operators and functional specialists, typically with substantial experience in their respective specialist operational and strategic roles. Investing primarily in European businesses, many of which have a global footprint, requires time and a deep understanding of local cultures. Accordingly, our people come from around the globe, including 16 European countries, Asia, Africa and the USA. On average, our partners have 15 years' experience in the management of private businesses.



Talent attraction and talent development

To position ourselves as a best in class recruiter, Hg's recruitment and selection processes are rigorous and agile. These, along with our strong brand, leadership, sector focus, fund performance, vibrant culture and only working with recruitment partners who ensure that their search methodology is inclusive, providing diverse talent, allow us to attract and hire the best talent in our industry.

We have enhanced our talent processes so that we can identify and accelerate the development of our top performers and high-potential talent within the business. We believe this to be the basis of effective career and succession-planning and to support this we have hired a Head of Talent, who joined in January this year to focus on both our Talent Acquisition and Talent Development and to continue to build and enhance our practices.



Employee engagement

Our people are highly motivated by, and committed to, delivering outstanding value to HGT, our other institutional clients and our portfolio company leadership teams. They are engaged by their work, our values and the opportunity to grow to their full potential within Hg. Our values have evolved over many years and are embodied in our working culture; these are aligned with our performance and reward structures. Hg works hard to ensure that our employees are engaged. We use independent external benchmarks to gauge levels of engagement and take appropriate actions to ensure the highest possible levels of engagement. We have a strong focus on career and personal development, providing a range of development opportunities to enable our talent to reach their full potential and perform at their best.



Developing future leaders

We are explicit about those behaviours which we wish to encourage at Hg and have aligned recruitment, training, coaching, performance and rewards to our values for everybody across the organisation, including our leadership. We know that longevity of success means doing it the right way, thinking long term and always being willing to listen and learn. These values can be seen and felt everywhere you look, around our offices and in everyday interactions – it's really what makes us Hg.



For a description of Hg's key staff please visit:
hgcapital.com/our-people



“ With diversity, you source and analyse deals, ask and answer questions and manage teams differently. It adds up to better investment and business decisions. The more complex the challenge at hand, the greater the returns. ”

Nic Humphries, Senior Partner, Hg



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**investment and
portfolio management
executives**



8

**clusters of
expertise**

Diversity and inclusion

Hg has introduced several new policies and built on its existing ones, as part of a wider initiative around diversity and inclusion. We have an established D&I steering group, comprising a range of individuals from across the firm. Its aim is to promote a culture of inclusion which clearly values diversity in all of its forms. We have several global initiatives – gender balance, flexible working, mentoring programmes, training and awareness events – to drive internal change. We also look to support events such as Black History month, International Women’s day and Mental Health Awareness week. This is also echoed and supported through our HR learning and development initiatives, including structured mentoring programmes, recruitment processes and training, embedding awareness of unconscious bias and inclusion.

Hg will maintain its commitment to industry-wide initiatives such as Level 20, a not-for-profit organisation aligned around a common vision to inspire more women to join the industry.

**LEVEL
20**

Hg senior partner Nic Humphries continues his role on Level 20’s advisory council.

Hg is an active participant in the Institutional Limited Partners Association’s ‘diversity in action’ initiative, acknowledging our ongoing commitment to take concrete steps to advance diversity, equity and inclusion across our organisation and the industry more broadly.

In addition, last year we welcomed our first interns through the #10000blackinterns programme, helping black students gain experience and kick-start their career in investment management. This year we have increased the number of interns we have recruited and expanded the number of areas of the business that they will gain experience in.

We are also excited to partner with Sponsors for Educational Opportunity (SEO) in London and New York as they help prepare talented students from ethnic minority or low socio-economic backgrounds for career success.

“ At Hg, we aim to attract and maintain a team of the best-possible investment and operational talent. To do this, we need to ensure that we’re building this team from the broadest range of potential employees. Having a clear strategy and committed team looking at diversity and inclusion, with full support from the firm’s senior leadership team, is crucial. ”

Martina Sanow, Partner and Deputy Chief Operating Officer, Hg



Hg is now a member of the LGBT Great network and as part of this partnership has contributed to two of their research projects: LGBT+ investing lens: research exploring the practice of investing for financial return while also considering the benefits to those who identify as LGBT+, such as improving economic opportunities or social inclusion for the LGBT+ community.

Diversity Data: research exploring the concept of extending mandatory organisational diversity reporting beyond gender to other diversity dimensions such as ethnicity and sexuality. Hg hopes that this research will be a catalyst for positive change and are proud to be a part of it.



Strategic report

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Hg's review



Financial statements



Corporate governance



Further information



About Hg continued



“We recognise the importance of constantly moving forward with ESG improvements. The world does not stand still and we continually assess what we are doing on ESG to stay ahead. The pandemic has certainly accelerated everyone’s – not only Hg’s – focus and commitment in this space.”

Caroline Löfgren,
Chief Sustainability Officer, Hg

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Hg's review

Responsible investment

Why responsible investment is important to us

Hg engages in Responsible Investment because it sits right at the core of our Purpose.

We are trusted to improve the future of millions of investors by building sustainable businesses for tomorrow. This is our purpose statement, our reason for being – it is how we see our place in society and our contribution to it. We are totally committed to this and it is embedded in everything we do, in every decision, every day and for every individual.

What this means in practice is that we look to grow sustainable businesses which are great employers and good corporate citizens, whilst also generating strong returns for the millions of pensioners and savers who are invested with us. Everyone at Hg is ultimately pulling together towards this goal.

This commitment supports the backbone of our investment philosophy and has helped us to determine a very focused approach, which has evolved over the last 20 years. Our focus is to invest exclusively in growing software and services businesses. We look to ensure that both our time and our capital support the sustainable growth of these knowledge businesses. These businesses then contribute to society by changing and modernising how their customers work, whilst providing quality employment opportunities for thousands of people worldwide, across innovative and growing sectors.

In turn, we believe that responsible business practices help to generate superior long-term performance, captured as investment returns to our investors. In this way, all stakeholders’ goals align, with contributions to investors, the businesses themselves, employees, customers, suppliers, shareholders and wider society. As with other operations and functions, we take an active interest in how our companies manage Environment, Society and Governance (‘ESG’) risks and opportunities. It is much more than screening processes to ensure we do not invest in certain companies.

Our sector focus and expertise also mean that we have a better understanding of which ESG metrics are most material to service and software companies. We focus on these metrics to help build world-class ESG practices across our portfolio and achieve most impact.

Finally, we actively champion this topic and talk about our approach openly both internally and externally. We want all our employees to be proud of what we do, because they should be, and we want our investors to be confident in our intentions when they commit capital to us for ten years or more.



Matthew Brockman,
Managing Partner, Hg



For more information, please go to
hgcapital.com/responsibility



To watch our Responsible Investing video,
please go to hgcapital.com/responsibility

Responsible investment (RI) at Hg

We continue to demonstrate our commitment to RI publicly – through a number of initiatives. We have been signatories of the United Nations-supported Principles for Responsible Investment ('UNPRI') since 2012 and are proud to have retained the top score, AA++ in their latest assessment in 2020, cementing our reputation as a leader in ESG initiatives and innovation.

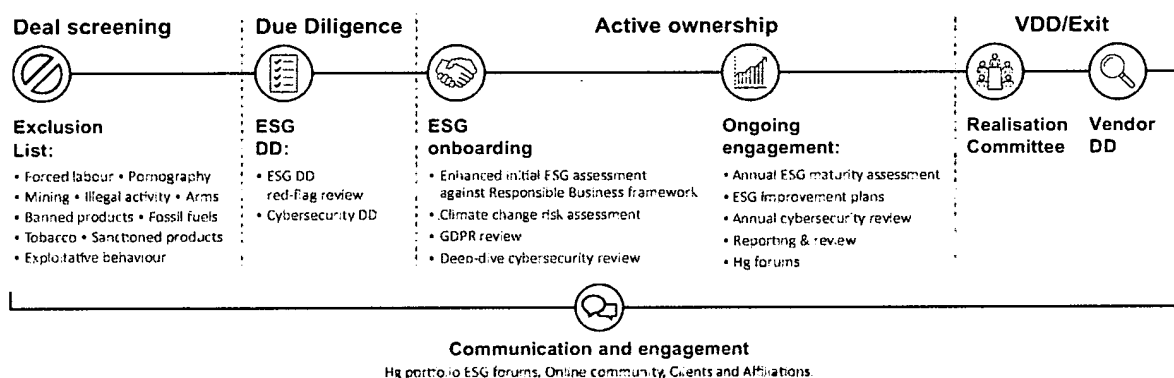
We recognise that climate change is one of the most important topics in the ESG space and at the top of the agenda for society, Hg and our investors. As a result, Hg is a founding member of the UK network of the Initiative Climat International ('iCI'). Endorsed by the UNPRI, iCI is a network of Private Equity firms working collaboratively to tackle climate change in our industry. Hg is a member of the UK Operating Committee of iCI and is actively supporting the NetZero working group.

In 2021, we made some big commitments to support our ambition to help limit climate change. Hg joined over 220 asset managers in signing the Net Zero Asset Managers initiative hgcapital.com/hg-joins-leading-private-equity-investors-commit-to-net-zero/, to support the global efforts to limit warming to 1.5 degrees Celsius. Hg was also one of the first PE firms globally to have their carbon reduction targets approved by the Science Based Targets initiative, in line with their PE

guidance. hgcapital.com/hg-joins-group-of-six-pioneering-firms-representing-e133bn-aum-to-combat-climate-change-by-setting-ambitious-science-based-targets-for-the-industry/ For more information about Hg's commitment to limit global climate change, please see our first TCFD report here: hgcapital.com/wp-content/uploads/2021/11/Taskforce-on-Climate-related-Financial-Disclosures-Report-2021-Final.pdf. For Hg's firm level footprint and carbon neutrality see our detailed report here: hgcapital.com/wp-content/uploads/2021/09/Hg-Carbon-Footprint-2020-2021-Report-Final.pdf

Another topic that is close to our heart is diversity, equity and inclusion (DEI). We continue to focus on DEI on a firm level and are proud to be able to say that 48% of our employees are women. Our investment team consists of 35% women, which is well above the industry average. We are engaging with our businesses on this topic too. In 2021, we created our Portfolio DEI Council, a group of 10 portfolio companies representing different regions and sizes, to collaborate on DEI. Over the next few months, the group will work together to help develop a playbook for the rest of the portfolio to learn from.

For more information and our latest DEI report please see hgcapital.com/diversity-and-inclusion/



ESG in the deal process

ESG is embedded into the entire deal process, from screening to exit. We are very clear, as outlined in our exclusion list, on the types of business in which we do not invest. During due diligence, we assess companies for compliance with relevant laws in relation to ESG, H&S, bribery and corruption.

All our businesses are assessed against our Sustainable Business Framework as part of onboarding and annually thereafter. We are confident that our assessment is one of the most comprehensive assessments on the

market; it covers over 170 metrics across key areas that are most relevant to tech businesses and takes external frameworks, such as SABS, ILPA's diversity in action initiative and the ESG Data Conference project, into account. However, our ESG onboarding is not limited to our Sustainable Business Framework. In addition we conduct separate assessments on cybersecurity, data privacy, carbon footprints and climate change risks.

Each year we review and update our Sustainable Business Framework to

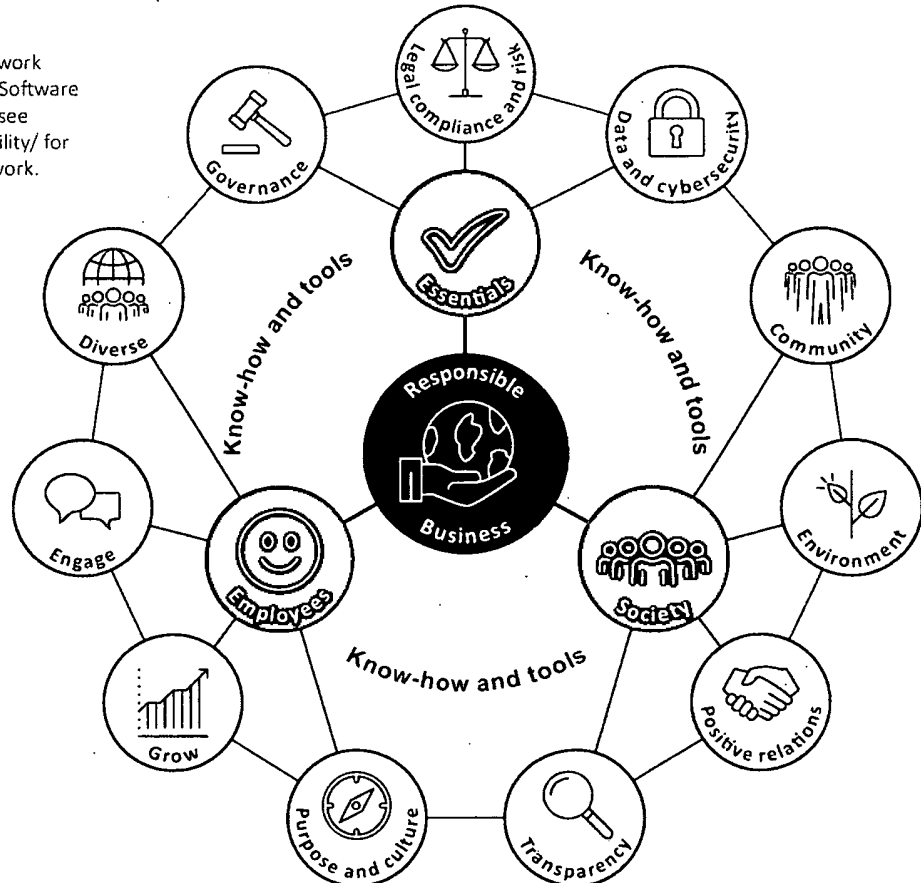
account for new topics, trends and regulations. In 2021, we included 20 additional questions to cover further aspects of data privacy, anti-competitive behaviour, diversity and inclusion and climate change. All portfolio companies are assigned a score from 0–10 and receive an action list to support improvement. Hg's ESG team provide support to help advance the businesses ESG performance and each business is then reassessed on an annual basis.





Hg's Sustainable Business framework

Hg's Sustainable Business framework outlines key ESG focus areas for Software and Services companies. Please see <https://hgcapital.com/responsibility/> for further details about the framework.



PRI Principles for Responsible Investment
A signatory to the UNPRI since 2012.
AA++ 2021 PRI assessment score:
'A+' for strategy and governance and
'A+' for private equity ownership

ic initiative climat international
Private equity action on climate change
Hg is a founding member of the UK network of the Initiative Climat International (ICI)

SCIENCE BASED TARGETS
ORIENTED AMBITIOUS CORPORATE CLIMATE ACTION

CERTIFIED CARBON NEUTRAL
company

NET ZERO ASSET MANAGERS INITIATIVE
Hg is one of the first PE firms globally to have committed to and had targets approved in line with the SBTi.

ESG Data Convergence Project

SASB

Diversity in Action

Hg is committed to report our ESG progress in line with several recognised external standards.



For more information and to watch our Responsible Investing video, please go to hgcapital.com/responsibility

The Hg[®] Foundation

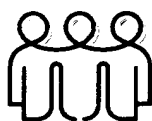
Removing barriers to education
& skills in technology

The Hg Foundation aims to develop the skills required for employment within the technology industry, focusing on individuals who may otherwise experience barriers to access. The Foundation is funded by Hg through a proportion of carried interest from current and future Hg funds, a proportion of Hg's annual profits and also through charitable activities carried out across the firm. The Foundation acts independently of Hg and grant decisions are made by the Board of Trustees.

2021 saw Hg Foundation set up four more partner programmes taking the total number of partnerships to eight.



\$8.5m
committed to date



8

partnerships



>8,000

students directly supported

merit
AMERICA

THE
TUTOR
TRUST

TUM
Technische Universität München

SEO Career
You in Demand

I Impetus

upReach
Transforming Social Mobility

Imperial College
London

Generation
FRANCE



For more information, please visit the Hg Foundation's website: www.thehgfoundation.com



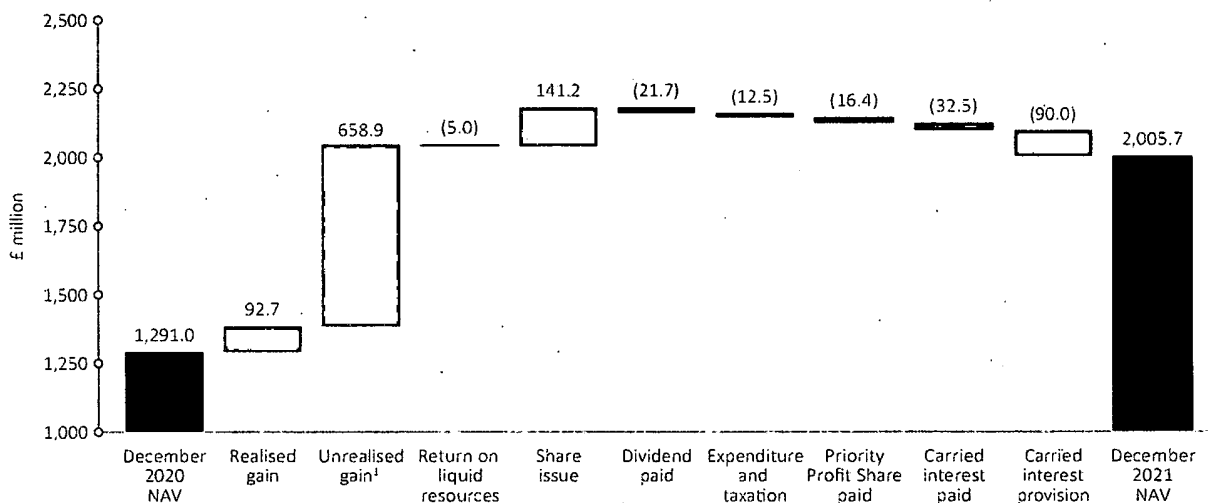
Net asset value (NAV)

During the year, the NAV of HGT increased by £715 million, from £1.3 billion at 31 December 2020 to £2.0 billion at 31 December 2021.

Attribution analysis of movements in NAV

	Revenue £000	Capital £000	Total £000
Opening NAV as at 1 January 2021	19,946	1,271,070	1,291,016
Realised capital and income proceeds from investment portfolio in excess of 31 December 2020 book value	11,265	81,478	92,743
Net unrealised capital and income appreciation of investment portfolio	44,084	614,837	658,921
Net realised and unrealised gains from liquid resources	648	(5,701)	(5,053)
Share issue	–	141,231	141,231
Dividend paid	(21,660)	–	(21,660)
Expenditure	(10,797)	(1,949)	(12,746)
Taxation	192	–	192
Investment management costs:			
Priority profit share – current year paid	(16,385)	–	(16,385)
Priority profit share – reallocation between capital and income	7,821	(7,821)	–
Carried interest – current year paid	–	(32,472)	(32,472)
Carried interest – current year provision	–	(90,063)	(90,063)
Closing NAV as at 31 December 2021	35,114	1,970,610	2,005,724

Analysis of NAV movements



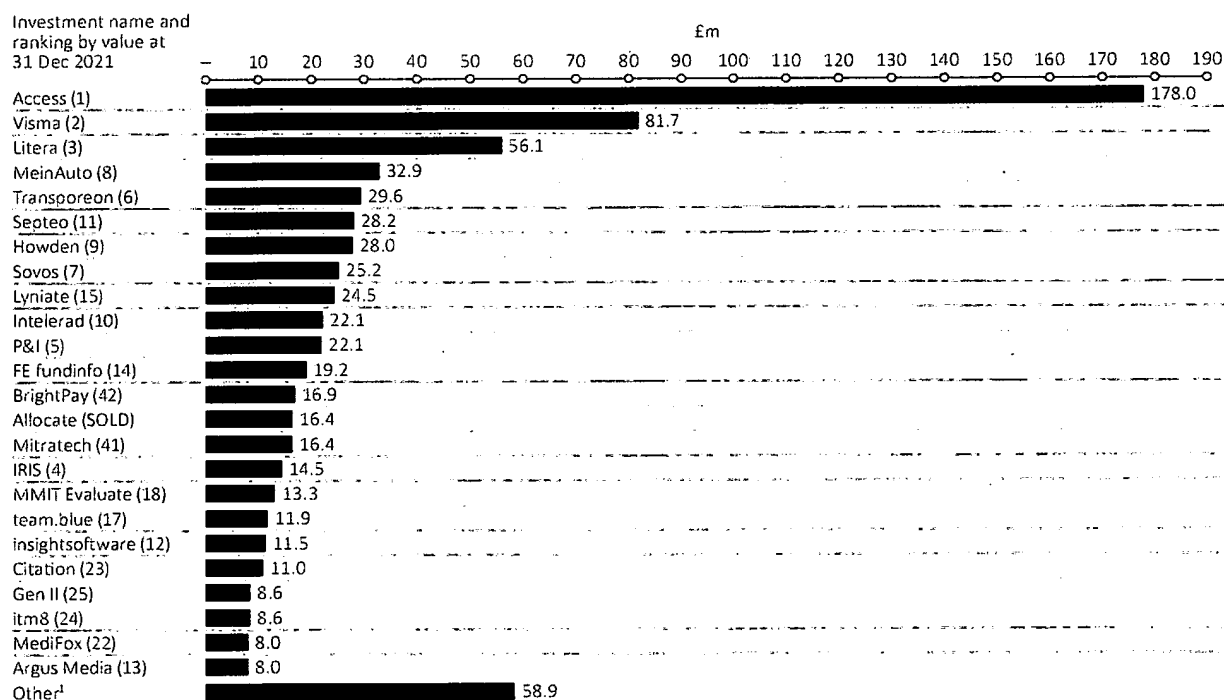
¹ Including unrealised and foreign exchange movement on liquid assets and the fund level facilities.

Several underlying factors contributed to the increase in NAV. Positive impacts were the £658.9 million revaluation of the unquoted portfolio and uplifts of £92.7 million on the realisation of investments, compared with their carrying value at the start of the year. Shares issued during the year contributed a further £141.2 million.

Reductions in NAV included: the payment of £21.7 million of dividends to shareholders, carried interest paid of £32.5 million and a £90.0 million increase in the provision for future carried interest.

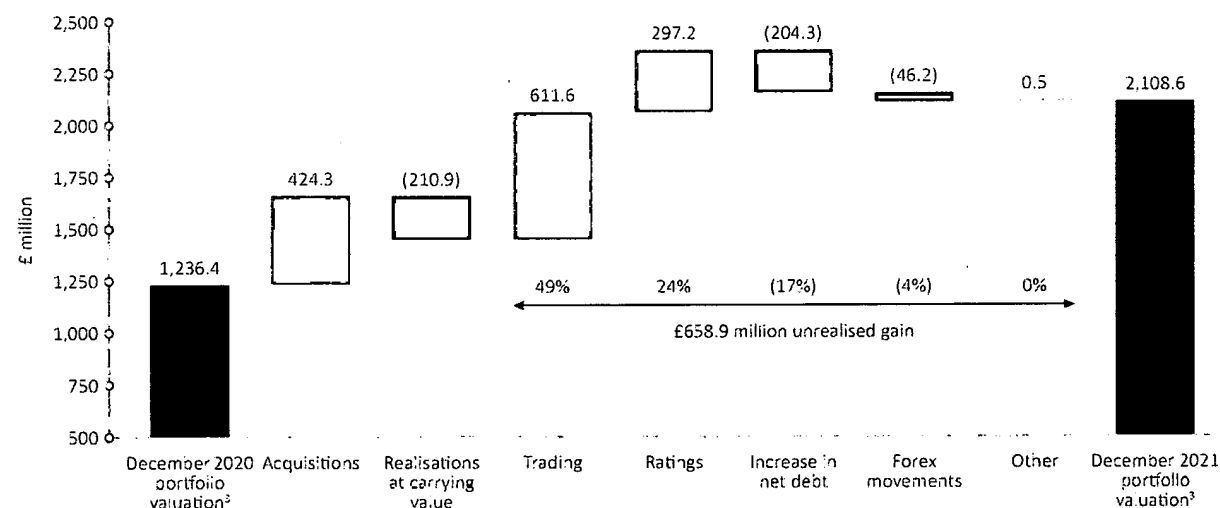
Past performance is not a reliable indicator of future results. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations and investors may not get back the amount they originally invested.

Realised and unrealised movements in the value of investments



¹ Other includes movements across portfolio companies not shown.

Attribution analysis of movements in the value of investments²



² Including accrued income and excluding carried interest provision. ³ Before the deduction of the carried interest provision and fund level facility.

During the year, the value of the unrealised investments increased by £658.9 million, before the provision for carried interest. The majority of the increase, £611.6 million, relates to increases from profit growth in the underlying investments. An increase in valuation multiples increased the value of investments by £297.2 million.

Acquisitions net of realisations at carrying value of £213.3 million increased the value further and negative currency movements of £46.2 million reduced the value of the unrealised portfolio. An increase in net debt of £204.3 million contributed negatively to the unrealised portfolio.



The top 20 investments (representing 78% of total investments by value) have delivered strong sales growth of 27% and EBITDA growth of 30% over the last 12 months ('LTM').

This is consistent with high double-digit trading performance that the HGT portfolio has demonstrated over many years.

The business model characteristics of the companies in which we are invested give us confidence that this sustainable growth can be achieved consistently, going forward.

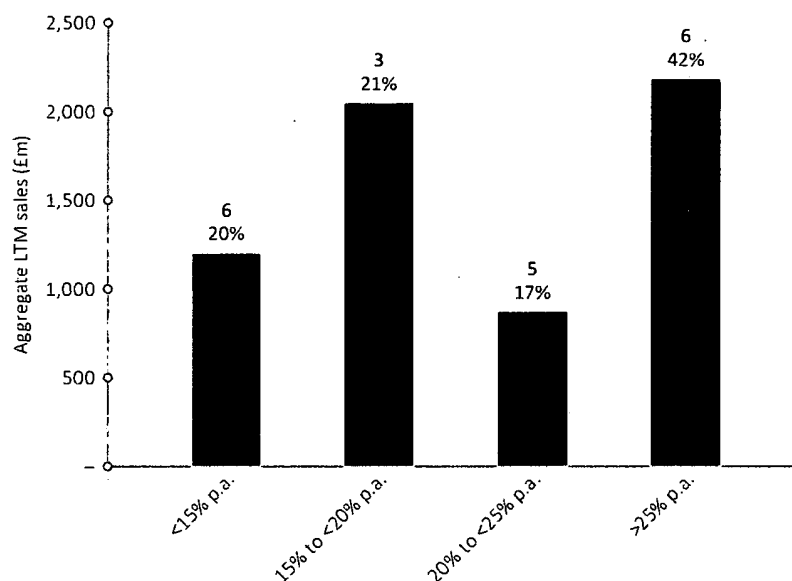
More than 80% by value of the top 20 businesses within the portfolio are seeing double-digit revenue growth, and more than 75% have delivered double-digit EBITDA growth over the last 12 months.

Profits continue to grow at a faster rate than revenues, in part due to the continued investment made into the cost base of several companies, for example, to finance increased sales and marketing capabilities, strengthen management and new product development, all of these continue to drive future performance.

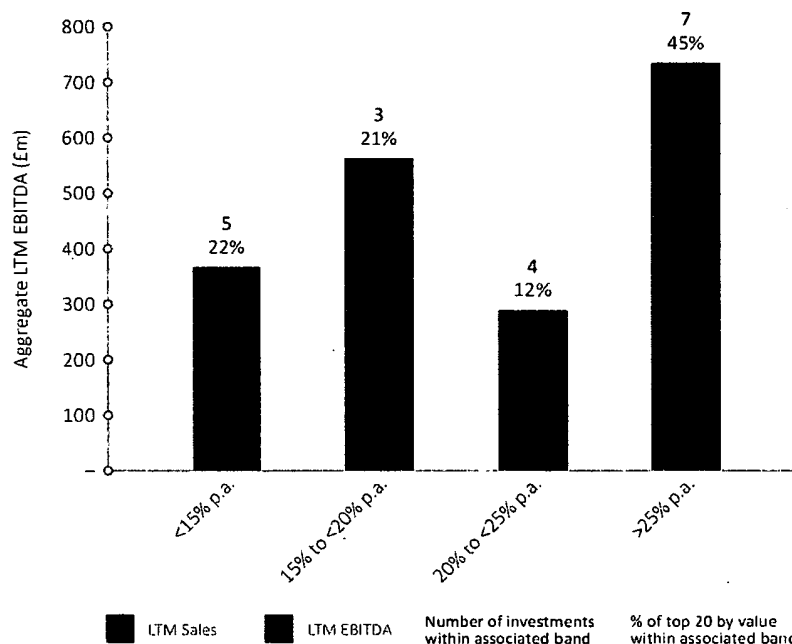
We have seen very robust and consistent trading performance from the majority of the portfolio, with particularly strong growth from Septeo, insightsoftware, Access, Intelrad, Howden, and Transporeon. Where a company does not perform as well it is reflected in its valuation.

For further information on how individual companies have performed over 2021 – please refer to the realised and unrealised valuations table on page 39.

Distribution of top 20 LTM sales growth: +27%



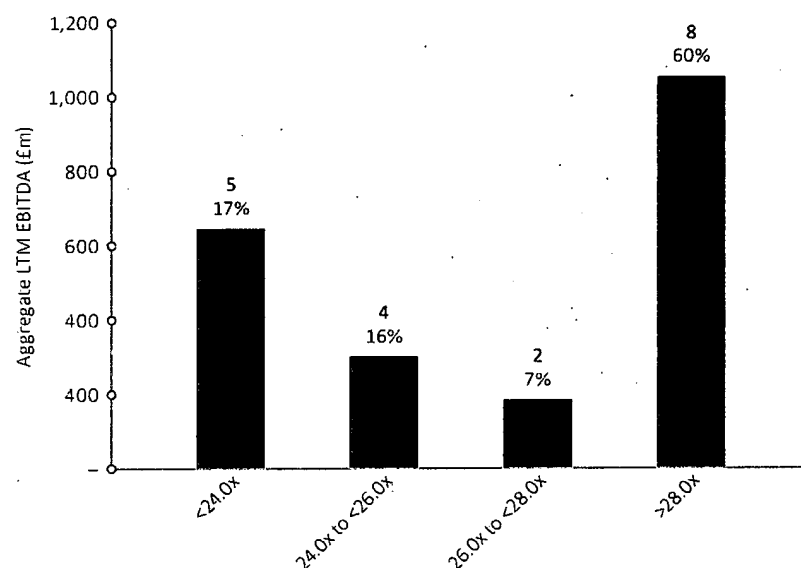
Distribution of top 20 LTM EBITDA growth*: +30%



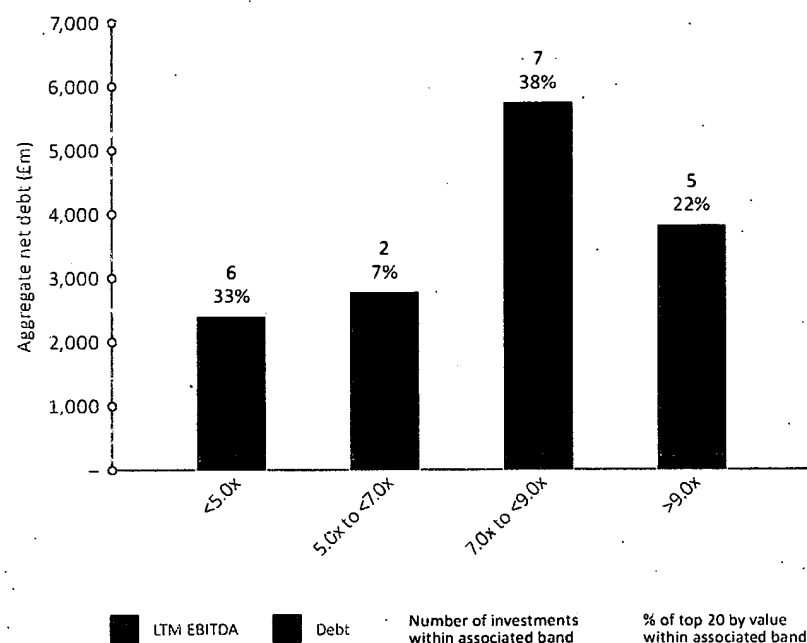
*Excluding one investment valued on a basis other than earnings

Valuation and net debt analysis as at 31 December 2021

Distribution of EV to EBITDA valuation multiples*: 27.4x



Distribution of net debt to EBITDA ratios: 7.1x



*Excluding one investment valued on a basis other than earnings

Our valuation policy is applied consistently, in accordance with the IPEV Valuation Guidelines. Each company has been valued individually, based on the trading multiples of comparable businesses and relevant and recent M&A activity; this resulted in an average EBITDA multiple for the top 20 investments of 27.4x (22.1x at 31 December 2020).

The basis of the approach continues to be to apply a relevant multiple to suitable earnings-based performance metric. We take a considered approach in determining the level of maintainable earnings to use in each valuation, in line with the IPEV Valuation Guidelines. An earnings-based valuation is most appropriate where the investment is an established business with a stream of maintainable earnings. Where the company has negative earnings or significantly depressed earnings, a revenue based valuation can be used. Most holdings have been valued using the LTM earnings, or the best available information at the reporting date. The earnings figure used may be adjusted on a pro-forma basis reflecting acquisitions, disposals or other adjustments to the extent a buyer would make such adjustments. In selecting an appropriate multiple to apply to a company's earnings, we look at a basket of comparable companies, primarily from the quoted sector, but also making use of M&A data.

We then cross-check the existing valuation against a range of other valuation techniques. We also use back testing to understand substantive differences that legitimately occur between an exit price and the previous fair value assessment to inform our valuation policy.

Our companies make appropriate use of gearing, with a weighted average net debt for the top 20 of 7.1x LTM EBITDA (6.4x at 31 December 2020). Many of our businesses have highly predictable, strong earnings growth and are very cash generative, enabling us to use debt to reduce their cost of capital and improve returns on the equity we hold.





Outstanding commitments of HGT

At 31 December 2021, HGT held liquid resources of £371 million and had outstanding commitments of £992 million, as listed below. We anticipate the majority of these outstanding commitments will be drawn down over the next three to four years (2022–26) and are likely to be partly financed by cash flows from future realisations. Additionally, to mitigate the risk of being unable to fund any draw-down under its commitments to invest alongside Hg's funds, the Board has negotiated a right to opt out, without penalty, of HGT's obligation to fund such commitments, where it does not have the funds to do so or certain other conditions exist. HGT also has access to a £250 million bank facility which was 60% drawn as at 31 December 2021.

Fund	Fund vintage	Original commitment £million ¹	Outstanding commitments			
			as at 31 December 2021		as at 31 December 2020	
			£million	% of NAV	£million	% of NAV
HGT Saturn 3 LP	2022	627.5 ²	627.5	31.3	–	–
HGT LP	Various	92.3 ³	92.3	4.6	1.3	0.1
HGT Saturn 2 LP	2020	295.3 ⁴	67.8	3.4	200.6	15.5
HGT Genesis 9 LP	2020	302.3 ⁵	66.2	3.3	263.2	20.4
HGT Mercury 3 LP	2020	96.6 ⁶	64.0	3.2	102.9	8.0
HGT 8 LP	2018	350.0	51.5	2.6	9.7	0.8
HGT Saturn LP	2018	150.0	15.9	0.8	7.9	0.6
HgCapital Mercury D LP	2011	60.0	3.3	0.2	3.3	0.3
HGT Mercury 2 LP	2017	80.0	1.8	0.1	4.7	0.4
HGT 7 LP	2013	200.0	1.0	–	1.2	0.1
Asper RPP I LP	2006	18.2 ⁷	0.6	–	0.6	–
HGT Transition Capital LP	2018	75.0	–	–	49.6	3.8
HGT 6 LP	2009	285.0	–	–	2.3	0.2
Hg 6 E LP	2009	15.0 ⁸	–	–	0.1	–
Total			991.9	49.5	647.4	50.2
Liquid resources			371.5	18.5	187.6	14.5
Net outstanding commitments unfunded by liquid resources			620.4	31.0	459.8	35.7

¹ Excluding any co-investment participations made through HGT LP.

² Sterling equivalent of \$850 million.

³ Sterling equivalent of \$125 million of junior debt.

⁴ Sterling equivalent of \$400 million.

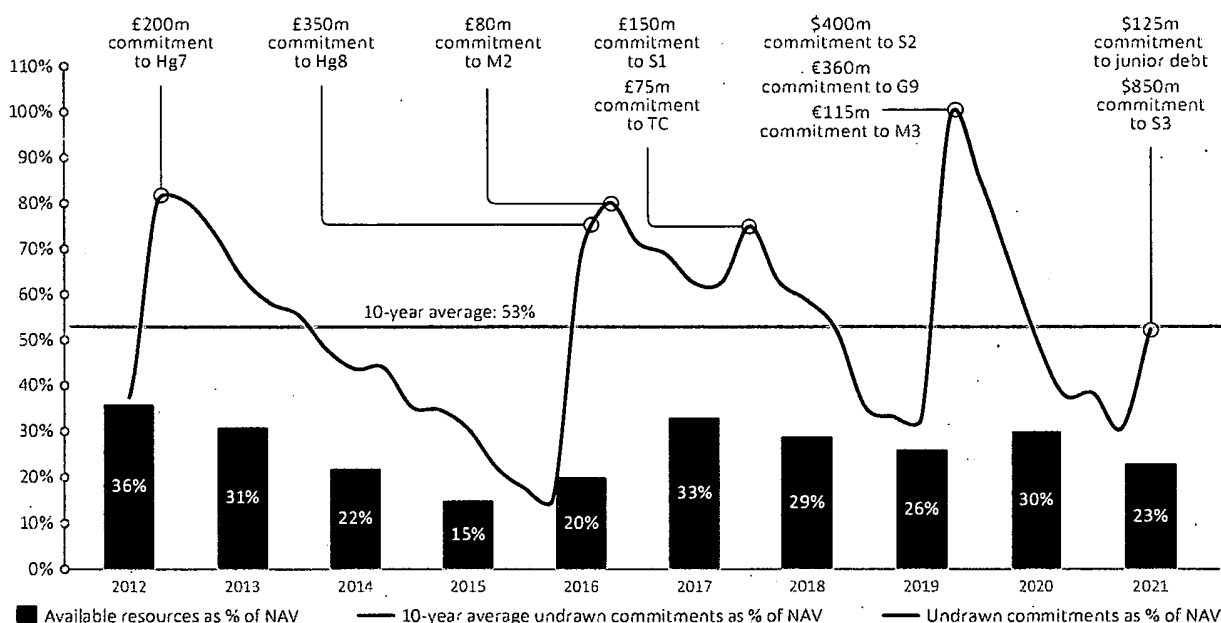
⁵ Sterling equivalent of €360 million.

⁶ Sterling equivalent of €115 million.

⁷ Sterling equivalent of €21.6 million.

⁸ Partnership interest acquired during 2011.

Outstanding commitments and available resources as % of NAV

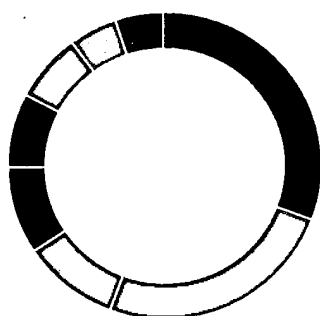


Year in review continued

Investment portfolio of HGT

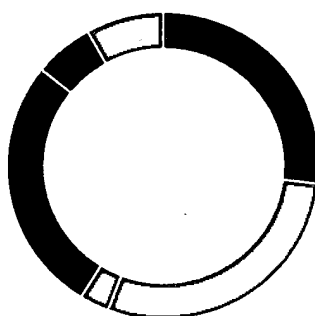
Fund limited partnerships	Residual cost £000	Total valuation ¹ £000	Portfolio value %
Primary buyout funds:			
HGT 8 LP	270,227	739,398	38.2
HGT 8 LP - Provision for carried interest	–	(96,206)	(5.0)
HGT Saturn 2 LP	213,683	336,503	17.4
HGT Saturn LP	140,591	288,483	14.9
HGT Saturn LP - Provision for carried interest	–	(31,111)	(1.6)
HGT Genesis 9 LP	235,204	284,203	14.7
HGT Mercury 2 LP	62,471	168,055	8.7
HGT Mercury 2 LP - Provision for carried interest	–	(23,680)	(1.2)
HGT LP	108,172	153,739	7.9
HGT 7 LP	24,226	87,408	4.5
HGT 7 LP - Provision for carried interest	–	(17,477)	(0.9)
HGT Mercury 3 LP	30,978	35,117	1.8
HgCapital Mercury D LP	2,316	15,373	0.8
HgCapital Mercury D LP - Provision for carried interest	–	(3,105)	(0.2)
Total buyout funds	1,087,868	1,936,700	100.0
Renewable energy funds:			
Asper RPP I	5,040	313	–
Total investments net of carried interest provision	1,092,908	1,937,013	100.0

¹Includes accrued income but before the deduction of the fund level facility.



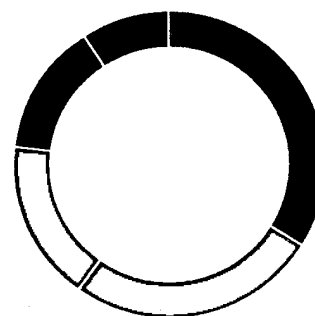
Hg cluster by value

- 31% Tax & Accounting
- 25% ERP & Payroll
- 10% Healthcare IT
- 9% Legal & Regulatory Compliance
- 8% Capital Markets & Wealth Management IT
- 7% SME Tech & Services
- 5% Automation & Engineering
- 5% Insurance



Investment vintage by value

- 27% 2021
- 29% 2020
- 3% 2019
- 27% 2018
- 6% 2017
- 8% pre-2017



Geographic spread by value

- 34% UK
- 26% North America
- 17% Germany
- 14% Scandinavia
- 9% Other Europe



Investments

Over the course of the year, Hg invested a total of £5.3 billion on behalf of its clients, with HGT's share being £424 million.

The vast majority of our investments are generated by establishing and developing relationships with companies over the longer term and typically pursuing opportunities where we have a strong relationship with a founder or management team. By doing this, we believe that we can invest in the very best businesses within our chosen clusters.

We continue to look for businesses which share similar underlying business model characteristics, such as: high levels of recurring revenues; a product or service which is business critical, but typically low spend; low customer concentration and low sensitivity to market cycles. This is a theme which runs through many of our new investments – and we believe that companies with these characteristics will remain in high demand across market cycles.

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Hg's review

New investments in the year to 31 December 2021

insightsoftware

£55.1m invested on behalf of HGT including £7.1m in co-investment

In September 2021, Hg completed an investment in insightsoftware, a global provider of enterprise software solutions for the 'Office of the CFO'. Headquartered in Raleigh, USA, with offices around the world, insightsoftware has more than 1,000 employees serving over 600,000 global users.

Howden Group Holdings

£42.0m invested on behalf of HGT

In March 2021, Hg completed an investment in Howden Group Holdings (Howden Group), the international insurance intermediary. Founded in 1994 and headquartered in London, Howden Group is a leading international insurance distribution group.

benevity

£31.6m invested on behalf of HGT, including £3.6m in co-investment

In January 2021, Hg completed an investment in Benevity Inc (Benevity), a global leader in corporate purpose cloud software. Hg led the investment, made from the Hg Saturn 2 Fund, in partnership with Benevity's current investors, General Atlantic and JMI Equity, which will remain significant investors in the business, alongside the Benevity management team.

Trackunit

£26.6m invested on behalf of HGT

In June 2021, Hg completed an investment in Trackunit, a global leader in software-led telematics solutions for off-highway vehicles and the construction market, alongside Goldman Sachs and GRO Capital. Trackunit is a driving force in the digitisation of the construction sector, serving equipment manufacturers, rental companies and contractors, connecting construction equipment and processing data to the cloud to deliver value-added insights.

HHAExchange

£24.0m invested on behalf of HGT

In October 2021, Hg completed an investment in HHAExchange (HHAX). HHAX offers a comprehensive software as a service (SaaS) platform to its customers that improves patient outcomes, drives operational efficiency and increases compliance across the homecare ecosystem. Its solutions are delivered through subscription-based enterprise and mobile tools and facilitate over 125 million annual visits for 675,000 caregivers across more than 44 states. Today, HHAX has offices in North America and development facilities in Europe and Asia.

MMIT Evaluate

£23.4m invested on behalf of HGT

In September 2021, Hg completed an investment in Managed Markets Insight & Technology, LLC. ('MMIT'), the trusted go-to market partner solely focused on solving the 'what and why' of market access in the pharma sector. MMIT will join forces with Evaluate Ltd a leading provider of commercial intelligence and predictive analytics to the pharmaceutical industry. Hg will share joint control of the combined business.



To view our press releases, please visit www.hgcapitaltrust.com/news-and-media/press-releases/pr-2021.aspx

Investments and realisations continued



SERRALA
£23.1m invested
on behalf of HGT

In November 2021, Hg completed an investment in Serrala, a fast-growing global financial automation and B2B payments software company. Founded in 1984 and based in Hamburg, Germany, Serrala provides software solutions for financial automation and B2B payments to medium-sized to large Enterprise customers globally, with a strong footprint across Europe and the US.



revalize
£18.7m invested
on behalf of HGT

In December 2021, Hg completed an investment in Revalize, a worldwide leader in sector-specific revenue operations software for manufacturers, their distributors and their specifiers. Revalize will continue to be supported by existing shareholders TA Associates, ST6, and management.



Prophix
£17.1m invested
on behalf of HGT

In February 2021, Hg completed an investment in Prophix, a global leader in corporate performance management (CPM) software. Founded in 1987 and based in Ontario, Canada, Prophix is a leading provider of CPM software serving mid-market companies across multiple industries worldwide, providing planning, budgeting and financial reporting software into the 'office of the CFO'.



riskalyze
£15.9m invested of
behalf of HGT including
£6.8m in co-investment

In September 2021, Hg completed an investment in Riskalyze, Inc., an industry-leading, risk-centric wealth management platform serving financial advisors, enterprises, and asset managers. Riskalyze's industry-leading client and portfolio risk technology is rapidly emerging as an industry standard for advisor, client and portfolio risk analytics across the US wealth management ecosystem. Today, Riskalyze's platform supports tens of thousands of financial advisors who use it to manage millions of client accounts with over \$400 billion in assets.



Dext
£15.6m invested on
behalf of HGT including
£3.9m in co-investment

In May 2021, Hg completed an investment in Dext, a leading provider of pre-accounting software which helps to automate the process of extracting and classifying data from receipts, invoices and documents (whether digital or paper) for the purposes of adding to bookkeeping / general ledger tools. Dext's software integrates with over 2,500 accounting, payroll and payment software providers, providing significant customer benefits in terms of making otherwise highly manual workflows more efficient, accurate and facilitating better and quicker data analysis and reporting.



TeamSystem
£14.3m invested
on behalf of HGT

In February 2021, Hg completed an investment in TeamSystem, an Italian provider of ERP and business management software to SMEs and professionals via the Hg Genesis 8 fund. Hg has held a minority position in TeamSystem since 2015, following its majority exit to a vehicle indirectly held by Hellman & Friedman Capital Partners VII, L.P.



Geomatikk
£11.4m invested on
behalf of HGT, including
£4.0m in co-investment

In February 2021, Hg completed an investment in Geomatikk Group, a tech-enabled services champion, managing critical 'check-before-you-dig' safety assessments to network owners, contractors and consulting engineers within Norway, Sweden and Finland. Hg will support Geomatikk with its extensive experience in scaling tech champions across Europe. Hg will become the majority investor, with founders and management remaining as significant investors in the business.



AUVESY-MDT
£8.1m invested
on behalf of HGT

In May 2021, Hg completed an investment in AUVESY-MDT ('AUVESY'). Founded in 2007 and headquartered in Germany, AUVESY is a provider of version control software for smart production machinery and other industrial Internet of Things (IoT) devices. AUVESY manages over 5 million industrial IoT devices across 45 countries, serving over 700 loyal customers.



To view our press releases, please visit www.hgcapitaltrust.com/news-and-media/press-releases/pr-2021.aspx



Strategic report

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Hg's review



Financial statements



Corporate governance



Further information



Investments and realisations continued



£6.5m invested
on behalf of HGT

In November 2021, Hg completed an investment in BrightPay and Relate Software. The two businesses will join forces to create a software champion serving payroll and accounting bureaux and SMEs across the Republic of Ireland and the United Kingdom. Hg is the majority investor in the combined business.



£5.2m invested
on behalf of HGT

In December 2021, Hg completed an investment in ProcessMAP Corporation ('ProcessMAP'), a leading Environmental, Health and Safety ('EHS') software platform provider. Headquartered in Florida, ProcessMAP has nearly 300 employees based in the USA, Canada, the UK, Germany and India.

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Hg's review

Follow-on investments



£28.7m invested
on behalf of HGT

Over 2021, Hg completed two further equity investments into Litera, a leading provider of innovative technology solutions to legal organisations. The first of these was to fund the acquisition of Kira, a provider of machine learning contract review and analysis software. An additional investment was made to provide Litera with the ability to expand into new areas and geographies.



£19.3m invested
on behalf of HGT

In 2021, the Hg Genesis 9 Fund completed the acquisition of a stake in FE fundinfo, the global fund data and analytics business catering to asset managers and fund distributors, headquartered in London. Hg initially invested in fundinfo in January 2017 via the Hg Mercury 1 Fund, and it was later combined with F2C and Financial Express ('FE'), rebranding as FE fundinfo, an acquisition financed by an investment from the Hg Mercury 2 Fund.



£10.1m invested
on behalf of HGT

In August 2021, HGT took part in an equity refinancing to fund further M&A at Sovos, a leading global provider of tax compliance software solutions that help customers manage an increasingly complex end-to-end tax determination & regulatory reporting process. Headquartered in Boston, Massachusetts, Sovos has a significant presence in the US, Europe & Latin America and enjoys typically resilient 'Hg sweet-spot' characteristics, including more than 90% recurring revenue, high customer loyalty & strong cash generation.



£8.2m invested on behalf
of HGT, including £4.8m
in co-investment

In June 2021, the Hg Mercury team completed a further investment in Silverfin, a cloud platform for accountants that improves the efficiency, competitiveness and profitability of compliance services, and powers the development and delivery of advisory services.



To view our press releases, please visit www.hgcapitaltrust.com/news-and-media/press-releases/pr-2021.aspx

Investments and realisations continued


GOSSLER, GOBERT & WOLTERS GRUPPE
SEIT 1758
£4.9m invested
on behalf of HGT

In September 2021, Hg agreed a further investment in GGW, a leading Property & Casualty focused insurance broker principally serving SMEs in the DACH region. This equity will help to acquire additional high quality brokers.


£4.6m invested
on behalf of HGT

In September 2021, Hg agreed to make a small follow-on investment into Visma, a leading provider of business-critical software to private and public companies in Europe. This investment was made alongside a number of new, leading institutional investors.

New Investments since the year end


Estimated £8.0m
invested on behalf
of HGT

In February 2022, Hg completed an investment in Fonds Finanz, a leading tech-enabled financial intermediary pool in the German insurance sector. Founded in 1996 and headquartered in Munich, Fonds Finanz serves more than 28,000 customers including brokers, distributors, insureTechs and banks across Germany. With a comprehensive software, advisory and service offering, Fonds Finanz gives customers access to a full-service platform, comprising products from more than 500 insurance and financial product vendors in Life, Health, Property & Casualty and Investment funds.


Estimated £9.4m
invested on behalf
of HGT

In December 2021, Hg announced an investment in Pirum Systems, a leading provider of post-trade automation and collateral management technology for the global securities finance industry. Pirum was founded in 2000 to provide advanced, centralised and secure reconciliation services for financial market participants. Pirum's software provides a secure processing hub which seamlessly links industry participants, allowing them to process and verify key transaction details electronically. This delivers significant trade and collateral efficiency, lowers costs and enhances regulatory compliance for its network of clients. Pirum's products assist 90 of the most prestigious global financial institutions to process over \$3 trillion of transactions daily. This is due to complete in June 2022.


Estimated £31.4m
invested on behalf
of HGT

In January 2022, Hg announced an investment in Waystone Group, a leading provider of institutional governance, risk and compliance services to the asset management industry. This investment is via the Hg Saturn 2 fund, alongside Montagu, a leading private equity firm; Hg will join as a strategic investor and joint shareholder. Montagu first announced its investment in Waystone in July 2021. Hg's investment is subject to regulatory approval and customary closing conditions.

Follow-on investments since the year end

LYNIATE
£15.0m invested on
behalf of HGT, including
£5.0m in co-investment

In January 2022, Hg announced an additional investment into Lyniate, a leader in healthcare data interoperability. Over 1,300 healthcare organisations around the globe rely on Lyniate interoperability solutions to connect people through increased access to data.



To view our press releases, please visit www.hgcapitaltrust.com/news-and-media/press-releases/pr-2021.aspx



Realisations

Over the course of the year, Hg has returned a total of £2.3 billion to its clients, including £271 million to HGT.

Hg saw some significant exits over the year and we continue to assess further opportunities to return cash proceeds to our clients, including HGT.

Full exits in the year to 31 December 2021

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Hg's review

ALLOCATE

£50.5m returned to HGT

In September 2021, Hg completed the sale of Allocate, a leading workforce and people management software-as-a-service ('SaaS') provider to healthcare and government organisations, to RLDatix, the leading global provider of intelligent patient safety solutions. The sale of this investment represented an uplift of 48% to the 31 December 2020 valuation of HGT's holding.

MITRATECH

£40.7m returned to HGT

In May 2021, Hg completed the sale of Mitrtech, a leading provider of legal and compliance software to Ontario Teachers' Pension Plan Board. Following completion of the transaction, Hg, the majority investor in Mitrtech since 2017, will retain a minority interest.

The sale of the Hg Genesis 7 stake represented an uplift of 40% to the 31 December 2020 valuation of HGT's holding.

brightpay

£36.6m returned to HGT

In September 2021, Hg announced the sale of BrightPay, a leading provider of payroll and HR software solutions, headquartered in Ireland. The sale of this investment represented an uplift of 84% to the 31 December 2020 valuation of HGT's holding.

Achilles

£23.5m returned to HGT

In October 2021, Hg completed the sale of Achilles, a global leader and partner of choice for supply chain risk and performance management, to Bridgepoint, the international private assets fund management group. The sale of this investment represented an uplift of 33% to the 31 December 2020 valuation of HGT's holding.

APG

£21.5m returned to HGT

In March 2021, Hg completed the sale of APG, one of the UK's largest specialist insurance intermediaries, to Howden, the international insurance broking group. Hg partnered with APG in 2015, recognising the business's best-in-class customer success model – a personal, service-oriented approach, leading to very high levels of customer satisfaction alongside strong organic growth. Since then, Hg has worked with management to transform APG from a predominantly branch-based, personal lines insurance broker, to a business with a national footprint across multiple lines of business, supported by industry-leading data and analytics capabilities.

TeamSystem

£21.4m returned to HGT

In February 2021, Hg completed the sale of TeamSystem, an Italian provider of ERP and business management software to SMEs and professionals, from the Hg Genesis 6 fund.



To view our press releases, please visit www.hgcapitaltrust.com/news-and-media/press-releases/pr-2021.aspx

Investments and realisations continued



£5.8m returned to HGT

In April 2021, Hg completed the sale of Trace One, the world's largest collaborative retail business platform for consumer-packaged goods (CPG), to Symphony Technology Group. Trace One enables customers to create higher quality, trusted, and compliant own-branded goods faster, delivering benefits to their consumers and the environment.

The sale of the Hg Mercury 1 stake represented an uplift of 33% to the 31 December 2020 valuation of HGT's holding.

Partial exits in the year to 31 December 2021



£32.4m returned to HGT

In November 2021, the Hg Genesis team completed the refinancing of Litera, a leading provider of innovative document technology solutions to legal, corporate and life sciences organisations.



£28.7m returned to HGT

In August 2021, Hg completed the sale of the Hg Mercury 1 Fund investment in FE fundinfo, the global fund data and analytics business catering to asset managers and fund distributors. As part of this process, the Hg Genesis 9 Fund, alongside the Hg Mercury 2 Fund, will become the collective lead investor in FE fundinfo, acquiring the Hg Mercury 1 stake.



£12.6m returned to HGT

In November 2021, the Saturn team completed the refinancing of Visma, a leading provider of business-critical software to private and public companies in Europe.



£11.7m returned to HGT

In September 2021, Hg completed the partial sale of Evaluate, a leading provider of commercial intelligence and predictive analytics to the pharmaceutical industry into a strategic combination with MMIT, a US-based business in complementary adjacencies. The sale of this investment represented an uplift of 94% to the 31 December 2020 valuation of HGT's holding.



£11.4m returned to HGT

In March 2021, the Genesis team completed the refinancing of team.blue, a mass hosting provider offering web enablement solutions to SMEs across Europe, headquartered in Belgium. team.blue has now returned 0.6x the original investment.



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Hg's review



Financial statements



Corporate governance



Further information



To view our press releases, please visit www.hgcapitaltrust.com/news-and-media/press-releases/pr-2021.aspx



Summary of investment and realisation activity

Investments made during the year

Company	Cluster	Location	Cost £000
insightsoftware	Tax & Accounting	North America	55,072
Howden	Insurance	UK	42,026
Benevity	ERP & Payroll	North America	31,619
Trackunit	Automation & Engineering	Scandinavia	26,593
HHAeXchange	Healthcare IT	North America	24,035
MMIT Evaluate	Healthcare IT	North America	23,367
Serrala	Tax & Accounting	North America	23,086
Revalize	ERP & Payroll	North America	18,686
Prophix	Tax & Accounting	North America	17,139
Riskalyze	Capital Markets & Wealth Management IT	North America	15,868
DEXT	Tax & Accounting	UK	15,620
TeamSystem	Tax & Accounting	Italy	14,250
Geomatikk	SME Tech & Services	Scandinavia	11,392
AUVESY-MDT	Automation & Engineering	Germany	8,133
BrightPay	ERP & Payroll	Ireland	6,532
ProcessMAP	Legal & Regulatory Compliance	North America	5,249
New investments			338,667
Litera	Legal & Regulatory Compliance	North America	28,687
FE fundinfo	Capital Markets & Wealth Management IT	UK	19,274
Sovos	Tax & Accounting	North America	10,131
Silverfin	Tax & Accounting	Benelux	8,173
GGW	Insurance	Germany	4,870
Visma	Tax & Accounting/ERP & Payroll	Scandinavia	4,592
Other ¹			9,942
Follow-on investments			85,669
Total investments on behalf of HGT			424,336

¹Other investments and realisations includes immaterial transactions in relation to the remaining portfolio.

“As a new portfolio partner to Hg within the last 6 months, I can say that the Hg value creation team has met or exceeded my expectations for engagement and collaboration. From technology to operations to finance, HR and GTM, we are already very engaged on many important initiatives to support our continued growth and scale.”

Greg Strobel, CEO, HHAeXchange



Investments and realisations continued

Realisations made during the year

Company	Cluster	Exit route	Proceeds ¹ £000
Allocate	Healthcare IT	Trade Sale	50,498
Mitrastech	Legal & Regulatory Compliance	Secondary sale	40,732
BrightPay	ERP & Payroll	Secondary sale	36,623
Achilles	Legal & Regulatory Compliance	Secondary sale	23,486
APG	Insurance	Trade Sale	21,539
TeamSystem	Tax & Accounting	Secondary sale	21,373
TraceOne	Legal & Regulatory Compliance	Secondary sale	5,765
Full realisations			200,016
Litera	Legal & Regulatory Compliance	Refinancing	32,374
FE fundinfo	Capital Markets & Wealth Management IT	Secondary sale	28,729
Visma	Tax & Accounting/ERP & Payroll	Refinancing	12,582
Evaluate	Healthcare IT	Secondary sale	11,654
team.blue	SME Tech & Services	Refinancing	11,432
Other ²			6,814
Partial realisations			103,585
Total proceeds from realisations			303,601
Carried interest paid to the Manager			(32,472)
Total proceeds from realisations received by HGT			271,129

¹Includes gross revenue received of £24.1 million during the year ended 31 December 2021.

²Other investments and realisations includes immaterial transactions in relation to the remaining portfolio.

“The Hg Portfolio team has been fantastic in providing a trusted, knowledgeable additional set of eyes on a range of business problems in our business. The insight gained from independent market leading professionals considering an issue with no vested interest has been extremely valuable.”

Hamish Purdey, CEO, FE fundinfo



“The overarching driver of Hg’s performance – digital transformation of business activity - continued apace in 2021 and the structural backdrop remains robust. Coupled with industry’s migration to a Software-as-a-Service model, we remain of the view that we are still early in a generational shift in market opportunity.”

David Toms, *Director of Research, Hg*



Notwithstanding the geopolitical landscape, the risk of inflation and the shift to a rising interest rate environment are at the forefront of the minds both of investors, our portfolio companies, and no doubt their customers. Labour cost is highly correlated with software and services spend, and thus as global labour supply tightens and costs rise, the imperative for digitalisation becomes ever-greater. Investment in productivity enhancement becomes even more attractive, as it frees up increasingly-valuable staff for more complex tasks. Consequently, as customers experience the incremental value of software, they also accept significant price rises – for example, Microsoft has already announced that March 2022 will see 10-25% price increases for key bundles of its Office suite¹.

We are also aware that events rarely align perfectly along a timeline, and there is a risk that a combination of geopolitical events, fiscal tightening, supply chain constraints, and cost increases, cause broad economic challenges to which our portfolio’s end customers may respond with temporarily lower investment, before the structural factors that drive the need for software reassert themselves. We are alert to the risks of near-term volatility in the general economic backdrop, as well as to the structural opportunities this could create for an investor like Hg with long-term horizons.

Valuation environment

2021 saw a divergence in sentiment in the public markets. For the type of profitable, well-established software and services businesses in which Hg typically invests, valuations remained relatively benign; major public software & services indices with which we are well correlated showed a very modest increase in multiples over the year. Coupled with strong earnings growth,

Software & Services put in another year of excellent performance, up 26% across the year, consistent with broader US public markets, and a little ahead of European public markets.

In contrast, investor views on the more speculative, high growth/unprofitable software companies underwent a dramatic shift. For such businesses, our analysis shows that the weighted multiple for this group (measured on an EV:Sales basis, since there are no material earnings to value) fell nearly 30% over the course of 2021. 2021 valuations already feel dated given the movements in the first few weeks of 2022. The H2-21 trend of declining valuations of unprofitable, high-growth companies accelerated in January 2022 with a further 20% decline, such that valuations in these companies have, at the time of writing, broadly halved over the past twelve months. Profitable companies, more reflective of the businesses in which Hg generally invests, have seen a more moderate impact, but nonetheless, January was a challenging month and multiples fell c.10%.

Growth in earnings is our most powerful protection against declining multiples; low to mid-teens organic EBITDA growth offsets two to three turns of EV:EBITDA multiple contraction. Hg’s long experience with B2B software and services companies, supported by significant investment in our portfolio team, allows us to accelerate growth, improve margins, and increase the predictability of the companies in which we invest. For example, in an inflationary environment, we work with our companies to: improve the value we add for customers, measure this better through data analytics and capture it via improved pricing and packaging models. We expect to continue to invest heavily in our portfolio team both as a crucial driver of our future growth and to protect our investment performance.



¹ <https://www.microsoft.com/en-us/microsoft-365/blog/2021/08/19/new-pricing-for-microsoft-365/>

Hg's outlook continued

“Growth in earnings is our most powerful protection against declining multiples; low to mid-teens organic EBITDA growth offsets two to three turns of EV:EBITDA multiple contraction. Hg's long experience with B2B software and services companies, supported by significant investment in our portfolio team, allows us to accelerate growth, improve margins, and increase the predictability of the companies in which we invest.”

EV:sales multiple, based on profitability

14 x

'unprofitable'

12 x

10 x

8 x

'profitable'

6 x

4 x

Dec 2020 Jan 2021 Feb 2021 Mar 2021 Apr 2021 May 2021 Jun 2021 Jul 2021 Aug 2021 Sep 2021 Oct 2021 Nov 2021 Dec 2021 Jan 2022

Source: Hg analysis of US-listed companies in Software & Services sector as defined by Factset (sector 3300).

'Profitable' is defined as EV:EBITDA between 0 and 50; 'unprofitable' is defined as EV:EBITDA > 50 or loss making.

Aggregate multiples calculated on a weighted basis as Total EV divided by Total Sales.

Activity levels

Over 2021, Hg has invested more than £5 billion, primarily across 16 new software and services businesses, including £424 million on behalf of HGT. This deployment firmly cements Hg's role as one of the largest software groups in the world, whether measured as an investor, or as an industry participant. We have commented previously that in any 12-month period, the investment teams across Hg would aim to make between 8 and 16 new platform investments in total across the active Hg Saturn, Hg Genesis and Hg Mercury funds, and that we would also generally seek to deliver similar numbers of liquidity events (sales or partial sales of portfolio companies and refinancings) each year.

Since December 2020, we have added 16 new high quality platform investments to our portfolio, including insightsoftware, Howden, Benevity, Trackunit, HHAEExchange, Serrala and MMIT Evaluate. We believe the pace of investment should continue at broadly this level. From these investments, there is a further cascade of M&A opportunities, adding to the breadth and depth of our organic development and catalysing cross sales to existing and acquired customers. On average, our portfolio companies may acquire two to three businesses a year, meaning across a portfolio of more than 40 B2B software and services companies we would typically expect to make around 100 M&A investments each year (and to diligence and reject many more).

To give a further sense of this scale, Hg's combined portfolio enterprise value has risen from c. \$60 billion in Q1 2020 to over \$100 billion today; and this is despite Hg also sending back a record amount of cash proceeds – over \$11 billion – to our global investor base of pension plans, endowments, charities, and HGT over the year.



<https://www.hgcapitaltrust.com/news-insights/video-library?vid=1539>



<https://hgcapital.com/insight/bitesize-tech-sector-insight-from-david-toms/>



Overview of the underlying investments

held through HGT's limited partnerships

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Hg's review

Investments (in order of value)					Fund	Sector	Location	Vintage	Residual cost £000	Total valuation ¹ £000	Portfolio value %	Cum. Value %
1	Access	HGT 8	ERP & Payroll	UK	2018	69,500	309,541	14.7	14.7			
2	Visma	HGT 7/HGT Saturn/HGT Saturn 2/HGT	Tax & Accounting/ERP & Payroll	Scandinavia	2020	90,333	227,829	10.8	25.5			
3	Litera	HGT 8/HGT 9	Legal & Regulatory Compliance	N.America	2021	28,999	102,229	4.9	30.4			
4	IRIS	HGT Saturn	Tax & Accounting/ERP & Payroll	UK	2018	36,380	91,378	4.4	34.8			
5	P&I	HGT 7/HGT Saturn/HGT	ERP & Payroll	Germany	2020	36,333	86,352	4.2	39.0			
6	Transporeon	HGT 8/HGT	ERP & Payroll	Germany	2019	41,993	86,075	4.1	43.1			
7	Sovos	HGT Saturn 2/HGT	Tax & Accounting	N.America	2020	54,456	78,553	3.7	46.8			
8	MeinAuto	HGT 8	Automation & Engineering	Germany	2017	33,967	72,342	3.4	50.2			
9	Howden	HGT Saturn 2	Insurance	UK	2021	42,026	69,998	3.3	53.5			
10	Intelerad	HGT 8	Healthcare IT	N.America	2020	32,962	69,358	3.3	56.8			
11	Septeo	HGT 9	Legal & Regulatory Compliance	France	2020	38,545	67,266	3.2	60.0			
12	insightsoftware	HGT Saturn 2/HGT	Tax & Accounting	N.America	2021	55,072	66,608	3.2	63.2			
13	Argus Media	HGT Saturn/HGT	Capital Mkts & Wealth Mgmt IT	UK	2020	30,220	48,435	2.3	65.5			
14	FE fundinfo	Mercury 2/HGT 9	Capital Mkts & Wealth Mgmt IT	UK	2021	22,216	44,489	2.1	67.6			
15	Lyniate	Mercury 2	Healthcare IT	N.America	2018	10,528	42,925	2.0	69.6			
16	Azets	HGT 7/HGT	Tax & Accounting	UK	2016	20,966	40,872	1.9	71.5			
17	team.blue	HGT 8/Mercury 2	SME Tech & Services	Benelux	2019	16,567	40,218	1.9	73.4			
18	MMIT Evaluate	Mercury 2/HGT 9/HGT	Healthcare IT	UK	2021	24,595	37,705	1.8	75.2			
19	Benevity	HGT Saturn 2/HGT	ERP & Payroll	N.America	2021	31,619	36,055	1.7	76.9			
20	Caseware	HGT 8	Tax & Accounting	N.America	2020	28,612	33,956	1.6	78.5			
21	Trackunit	HGT 9	Automation & Engineering	Scandinavia	2021	26,593	32,100	1.5	80.0			
22	Medifox	Mercury 2/HGT	Healthcare IT	Germany	2018	11,659	32,067	1.5	81.5			
23	Citation	HGT 8	SME Tech & Services	UK	2020	21,998	31,264	1.5	83.0			
24	itm8	HGT 8	SME Tech & Services	Scandinavia	2018	16,069	30,134	1.4	84.4			
25	Gen II	HGT 9	Capital Mkts & Wealth Mgmt IT	N.America	2020	19,921	27,352	1.3	85.7			
26	Commify	Mercury/HGT	SME Tech & Services	UK	2017	4,080	26,630	1.3	87.0			
27	HHAExchange	HGT 9	Healthcare IT	N.America	2021	24,035	24,149	1.1	88.1			
28	Prophix	HGT 9	Tax & Accounting	N.America	2021	17,139	23,586	1.1	89.2			
29	smartTrade	Mercury 2/HGT	Capital Mkts & Wealth Mgmt IT	France	2020	18,821	22,764	1.1	90.3			
30	Serrala	HGT 9	Tax & Accounting	Germany	2021	23,086	21,785	1.0	91.3			
31	Project CH	HGT Saturn 2	Tax & Accounting	Germany	2021	18,647	20,027	0.9	92.2			
32	Revalize	HGT 9	ERP & Payroll	N.America	2021	18,686	18,906	0.9	93.1			
33	GGW	Mercury 2/Mercury 3	Insurance	Germany	2020	9,144	18,698	0.9	94.0			
34	TeamSystem	HGT 8	Tax & Accounting/ERP & Payroll	Italy	2021	14,250	18,316	0.9	94.9			
35	Riskalyze	Mercury 3/HGT	Capital Mkts & Wealth Mgmt IT	N.America	2021	15,868	17,990	0.9	95.8			
36	DEXT	HGT Saturn/HGT	Tax & Accounting	UK	2021	15,620	17,757	0.8	96.6			
37	Silverfin	Mercury 2/HGT	Tax & Accounting	Benelux	2019	11,387	14,094	0.7	97.3			
38	F24	Mercury 2/HGT	SME Tech & Services	Germany	2020	10,512	13,699	0.6	97.9			
39	Geomatikk	Mercury 2/HGT	SME Tech & Services	Scandinavia	2021	11,392	13,466	0.6	98.5			
40	AUVESY-MDT	Mercury 3	Automation & Engineering	Germany	2021	8,133	10,198	0.5	99.0			
41	Mitratesh	HGT 7/HGT	Legal & Regulatory Compliance	N.America	2017	3,328	8,982	0.4	99.4			
42	BrightPay	Mercury 3	ERP & Payroll	Ireland	2021	6,529	6,737	0.3	99.7			
43	ProcessMAP	Mercury 3	Legal & Regulatory Compliance	N.America	2021	5,249	5,313	0.3	100.0			
Non-active investments (2)									9,833	-	-	100.0
Total buyout investments (45)									1,087,868	2,108,198	100.0	
Currency hedges	Various	Forward sale of US\$ and €				-	81	-	100.0			
Renewable energy	Asper I	Renewable energy				5,040	313	-	100.0			
Total all investments									1,092,908	2,108,592	100.0	

¹Including accrued income, but before the provision for carried interest of £171,579,000 and the portfolio level facility of £156,839,000.



Top 20 investments

representing 78% of the value of HGT's investments



Strategic report

HGT's review

Investment highlights



Corporate governance

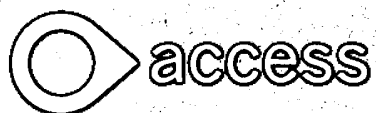


Further information

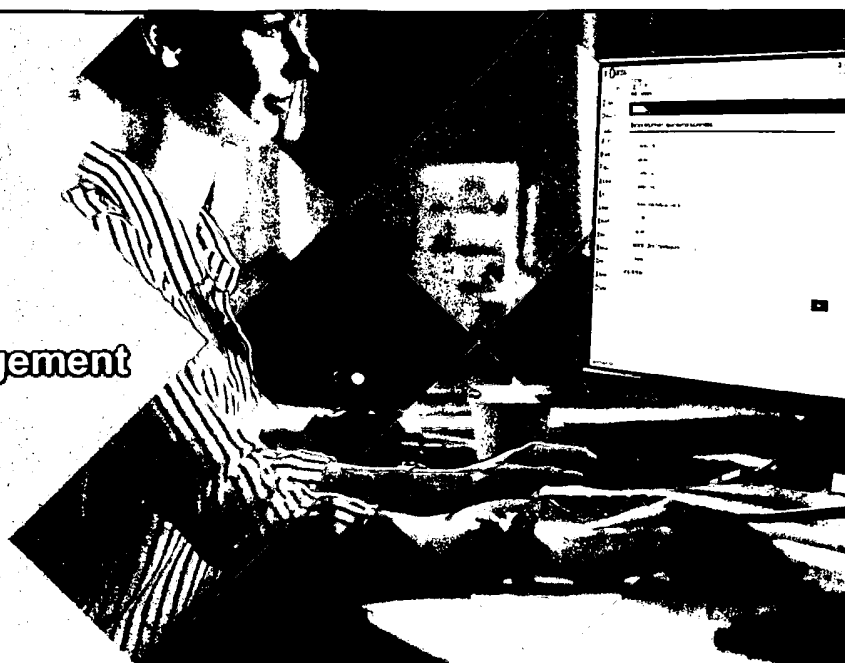
Investments are held through limited partnerships, of which HGT is the sole limited partner. HGT invests alongside other clients of Hg. Typically, HGT's holding forms part of a much larger majority interest held by Hg's clients in buyout investments in companies with an enterprise value (EV) of between £100 million and over £10 billion.

HGT's review generally refers to each transaction in its entirety, apart from the tables detailing HGT's participation or where it specifically says otherwise.

Past performance is not a reliable indicator of future results. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations and investors may not get back the amount they originally invested.



a leading provider of fully integrated business-management software to UK mid-market organisations



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Hg's review

01

Investment date
June 2018

Location
UK

Cluster
ERP & Payroll

Website
theaccessgroup.com

HGT's investment through HGT&LP

Hg clients' total equity:	45.9%
Unrealised value (£000):	309,541
% of NAV:	15.4%

○○○○○
Recurring revenue

○○○○○
Long-term growth

○○○○○
Thousands of customers

○○○○○
Platform for M&A

Business description

Founded in 1991, the Access Group ('Access') is a leading enterprise resource-planning (ERP) business, providing a range of horizontal and industry-specific software solutions to SME, mid-market and enterprise customers in Australia, Ireland and the UK. Access's software helps over 35,000 businesses, public-sector and not-for-profit organisations to work efficiently, with expertise across numerous industries. We first invested in Access in June 2018, alongside TA Associates and the management team. In October 2020, we agreed to reinvest to acquire a further stake in the business, with existing shareholders TA Associates and management selling down a net portion of their stakes.

Why we invested

The investment in Access builds on Hg's previous experience in the SME, tax, accounting, HR and payroll software spaces. Access demonstrates many of the characteristics which Hg seeks in an investment, including business-critical software and potential for M&A. Access benefits from a high-quality management team, led by a strong CEO and an impressive team of functional leaders. Our reinvestment in Access, in October 2020, reflects our continued conviction in our investment hypothesis.

Value creation

Following Hg's investment, we have been focused on several work streams with the business, including: M&A support; encouraging the transition to a fully SaaS and subscription sales model; continuing to improve customer success; developing a data-driven predictive model to support the company's cross-sell efforts.

Performance

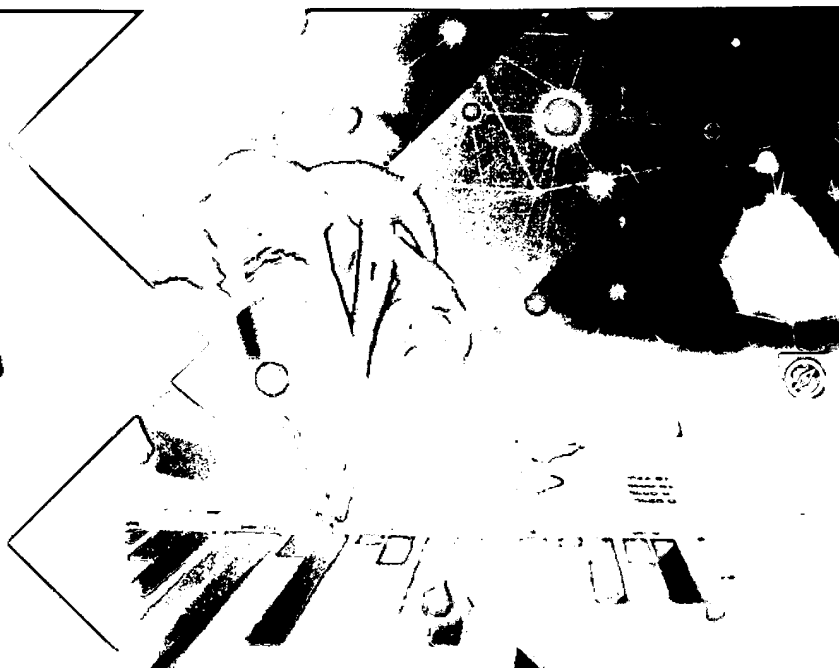
Access has traded well since our investment, with bookings momentum remaining strong throughout FY21. Growth remains robust, with the business seeing double-digit organic recurring revenue growth in FY21. This has led to HGT's valuation of its stake in Access rising by £178.0 million over 2021.

Exit

We believe that Access will be an attractive acquisition target for private equity buyers, as it demonstrates high levels of organic revenue growth, strong recurring revenue and robust EBITDA margins. We also see an IPO as a potential route to exit, given the business's growth profile and strong cash generation. Lastly, there are several notable potential trade buyers.



a leading provider of
mission-critical business
software to SMEs in
Northern Europe



02

Investment date
August 2020

Location
Scandinavia

Cluster
Tax & Accounting/ERP & Payroll

Website
visma.com

HGT's investment through HGT
LP, HGT 7 LP, HGT Saturn LP,
HGT Saturn 2 LP

Hg clients' total equity: 54.8%
Unrealised value (£000): 227,829
% of NAV: 11.4%

● ● ● ●
Recurring revenue

● ● ● ●
Long-term growth

● ● ● ●
Thousands of customers

● ● ● ●
Platform for M&A

Business description

Providing business-critical software to SMEs and the public sector in the Benelux and Nordic regions and headquartered in Oslo, Visma provides more than 1.1 million enterprise customers: accounting; resource-planning and payroll software; transaction process-outsourcing, such as debt collection and procurement services. It is the largest European provider of SaaS to these sectors, with over £900 million in pure SaaS revenues.

Why we invested

Visma is a business with recurring revenues, offering business-critical application software, supplying a fragmented customer base – a focus which forms some of the 'Hg sweet-spot' investment criteria today. At the time of our initial 2006 acquisition, we had identified opportunities for Visma to grow its existing segments and acquire new ones – and to further transition the business to a SaaS-focused model.

Value creation

Visma has consistently outperformed, generating a total return between 2006 and 2014 of 5.2x original cost and a gross IRR of 33%. Hg's 2014 investment was fully exited in 2020 and delivered 4.2x original cost and a gross IRR of 30%.

Year	Transaction	Implied EV
2014	Hg reinvested in the business, via Hg Genesis 7 and co-investment, alongside KKR and Cinven	£2.1bn
2017	Hg completed a further investment in Visma	£4.2bn
2019	Hg acquired the remaining Cinven stake, alongside the Canada Pension Plan Investment Board	£5.5bn
2020	Further investments from TPG, Warburg Pincus and GA as new minority shareholders, while existing CPPIB and GIC increased their stake.	£9.5bn
2021	Expansion of shareholder base through a secondary sale to Aeternum Capital, Government Pension Fund Norway, Vind & GIC.	£16bn

Performance

Since 2006, Visma has acquired more than 240 companies across the Benelux and Nordic regions, strengthening organic growth from innovation in new products, as well as driving margin improvement through a reorganisation of internal processes and is now positioned as one of the leading and largest SaaS companies in Europe. Strong double-digit trading growth year on year has led to HGT's valuation of its stake in Visma rising by £81.7 million over 2021.

Exit

The scale and growth profile of Visma would make it an attractive candidate for an initial public offering (IPO) or a large private IPO.

Visma produces detailed reporting
on its website on a quarterly
basis: [www.visma.com/investors/
financial-reports](http://www.visma.com/investors/financial-reports)

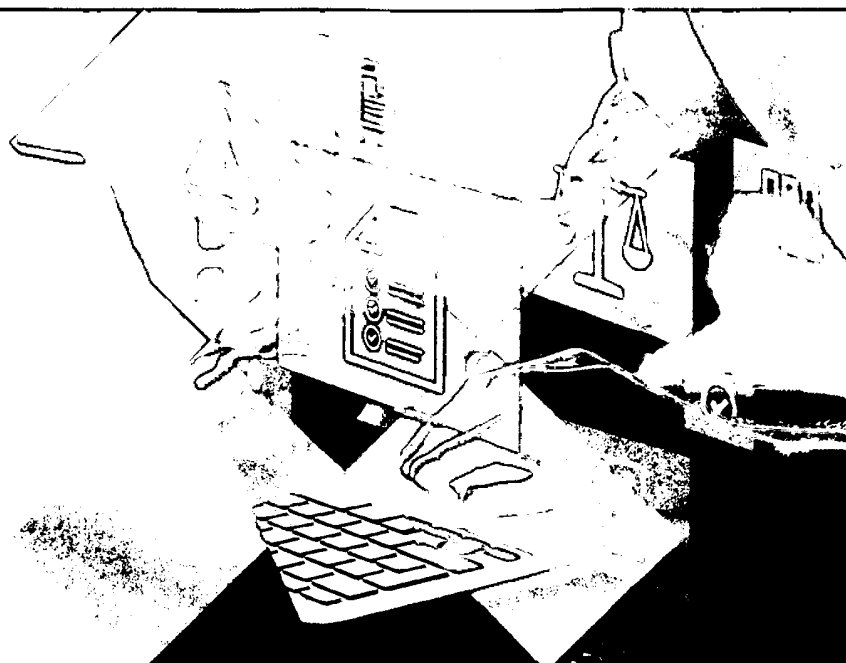
Visma case study: [www.hgcapital.
com/case-studies/visma-joining-
the-fight-against-unconscious-
discrimination-towards-women-
in-business](http://www.hgcapital.com/case-studies/visma-joining-the-fight-against-unconscious-discrimination-towards-women-in-business)

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Hg's review



scaled legaltech platform
helping lawyers focus
on what matters



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Hg's review

03

Investment date
May 2019

Location
North America

Cluster
Legal & Regulatory Compliance

Website
litera.com

**HGT's investment through HGT 8 LP
and HGT Genesis 9 LP**

Hg clients' total equity:	93.2%
Unrealised value (£000):	102,229
% of NAV:	5.1%

○○○○
Recurring revenue

○○○○
Long-term growth

○○○○
Thousands of customers

○○○○
Platform for M&A

Business description

Litera is a leading provider of software to law firms globally. It offers a suite of end-to-end document lifecycle, transaction and litigation management, and experience management solutions used by thousands of lawyers every day to improve the productivity and quality of documents and support the collaboration and firm intelligence within law firms.

Why we invested

Litera exhibits several typical 'Hg sweet-spot' business model criteria: a leading provider of a differentiated set of products with a clear ROI for lawyers and other customers; high customer loyalty; attractive, high-quality recurring revenue model; potential for M&A; a fragmented customer base; cross-sell opportunities into the established customer set, supplemented by potential new customers; high operating leverage which should provide margin upside as the business grows.

Value creation

Since our investment in May 2019, we have supported Litera on fourteen add-on acquisitions, focused on acquiring high-quality legal SaaS and AI-enabled workflow products to provide customers with best-in-class tools. Most prominent acquisitions include Workshare, a UK provider of secure enterprise file-sharing and collaboration applications, in July 2019, Foundation Software Group, a leading provider of experience-management software, in December 2020, Kira, a leader in machine learning enabled contract analytics in August 2021 and Prosperoware, a leading governance and collaboration software in January 2022.

Hg is focused on supporting the board and management team in the successful operational integration of its acquisitions, driving further add-on acquisitions of complementary legal software vendors and implementing operational excellence across functions.

Performance

Litera has performed well in 2021. The business is seeing strong trading – and further investment which has led to an increase of £56.1 million in HGT's valuation of its stake over the year.

Exit

Given its attractive characteristics, we believe that Litera could be of interest to both strategic and financial buyers.

IRIS

A leading transatlantic provider of business-critical software solutions focused on accountants and their end-customers



04

Investment date
September 2018

Location
UK

Cluster
Tax & Accounting/ERP & Payroll

Website
iris.co.uk

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Hg's review

HGT's investment through HGT Saturn LP

Hg clients' total equity:	65.0%
Unrealised value (£000):	91,378
% of NAV:	4.6%

● ● ● ●
Recurring revenue

● ● ● ●
Long-term growth

● ● ● ●
Thousands of customers

● ● ● ●
Platform for M&A

Business description

IRIS is one of the UK's largest software companies and North America now makes up c. 20% of group revenues. The company serves over 100,000 customers in the Accountancy, Education, HR and SMB payroll segments as a leading provider of mission-critical tax & compliance software, alongside a range of practice productivity solutions, to UK and US accounting firms. With a highly recurring business model, over 90% of IRIS's revenues are from software and managed service subscriptions, many based on annual renewals paid in advance.

Why we invested

Hg identified the Tax and Accounting segment as an attractive space early on. IRIS was one of our first investments and is an early example of our focus on firms which provide business-critical daily-use software for professionals and SMEs in attractive, predictable end markets. The original investment decision was based on the potential for organic growth and acquisition-led consolidation opportunities. With strong business model characteristics, IRIS has grown organically every year over the last 20 years, and has consistently expanded its addressable sector both organically and through M&A.

Value creation

The long-standing partnership between Hg and IRIS started with the 2004 buyout (£102 million EV) led by Hg, followed by retaining a minority shareholding after the sale to Hellman & Friedman in 2007. In 2011, we again became the majority shareholder through the Hg Genesis 6 Fund. In May 2018, Hg Genesis 6 agreed on the sale of IRIS to Hg Saturn and ICG, in a joint-control deal which completed in September 2018, representing an EV of £1.3 billion. IRIS has been successful in expanding its offering, both organically and by acquisition into segments such as payroll, HR and education software. It continues to deliver added value to its customers, through regular regulatory and feature updates, leading to high customer loyalty. The strong level of reinvestment into innovative product development and outstanding customer support has continued to fuel outperformance.

Performance

IRIS has consistently delivered strong organic revenue growth, driven by mid-single digit secular growth, cross-sell & upsell initiatives into a highly sticky base, and expansion into North America. Over 2021, HGT has seen an increase of £14.5 million in its position in IRIS.

Exit

IRIS is an attractive acquisition target for private equity buyers given its high levels of organic revenue growth, strong net recurring revenue and high EBITDA margins, coupled with a leading sector position and large growth. An IPO could also be potential route to exit given the business' combination of strong organic growth and cash generation. There are several strategic buyers who would also regard IRIS's loyal customer base as attractive.

For a full case study on IRIS,
please visit: www.hgcapitaltrust.com/investment-portfolio/case-studies/iris.aspx

providing integrated
software for human resources
management to the German
and European Mittelstand



05

Investment date
March 2020

Location
Germany

Cluster
ERP & Payroll

Website
pi-ag.com

HGT's investment through HGT 7 LP,
HGT Saturn LP and co-investment
through HGT LP

Hg clients' total equity:	64.4%
Unrealised value (£000):	86,352
% of NAV:	4.3%

○○○○
Recurring revenue

○○○○
Long-term growth

○○○○
Thousands of customers

○○○○
Platform for M&A

Business description

Founded in 1968 and headquartered in Wiesbaden, Germany, Personal & Informatik AG ('P&I') provides integrated software solutions and services for human resources management. P&I offers a fully integrated SaaS-based HR suite, including payroll, core HR, human capital management and analytics, serving SMEs, large enterprises and public sector organisations directly and via its partners. Over 15,000 customers use P&I's intuitive solutions, primarily in Austria, Germany and Switzerland, as well as across 13 countries in Europe.

Why we invested

Hg is a serial investor in the regulatory-driven software space and continues to see attractive, long-term growth for leading and innovative players in the sector. P&I's scalable subscription-based platform exhibited characteristics within Hg's core focus: a broad, diversified and loyal customer base; strong position in the DACH payroll and HR market; exceptional historical operating performance, with over 10 years' consistent revenue and EBITDA growth. We believe that the SaaS migration of the existing customer base and the expansion of the HRaaS offering, complemented by value-accretive M&A, will contribute to driving highly profitable growth over the next years.

Value creation

Hg initially invested in P&I in 2013 and retained a minority investment in 2016, following its majority sale to funds advised by Permira – which delivered a 36% IRR and 2.3x original cost investment multiple. P&I is a driver of innovation in HR technology and stands out in the German HR software space as the only provider of a fully integrated payroll and HCM SaaS suite for the mid-market. Its advanced SaaS product set allows HR tasks to be managed in the most modern and efficient manner, delivering strong value to its customers and a truly differentiated experience to its users. In March 2020, Hg completed an investment, via the Hg Saturn Fund, to become the majority shareholder again, valuing the company at an enterprise value of around €2 billion.

Performance

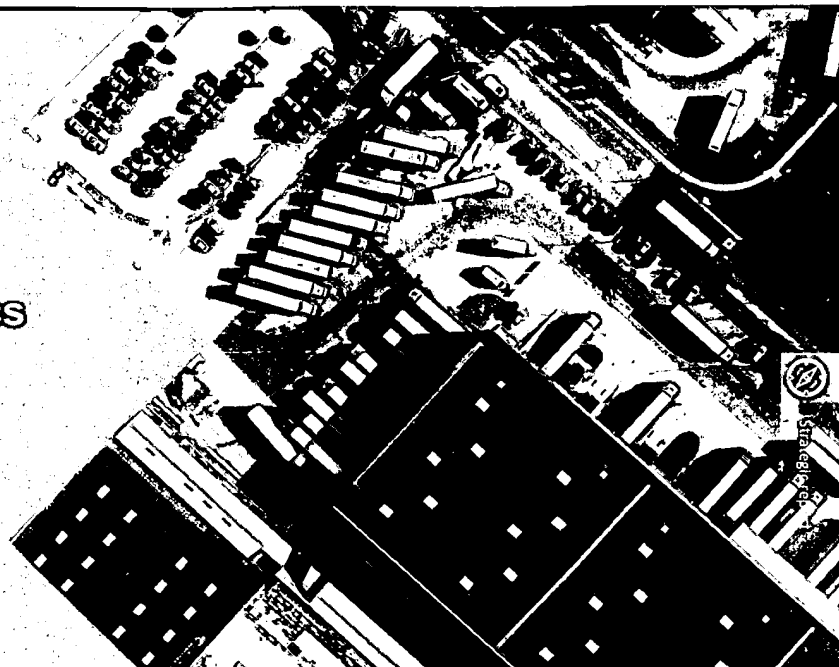
P&I continues to perform well and has seen robust growth over 2021. This performance has led to an increase of £22.1 million in the valuation of HGT's stake since December 2020.

Exit

We believe that the combination of an increase in recurring revenues, high cash flow conversion and a strong product will be highly attractive at exit for both trade and financial buyers, as well as public market investors.

TRANSPOREON

a European SaaS logistics connectivity platform



06

Investment date
March 2019

Location
Germany

Cluster
ERP & Payroll

Website
transporeon.com

HGT's investment through HGT 8 LP and co-investment through HGT LP

Hg clients' total equity:	75.3%
Unrealised value (£000):	86,075
% of NAV:	4.3%

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Recurring revenue

○○○○
Long-term growth

○○○○
Thousands of customers

○○○○
Platform for M&A

66 At Transporeon we work intensively with several members of Hg's portfolio team. We closely collaborate on growth themes in sales and marketing, have jointly developed the most comprehensive data lake in the transportation industry with Hg's experts in data science, we benefited from the Hg's talent team support in strengthening our senior management team and benefit greatly from Hg's regular assessments in cyber security and ESG. **99**

Stephen Sieber, CEO, Transporeon

Business description

Transporeon provides cloud-based logistics network and transport management software for road freight in Europe. The platform enables hundreds of thousands of trucks to be booked and tracked as they haul freight in trailers across the Continent. As a leader in the sector, the business benefits from strong network effects and favourable industry dynamics, connecting over 120,000 carriers and more than 1,300 shippers, using a modern SaaS platform available in over 100 countries and 24 languages. Its software offers customers more efficient tendering, dispatching and scheduling, along with better communication between those enterprises looking to move freight by road (shippers) and the operators providing the trucks (carriers).

Why we invested

Transporeon is a highly strategic asset, operating in an industry with material room for growth, through new and existing clients, underpinning future growth in line with historical levels. The business has seen uninterrupted double-digit revenue CAGR for the past 15 years across all market cycles. Transporeon exhibits several 'Hg sweet-spot' business model criteria, including: business-critical, high quality software product suite; high net revenue retention; high customer loyalty; a strong position in an expanding sector; considerable growth opportunities from new customers, as well as broader adoption, through up- and cross-sell, by its current customer base.

Value creation

Transporeon has undergone major management change under Hg's ownership (new CEO, CFO, CCO, CHRO and CMO). With the new team in place, we now view the company as well placed to capitalise on opportunities for further operational efficiencies. Additionally, certain learnings from COVID-19 are introduced permanently, resulting in lower costs (e.g. remote implementations). Furthermore, as of 2021, Transporeon embedded its proprietary Real Time Visibility ('RTV') feature in its core platform, thereby delivering additional value to all network participants and contributing to Transporeon's strategic profile while driving revenue growth via bundling of RTV capabilities and the offering. Further to operational improvements, we executed four tuck-in acquisitions in 2021 and have identified multiple other M&A targets – this could drive value creation further.

Performance

Coming out of a strong 2020, the business has returned to the pre-COVID-19 growth trajectory with 2021 performance so far beating expectations. HGT has benefited from an increase of £29.6 million in the valuation of its stake over 2021.

Exit

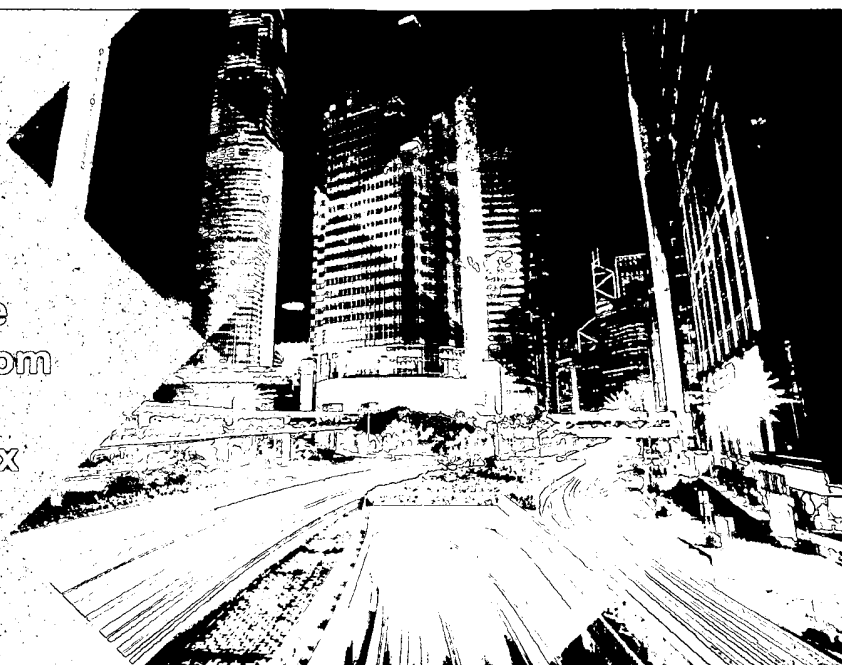
We believe that Transporeon will be a highly strategic asset to other software or service providers in the broader transportation management space. In addition, Transporeon will continue to be a very attractive company from a PE perspective, due to its high net revenue retention, strong cash conversion and a long-term organic growth story.

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Hg's review

SOVOS

managing all aspects of the tax-compliance process, from tax calculation to real-time business-to-government tax reporting



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Hg's review

07

Investment date
September 2020

Location
North America

Cluster
Tax & Accounting

Website
sovos.com

HGT's investment through HGT LP and HGT Saturn 2 LP

Hg clients' total equity:	57.3%
Unrealised value (£000):	78,553
% of NAV:	3.9%

○ ○ ○ ○
Recurring revenue

○ ○ ○ ○
Long-term growth

○ ○ ○ ○
Thousands of customers

○ ○ ○ ○
Platform for M&A

Business description

Sovos is a global provider of compliance solutions, managing all aspects of the tax-compliance process, from tax calculation, form completion and ultra-high volume filing to secure funds transfer to state and local revenue departments. At the heart of the Sovos software suite is a powerful tax-calculating engine, leveraging the industry's most comprehensive repository of over 210 million tax rules, in more than 13,500 jurisdictions, across in excess of 200 countries. Sovos is headquartered in Boston, US, with a presence in Europe and Latin America, with most of the revenue generated from a US customer base of around 4,500 predominantly large enterprises.

Why we invested

Hg has been tracking Sovos for several years, investing initially in 2016 out of Hg Genesis 7. In 2020, Hg Genesis 7 exited its investment and Hg Saturn 2 acquired a majority stake in the company alongside TA Associates. We identified Sovos initially as a scale specialist in tax compliance for enterprise customers, with the opportunity to expand outside of the US market. This continued to play out during the Genesis 7 ownership period – and we will continue to build on this during the next leg of growth via Saturn 2. Sovos sits right in the 'Hg sweet-spot', with a strong and predictable business model, including around 92% contractually recurring revenue; a fragmented, loyal customer base; high margins; robust cash conversion. Sovos's largest, core products have achieved close to double-digit organic revenue growth.

Value creation

In addition to continuing to grow revenues organically, Sovos has a strong track record of acquiring and successfully integrating tax-compliance software companies. The market remains fragmented and we believe that there are many attractive opportunities for Sovos to grow by acquisition, with additional potential through further margin improvement. Sovos has completed several acquisitions since 2016, while Hg continues to support management in further M&A opportunities, as well as key pricing-improvement initiatives and in operationalising the customer success team, leading to higher customer loyalty.

Performance

Sovos has seen rapid growth since our initial investment, driven by strong organic growth in its core products. We have also been successful in deploying material capital into M&A and see several additional opportunities ahead of us. HGT has benefited from an increase of £25.2 million in the valuation of its stake over 2021.

Exit

We believe that Sovos will be an attractive acquisition target for private equity buyers, given its high levels of organic revenue growth, EBITDA margins and market positioning. However, with strong cash generation, we also see an IPO as a potential route to exit. Lastly, there are several notable potential trade buyers.

MeinAuto Group

the leading online retailer for new cars in Germany



Strategic report

08

Investment date
May 2018

Location
Germany

Cluster
Automation & Engineering

Website
meinauto.de

HGT's investment through HGT 8 LP

Hg clients' total equity:	81.9%
Unrealised value (£000):	72,342
% of NAV:	3.6%

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Recurring revenue

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Long-term growth

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Thousands of customers

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Platform for M&A

Business description

MeinAuto Group ('MeinAuto') provides customers with easy access to automotive subscriptions via end-to-end online journeys. It is transforming the traditional approach of vehicle-retailing, from an offline service to an integrated digital delivery model. MeinAuto operates three brands, with the company's products ranging from traditional mobility offerings, such as vehicle-purchasing, to innovative flat-rate offers. Its operations are highly automated, including tailored online front ends, as well as digital back-end processes, allowing it to capture significant economies of scale. The unique selling point for the customer is a richness of choice (unique multibrand offer), ease of use (fast and hassle free) and attractive value (transparent, all-inclusive price).

Why we invested

This investment continues Hg's strategy to develop technology-enabled service providers in the automotive financing and distribution space and is the result of considerable sector work undertaken in recent years, including previous investments in Epyx, Eucon, Parts Alliance and Zenith. The €80-billion German new car market is at a tipping point for online and subscription disruption. Automotive distribution is moving from a traditional, offline, dealership-centric model to a multichannel, online-enabled structure. MeinAuto actively addresses this transformation – and its product IP and customer access, combined with strong growth and profitability, make it an attractive investment. The business has a strong management team of visionary leaders in the online car industry.

Value creation

MeinAuto continues to execute its plan formulated in 2018. Current key focus areas include increasing customer reach, additional partnerships and brand marketing. Furthermore, the team is optimising lead conversion through smart pricing algorithms (Deal Machine) and optimised customer journeys. As such, MeinAuto is the ideal platform for growth, combining highly recurring revenues and a resilient risk profile. Hg is supporting the management of the business in several specific operational areas, while also helping to realise several synergies across the group and additionally looking at further strategic M&A opportunities.

Performance

MeinAuto continues to show strong growth, with its car orders outperforming sector growth at very stable margins. HGT's holding in the company is currently valued at £72.3 million.

Exit

We are evaluating various exit routes and are firmly convinced that a leading platform in online car distribution, specifically when combined with a fully transactional and vertically integrated offering, is of high relevance to strategic buyers in the mobility ecosystem (e.g. large leasing companies and automotive OEMs with a limited distribution footprint in Germany) and also attractive to financial sponsors.

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Hg's review

For more information

For more information

For more information

Howden Group Holdings

a leading tech-enabled insurance distribution group, serving clients across North America, Europe, the Middle East and Asia Pacific



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Hg's review

09

Investment date
March 2021

Location
UK

Cluster
Insurance

Website
howdengroup.com

HGT's investment through HGT Saturn 2 LP

Hg clients' total equity:	21.7%
Unrealised value (£000):	69,998
% of NAV:	3.5%

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Recurring revenue

○○○○
Long-term growth

○○○○
Thousands of customers

○○○○
Platform for M&A

Business description

Founded in 1994 and headquartered in London, UK, Howden Group Holdings ('Howden') is the largest European headquartered insurance intermediary, serving an international client base. The group operates across more than 250 offices in 45 countries, managing over £10 billion of Gross Written Premium. Howden is a tech-enabled insurance distributor, which has a differentiated position as one of the top brokers internationally and within the Lloyd's of London market. Following Howden's acquisition of APG and Aston Lark, the combined Howden UK business will be a Top 5 UK insurance broker. The business facilitates the provision of B2B insurance through its core activities of retail insurance broking, speciality and reinsurance broking and managed agency underwriting.

Why we invested

Hg's investment in Howden represents our sixth investment in the insurance cluster in the last 5 years and is the culmination of a process that first began in late 2019. We identified Howden as a leader in what is a large and defensible sector, well-positioned across speciality lines of insurance in which clients rely deeply on Howden's expertise to navigate the complex insurance value chain. Benefiting from over 150 hours with management during the diligence process, we were able to build conviction in the company's differentiated pool of talent and entrepreneurial culture, which will be key enablers for continued outperformance and strong growth.

Value creation

Product expertise and innovation is a core pillar of Howden's strategy, and there is further headroom to drive organic growth through a continued focus on the rollout of speciality expertise in order to better serve clients across the group's global footprint. In addition, the acquisition and retention of top talent through leveraging Howden's unique culture remains key to achieving differentiated outperformance. Inorganically, there is a significant opportunity to grow through the execution of strategic M&A to enhance scale and the breadth of the product offering. Finally, the business will also continue to invest into technology and Howden X ('Hx'), with the ambition to be a thought-leader across digital and data-driven initiatives in insurance.

Performance

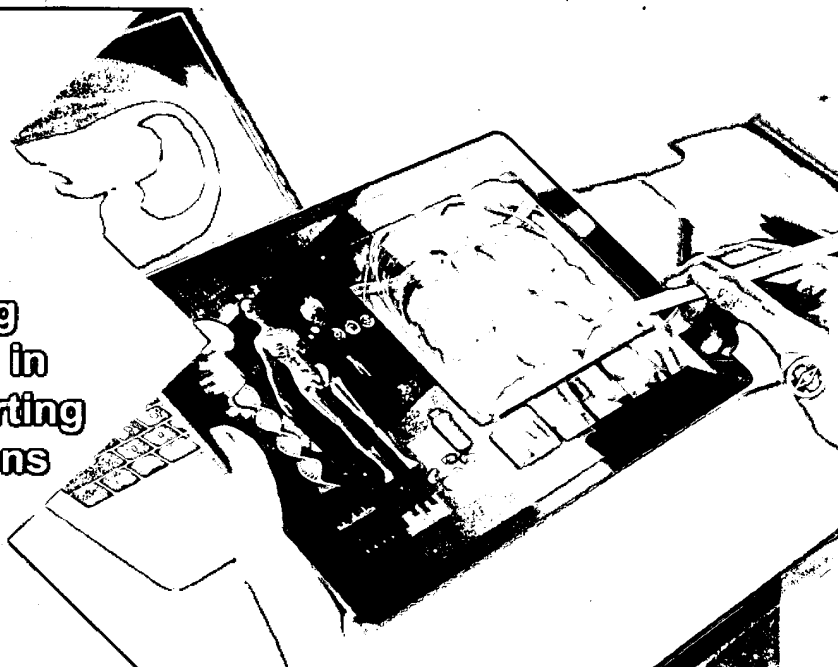
Whilst Howden is new to the portfolio, it has seen strong performance over the year, leading to an increase in the valuation of HGT's stake since investment of £28.0 million.

Exit

Given the unique strategic positioning of Howden as a leading independent insurance intermediary, we believe that as the business continues to grow organically and via M&A, Howden will be an attractive target for a secondary sponsor buyout and a potential IPO candidate.



provides medical imaging software that specialises in diagnostic viewing, reporting and collaboration solutions for radiologists



10

Investment date
February 2020

Location
North America

Cluster
Healthcare IT

Website
intelerad.com

HGT's investment through HGT8 LP

Hg clients' total equity:	85.3%
Unrealised value (£000):	69,358
% of NAV:	3.5%

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Recurring revenue

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Long-term growth

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Thousands of customers

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Platform for M&A

Business description

Intelera is a leading global provider of enterprise workflow and medical imaging software solutions which enhance productivity and information accessibility for radiologists. The core product is a Picture Archiving and Communication System ('PACS') that helps radiologists and physicians view and interpret medical images, enabling faster and more accurate diagnoses. This is a core workflow tool that is deeply embedded and mission critical to users. Headquartered in Montreal, Canada, Intelera employs over 425 staff across offices in Australia, North America and the UK, serving a customer base of over 2,000 healthcare organisations, including radiology groups, imaging centres, and a growing number of hospitals.

Why we invested

Hg recognises Intelera's leading role in supporting radiologists globally to deliver highly accurate diagnoses at optimum productivity. The business is a key enabler of healthcare delivery against a backdrop of increasing global demands, in radiology, for scalable and more efficient imaging, data management and workflow solutions. Intelera is led by a highly talented team who have developed powerful solutions for radiologists that create superior outcomes for both patients and healthcare providers. Healthcare technology is a core sector for Hg, with an investment focus on healthcare operations, core systems, life sciences digitisation, interoperability and population health. Intelera represents the fifth healthcare technology investment in Hg's current portfolio.

Value creation

The Hg team, including the portfolio team, is focused on several workstreams with Intelera, including:

- M&A support: We are helping to source potential opportunities and assess possible sizable additions to the group, resulting in six acquisitions closed since Hg's ownership.
- Supporting expansion to new markets.
- Upgrading core business systems and processes.

Performance

Volumes have continued to increase, in the year. This has led to an increase in HGT's stake in the business of £22.1 million over 2021.

Exit

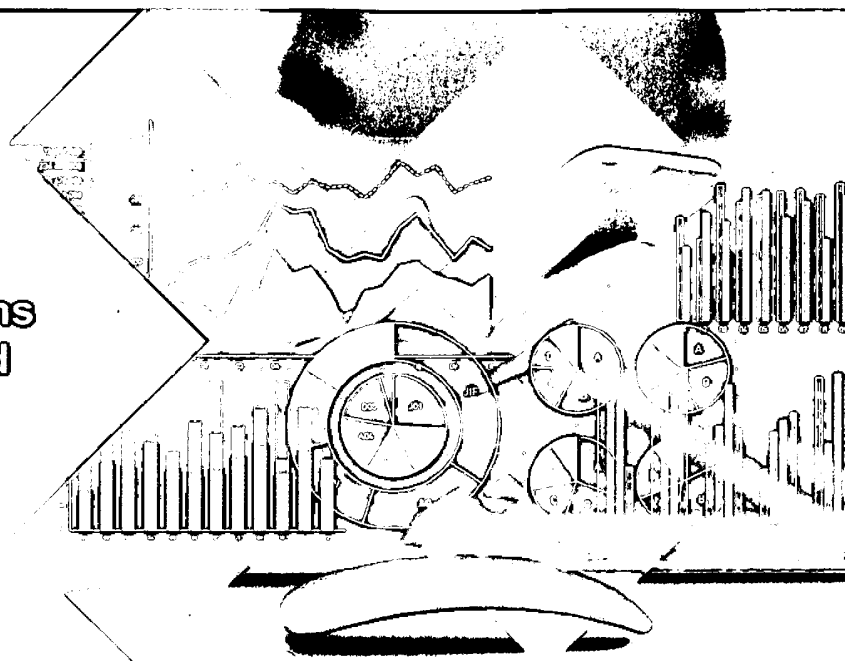
Given its attractive characteristics, we believe that Intelera could be of interest to both strategic and financial buyers.

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Hg review

septeo

providing software solutions
and IT services to legal and
real-estate professionals



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Hg's review

11

Investment date
December 2020

Location
France

Cluster
Legal & Regulatory Compliance

Website
Septeo.fr

HGT's investment through HGT Genesis 9 LP

Hg clients' total equity:	59.4%
Unrealised value (£000):	67,266
% of NAV:	3.4%

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Recurring revenue

○ ○ ○ ○
Long-term growth

○ ○ ○ ○
Thousands of customers

○ ○ ○ ○
Platform for M&A

Business description

The Septeo Group ('Septeo') is a leading tech provider supporting legal professions, including notaries, law firms, corporate legal departments and real-estate professionals, primarily in France. Founded in 1988, Septeo now has over 120,000 users, served by 2,200 employees.

Why we invested

This investment reinforces Hg's focus on legal and regulatory compliance tech, representing the 11th investment in this sector across Europe and North America, with over €1.5 billion invested in the sector to date.

Value creation

Hg's focus for now is on developing the value-creation plan, supporting Septeo in making key hires and accelerating M&A.

Performance

Septeo is performing well; this has led to an uplift in the valuation of HGT's stake in the company since December 2020 of £28.2 million.

Exit

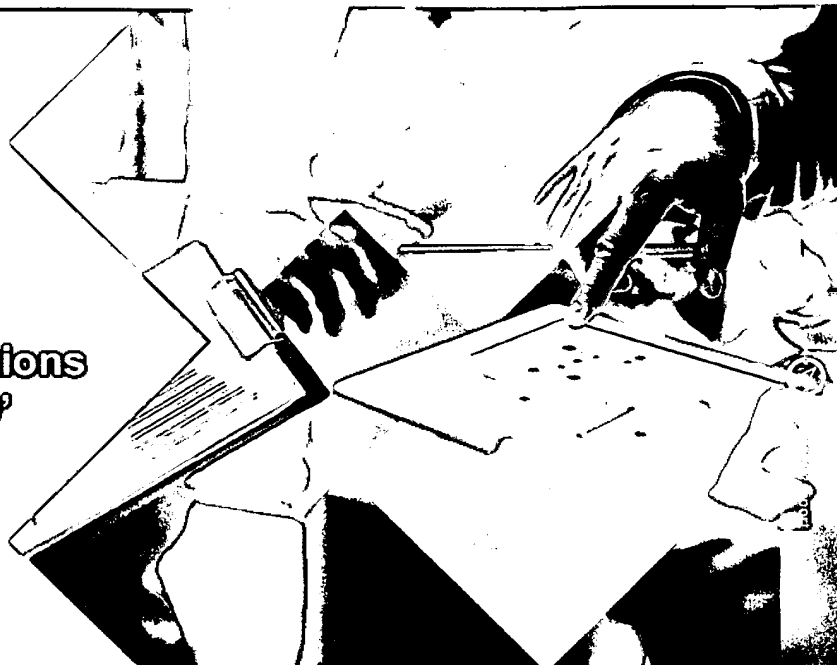
Given the strategic position of Septeo in the French market and the relative scarcity of players, we believe that Septeo will be an attractive software business acquisition target for future buyers. As the company demonstrates high levels of organic revenue growth, strong net recurring revenue and high EBITDA margins, coupled with a leading sector position, we also see an IPO as a potential route to exit.

“Hg has brought us everything we were looking for. They are specialists, guiding our managers within each operational domain, they possess a perfect understanding of our business which fosters positive exchanges, they have ‘good practice’ benchmarks as a result of their vast portfolio, they offer invaluable guidance in the practice of M&A and, finally, what is undoubtedly the most important thing to a CEO like me, is the transparent, open and enjoyable relationship with all of the Hg partners.”

Hugues Galambrun, CEO, Septeo



a global provider of
enterprise software solutions
for the 'Office of the CFO'



12

Investment date
September 2021

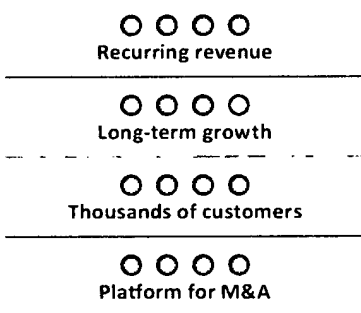
Location
North America

Cluster
Tax & Accounting

Website
insightsoftware.com

**HGT's investment through HGT LP
and HGT Saturn 2 LP**

Hg clients' total equity:	44.5%
Unrealised value (£000):	66,608
% of NAV:	3.3%



“Hg is a unique investor. Their expertise in our market, long-term focus, and partnership with management has been exceptional. We’ve made explicit changes in our business following their advice, all of which set Insightsoftware up for long-term growth and market leadership.”

Jim Triandiflou, CEO, insightsoftware

Business description

insightsoftware was formed in 2018 by TA and ST6 as a consolidation of software solutions serving the office of the CFO. Since then, the business has grown rapidly, building a suite of software products across reporting, budgeting & planning, close & consolidation, tax, disclosure and equity management. Today, more than 28,000 customers worldwide rely on these products to provide them with increased productivity, visibility, accuracy and compliance across their organizations. Headquartered in Raleigh, NC, with offices around the world, insightsoftware has more than 1,000 employees serving over 600,000 global users.

Why we invested

insightsoftware is a great example of a best-in-class team of software experts coming together to create a platform that drives better business outcomes for thousands of customers around the world. The business sits right at the heart of the tax and accounting software cluster that Hg have been investing in for almost two decades.

Value creation

insightsoftware’s key objective is to be the #1 software suite for the ‘Office of the CFO’, consolidating previous ‘point solution’ vendors onto a single integrated platform with a common user-interface and data interchange across all applications, sold under a common brand with a unified go-to-market strategy. To achieve this, the business needs to develop a single common technology platform, a single brand and go-to-market operations. We believe there is significant opportunity to drive increased cross-sell across the existing customer base, increasing NRR and organic growth during Hg’s ownership period. As the business continues to scale, the company can further expand margins, while continuing to execute on accretive M&A.

Performance

insightsoftware is a new addition to the Hg portfolio but has been performing well. This has led to an increase of £11.5 million in HGT’s stake in this company over the year.

Exit

Given the business’ attractive financial profile, we believe insightsoftware would be an attractive target for private equity buyers or a strategic asset for trade buyers looking for a large and high-quality enterprise customer base, close integration with a wide range of ERP systems, and/or attractive financial profile.

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Hg's review



produces price assessments
and analysis of international
energy and other
commodity markets



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Hg's review

13

Investment date
January 2020

Location
UK

Cluster
Capital Markets & Wealth Management IT

Website
argusmedia.com

HGT's investment through HGT Saturn LP and co-investment through HGT LP

Hg clients' total equity:	24.7%
Unrealised value (£000):	48,435
% of NAV:	2.4%

● ● ● ● ●
Recurring revenue

● ● ● ● ●
Long-term growth

○ ○ ○ ○ ○
Thousands of customers

○ ○ ○ ○ ○
Platform for M&A

“Our experience with Hg has been a true partnership. While we understand our business, Hg has a wealth of knowledge and best practices that help us accelerate our growth and profitability.”

Adrian Binks, CEO, Argus Media

Business description

Founded in 1970, Argus Media ('Argus') produces independent price assessments, essential data and analysis of the international energy and commodity sectors, anchoring physical commodity trade throughout global supply chains and underpinning financial derivatives markets. With over 160 publications and 26,000 price assessments, Argus is one of the two largest price-reporting agencies globally.

Why we invested

Argus has delivered over 15 years' consistent growth above sector peers, bolstered by its offering of critical, proprietary information, stemming from significant investment in developing new benchmarks and proven methodologies. The business is one of the longest-standing players in the space, with around 50 years' heritage – a trusted provider of pricing data and high-quality editorial content to a diverse, global customer base across 140 countries.

Value creation

The Hg team, including members of the portfolio team, is focused on supporting several workstreams together with Argus, including:

- data science: Argus has developed a new data-science product proposition over the last few years, leveraging its proprietary datasets to produce forward and possibility curves which are critical-risk management tools.
- data warehouse: supporting the transition to best-in-class data warehouse, enabling fact-based, data-driven decision-making from a single source of the business's operational and financial data.

Performance

Argus has continued to perform well, leading to an increase in the valuation of HGT's stake in the business of £8.0 million over 2021.

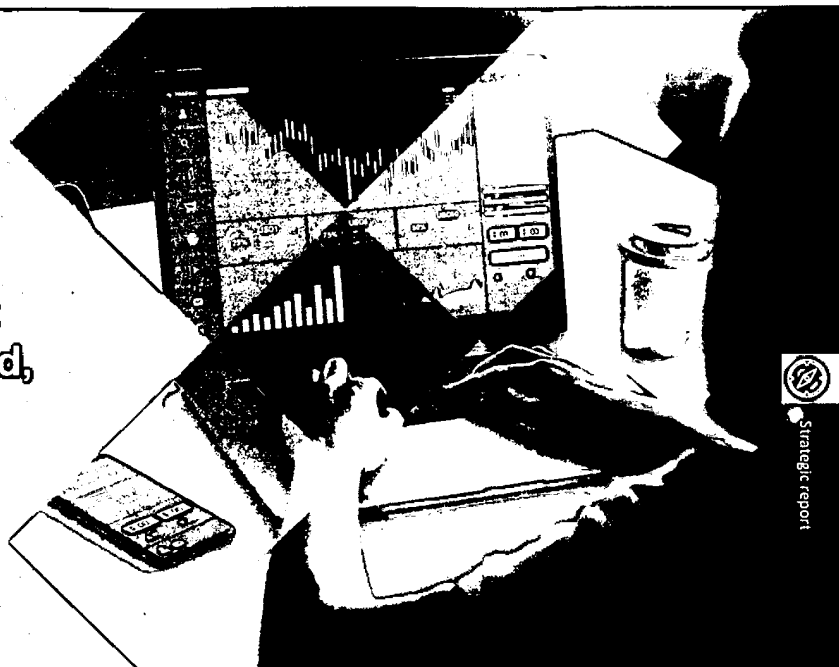
Exit

Argus is a strategically valuable asset with attractive business-model characteristics and strong cash flow conversion. As a result, we believe that Argus will be an attractive target for private equity buyers. However, we also see an IPO as a potential exit route, given the business's combination of strong organic growth and cash generation.

FE fundinfo



facilitating more efficient
investing, through trusted,
insightful information



Strategic report

14

Investment date
November 2018

Location
UK

Cluster
Capital Markets & Wealth Management IT

Website
fefundinfo.com

HGT's investment through HGT Genesis 9 LP and HGT Mercury 2 LP

Hg clients' total equity:	68.6%
Unrealised value (£000):	44,489
% of NAV:	2.2%

○○○○
Recurring revenue

○○○○
Long-term growth

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Thousands of customers

○○○○
Platform for M&A

Business description

FE fundinfo is a leading provider of data, analytics software and infrastructure for the global funds industry, facilitating fund distribution and investment decision-making. FE fundinfo connects fund managers and fund distributors and enables them to share and act on trusted, insightful data. The business was initially formed via the merger of FE, fundinfo and F2C, and has grown since then organically and via acquisition. FE fundinfo has offices in Australia, Czech Republic, Denmark, France, Italy, Germany, Hong Kong, India, Luxembourg, Singapore, Spain, Switzerland and the UK. With more than 900 staff across these offices, the organisation is truly global in outlook and capability.

Why we invested

Hg had been following FE, fundinfo and F2C for many years as they displayed many of the business characteristics which Hg seeks, including a strong positioning in their segments, and mission-critical software and data products. This is a sector which Hg knows well, having been invested previously (2013) in Intelliflo, a provider of SaaS financial adviser software to the same market.

Value creation

The value creation thesis for FE fundinfo is based on strong organic revenue growth, margin improvement and inorganic growth and integration. Over the past 18 months, FE fundinfo has made 4 strategic acquisitions in the fund data space, including most recently FundConnect, a Denmark-headquartered provider of fund data, specialising in advanced data collection, data distribution, web solutions and fund document production; and Zenith, an Australian-headquartered provider of research, ratings, managed accounts and adviser technology in the APAC region. Over the next 12–18 months, Hg will be supporting the management of FE fundinfo in several areas, including driving organic growth via sales and marketing excellence; integration and synergy realisation from recent M&A deals; and evaluating and executing on potential M&A opportunities.

Performance

The business is performing well, with strong trading across the group. This has led to an increase of £19.3 million in the valuation of HGT's stake in FE fundinfo over 2021.

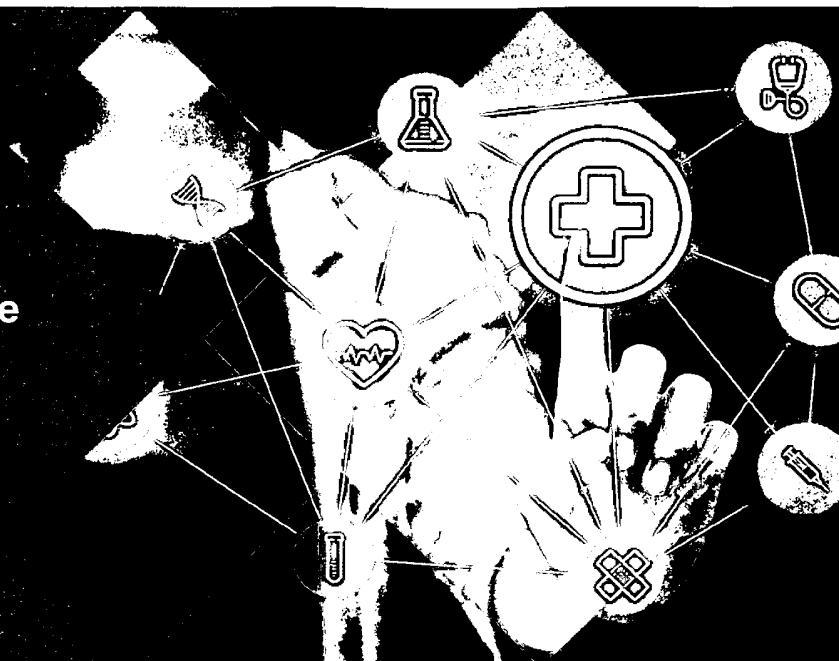
Exit

As a high quality asset, with scale, operating in the financial services data and software sector, we believe that FE fundinfo will be a key target at exit for a range of other trade players in the space, as well as financial buyers.

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Hg's review

**a global leader in healthcare
interoperability and
data-liquidity solutions**

Investment date
October 2018

Location
North America

Cluster
Healthcare IT

Website
lyniate.com

Hg clients' total equity:	83.7%
Unrealised value (£000):	42,925
% of NAV:	2.1%



Lyniate is a global leader in healthcare interoperability and data liquidity solutions. Their software serves public and private hospitals, health systems, Health Information Exchanges, OEM vendors, public health departments and federal government organisations. Lyniate provides an integration platform that powers the complex and critical systems within healthcare, with high-volume data-acquisition capabilities. The platform's comprehensive set of tools help simplify interoperability in complex healthcare environments. Intelligent mapping ensures data quality and reduces the time of traditional migration and conversion by up to half, reducing cost and risk while increasing continuity of performance. Lyniate's business is global with over 1,000 customers in 36 countries.

The investment in Lyniate sits within two of our core investment themes in healthcare technology: i) the need for technology to support healthcare and ii) increasing global demand for integrated care. The team has been researching the theme of integrated care (which includes interoperability and population health management software) in healthcare IT ('HCIT') for over five years, believing it to be a key global growth theme backed by substantial sector funding and resources.

The acquisition of Corepoint in June 2019 has allowed us to double down on our healthcare interoperability investment thesis by creating a global segment leader in a strategic and attractive sector. The combination has strong industrial logic and allows the acceleration and delivery of Fast Healthcare Interoperability Resource ('FHIR') based services, cloud-based integration solutions, monitoring and analytics tools, and support for regional and national interoperability frameworks. The next steps in our value creation plan include: further M&A, growth initiatives and portfolio team projects.

Strong performance has led to an increase of £24.5 million in HGT's stake of this business over the last 12 months to 31 December 2021.

We expect that Lyniate will be an attractive acquisition target to a number of trade acquirers, particularly health care tech consolidators, given its unique position as an independent provider of interoperability software and its significant footprint. Equally, we expect the combined group to be of interest to private equity buyers.



providing critical business support, BPO and advisory services internationally



16

Investment date
October 2016

Location
UK

Cluster
Tax & Accounting

Website
azets.com

HGT's investment through HGT 7 LP and co-investment through HGT LP

Hg clients' total equity:	76.8%
Unrealised value (£000):	40,872
% of NAV:	2.0%

● ● ● ●
Recurring revenue

● ● ● ●
Long-term growth

● ● ● ●
Thousands of customers

● ● ● ●
Platform for M&A

“Azets is all about our people. Our success as a business comes after the success of our people. To some people in our profession, the private equity world seems frightening, but that is based on a harsh stereotype of cost cutting and tough decisions. Whilst Hg hold us to account and actively participate in the strategic dialogue within Azets, they leave my senior leadership team to deliver our operational performance and I cannot overstate how supportive and positive Hg have been to Azets.”

Chris Horne, Group CEO, Azets

Business description

Following years of development, Azets was formally launched in 2017 through the acquisitions and merger of Nordic-based Azets and UK-based Baldwins and Blick Rothenberg – to form a platform providing various business services to SMEs in northern Europe. The group's focus is the provision of critical business support, BPO and advisory services to the entrepreneurial and private company business segments, together with their owners and managers. Azets has around 100,000 customers, with over 7,000 employees operating from 150 offices in Scandinavia and the UK. The group also has 900 offshore employees based in Estonia and Romania, as well as a significant technology team, focused on automation.

Why we invested

Azets continues Hg's focus of investing in regulatory-driven businesses with 'Hg sweet-spot' business model characteristics, including a diversified customer base, existing IP and recurring revenues. We have been tracking the SME accountancy and advisory services sector for many years, since it exhibits several attractive criteria. These include: a high share of repeatable revenue; high customer-retention rates; a fragmented customer base; a fragmented competitive landscape of founder-led businesses, allowing for significant M&A opportunities. We believe there to be significant market opportunity, as payroll, accounts preparation, tax, audit, estate-planning and HR compliance services underpin thousands of small businesses across every European country. Based on our investments in other providers in the same sector, we see an opportunity to create a scaled European service provider which uses automation, technology, nearshoring and product scale to drive significant value. Having built the core of Azets via M&A, we are now building that champion via a business-transformation process.

Value creation

We are focused principally on three value-creation levers: delivering long-term organic growth across the group; operational transformation across the Nordics and UK; pursuing the acquisition of high-quality accounting services businesses, as well as other adjacent service providers. Hg has supported these value-creation levers by adding experienced leadership and updated business strategy and corporate structure, along with improved business processes and management information.

Performance

Azets saw some underperformance in 2020/2021 as a result of COVID-19, owing to various short-term impacts on customers, particularly in non-recurring revenue lines. However, the business is still seeing year-on-year organic growth in constant currency LTM revenue.

Exit

We expect the business model characteristics of Azets to be appealing, at exit, to a wide range of financial investors. Azets is the scale platform to further consolidate this market across Europe. We also expect an IPO to represent an attractive exit opportunity.

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Hg's review

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Hg's review

17

Investment date
March 2019

Location
Benelux

Cluster
SME Tech & Services

Website
team.blue

teamblue

a leading digital enabler for companies and entrepreneurs across Europe

Hg's investment through DADA/HGT/2LP	
Hg clients' total equity:	29.3%
Unrealised value (€000):	40,218
% of NAV:	2.0%

Recurring revenue	○○○○○
Long-term growth	○○○○○
Thousands of customers	○○○○○
Platform for M&A	○○○○○

Business description
team.blue is a leading European provider of mass hosting services to SoHos (small offices/home offices) and SMEs active across Europe (Belgium, Bulgaria, Denmark, Ireland, Italy, the Netherlands, Portugal, Spain, Sweden, Switzerland, Turkey and the UK). The business has more than 2 million customers and is a one-stop partner for web hosting, domains, e-commerce and application solutions. Hg invested initially in March 2019 in Combell Group – focused mainly on the Belgian and Danish markets, with a smaller presence in the Netherlands, before supporting the transformational acquisition in June 2019 of Transip Group – also focused on the Netherlands. Finally, in September 2019, team.blue acquired Register Group (a Mercury 2 portfolio company) – focused on growth markets in southern Europe, Italy and Spain, as well as Ireland and the UK. Following these acquisitions, the combined group rebranded as team.blue.

Why we invested
This represents Hg's eighth investment in the SME tech services cluster, with other recent hosting investments including Zitcom (2015), DADA/Register (2017) and IT Relation (2018). team.blue shows similar characteristics to those of these businesses, having consistently delivered strong organic revenue growth, best-in-class customer satisfaction metrics and an exceptional M&A track record.

Value creation
Our future focus will be on accelerating organic growth in the core business, supported by commercial initiatives (eg packaging), while continuing roll-up M&A in the fragmented European hosting segment as it delivers on its differentiated strategy of being 'the champion of the smaller countries in Europe'.

Performance
team.blue is trading in line with expectations, with COVID-19 having not adversely affected the company. Over the year, team.blue has seen a €11.9 million uplift in HGT's holding.

Exit
We believe that team.blue will be an attractive acquisition target for financial buyers, as it has high levels of organic revenue growth, strong net revenue retention and high EBITDA margins. There are also several notable potential trade buyers – and IPO is an option, given size and growth profile.

Interview with team.blue CEO

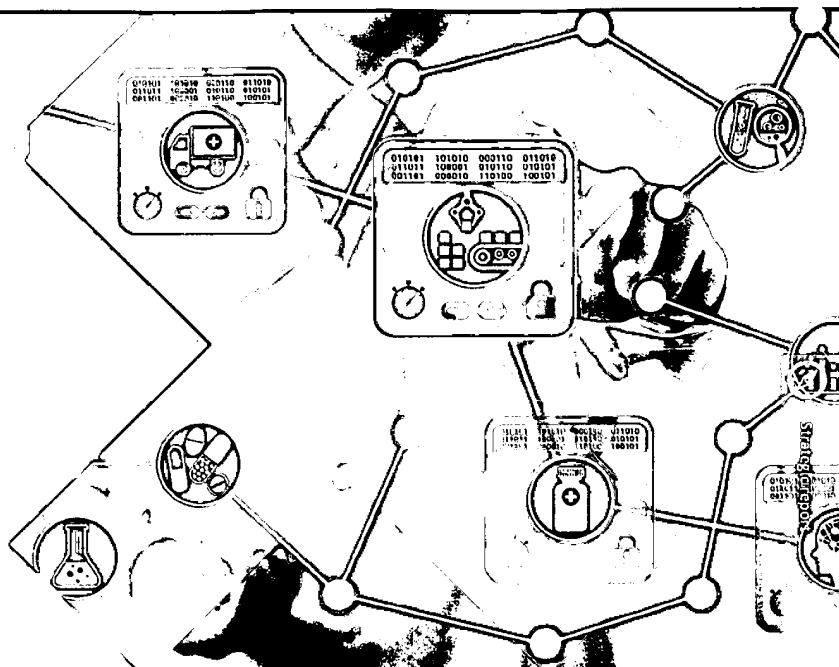
www.hgcapital.com/night/holding-on-to-your-entrepreneurial-spine-view-from-the-top-with-jonas-christians

team.blue case study

www.hgcapital.com/case-studies/team-blue-bringing-together-entrepreneurs-to-create-a-new-leader



providing access to
life-saving therapies for
providers and patients



18

Investment date
September 2021

Location
North America

Cluster
Healthcare IT

Website
MMITNetwork.com

**HGT's investment through
HGT Genesis 9 LP, HGT Mercury 2 LP
and co investment through HGT LP**

Hg clients' total equity: 36.9%
Unrealised value (£000): 37,705
% of NAV: 1.9%

● ● ● ● ●
Recurring revenue

● ● ● ● ●
Long-term growth

● ● ● ● ●
Thousands of customers

● ● ● ● ●
Platform for M&A

Business description

MMIT is a leading provider of US 'gold standard' pharma data. As part of Hg Genesis 9's investment in MMIT, the business also merged with Evaluate, a leading provider of commercial data to the Life Sciences industry and a current investment in the Hg Mercury 2 Fund.

Together, MMIT-Evaluate is one of the Top 5 global providers of commercial pharma data. The business improves patient access to medications and enables PharmaCos to forecast performance and develop strategy.

Why we invested

MMIT-Evaluate represents an opportunity to create a leading global commercial pharma data platform. Combining complementary data and insights from each business creates a platform that provides data offerings across the drug development value chain from R&D to day-to-day commercial operations. The business is well-positioned to drive continued strategic M&A in a growing (c. 10%), non-cyclical sector. The combination of these businesses also sets a path to build a European / RoW market access offering leveraging Evaluate's international capabilities and footprint and create a unique global offering.

Value creation

There are multiple organic and inorganic growth initiatives underway that will result in incremental revenue growth and operational improvements. The Hg team, including the Portfolio team, is working on a number of these initiatives alongside WCAS and Management. These include: accelerating organic growth, further integration synergies, and increased M&A.

Performance

MMIT-Evaluate is a new company to the portfolio, but is performing well. This has led to £13.3 million uplift in the valuation of HGT's stake over the year.

Exit

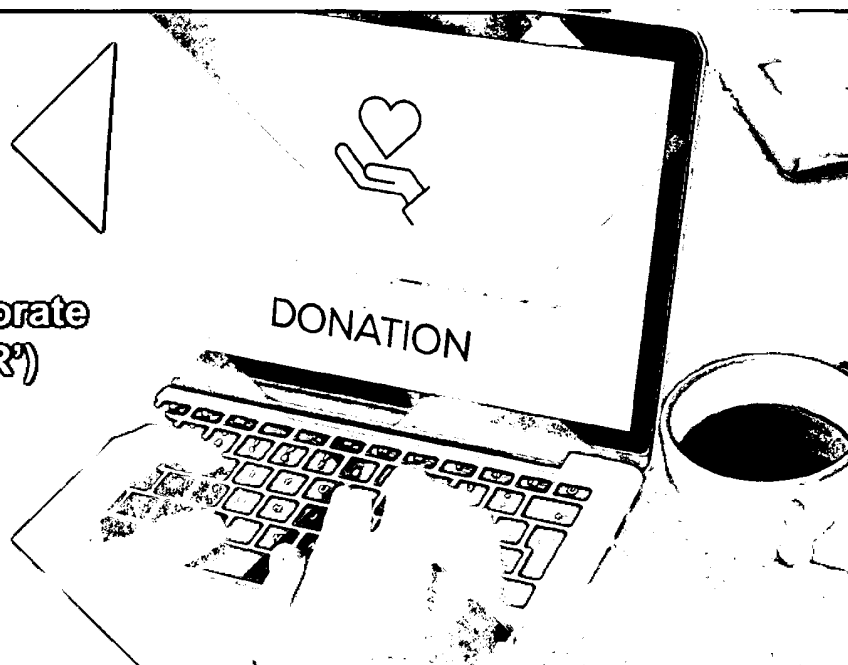
The combined group creates one of the Top 5 global pharma data players. Given scale, growth profile, recurring revenue, retention metrics and broad M&A reach, we expect the combined business to command a premium valuation with many potential exit options.

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Hg review



a leading provider of Corporate Social Responsibility ('CSR') SaaS solutions.



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HgS REVIEW

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Investment date
January 2021

Location
North America

Cluster
ERP & Payroll

Website
benevity.com

HGT's investment through HGT Saturn 2 LP and co-investment through HGT LP

Hg clients' total equity:	67.7%
Unrealised value (£000):	36,055
% of NAV:	1.8%

○○○○
Recurring revenue

○○○○
Long-term growth

○○○○
Thousands of customers

○○○○
Platform for M&A

Business description

Founded in 2008 and headquartered in Calgary, Canada, Benevity is a leading provider of Corporate Social Responsibility ('CSR') SaaS solutions, serving a global client base of c. 750 customers. The business's unique solutions enable clients to grow their CSR programs, which drive strategic value by improving reputation / brand equity; attracting, motivating and retaining talent; and improving operational efficiency. Benevity's positioning and leading product (modern, pure SaaS with integrated payments) creates a powerful network effect: Benevity has more high quality, large brands as clients than anyone else and more vetted charity links (with automated electronic payment capability) than peers. Altogether, the business connects c. 750 corporations and their over 9 million users with more than 2.2 million charities globally in a single scalable platform with unique content and drives annual donation volumes of more than \$2.0 billion.

Why we invested

We believe that Benevity is an example of a 'category creating' solution. Its mission is to drive value for its clients and society as a whole through its unique solutions, which enable clients to grow their CSR programs; improving reputation/brand equity, attracting, motivating and retaining talent, and delivering improved operational efficiency. We are excited to be investing in a global leader within the increasingly strategic and high growth category of CSR, which has grown for many years. In addition, we believe this topic is gaining momentum around the board room and is expanding beyond 'giving', to a wider ecosystem involving employee engagement and measuring real impact. As the segment evolves, we believe Benevity is well positioned as a potential leader in this large ecosystem.

Value creation

There are several initiatives underway that will result in meaningful revenue growth and improved efficiencies. The Hg team, including the Portfolio team, is working on a number of these initiatives alongside General Atlantic and Management. These include: data insights, client success, pricing and growth strategy.

Performance

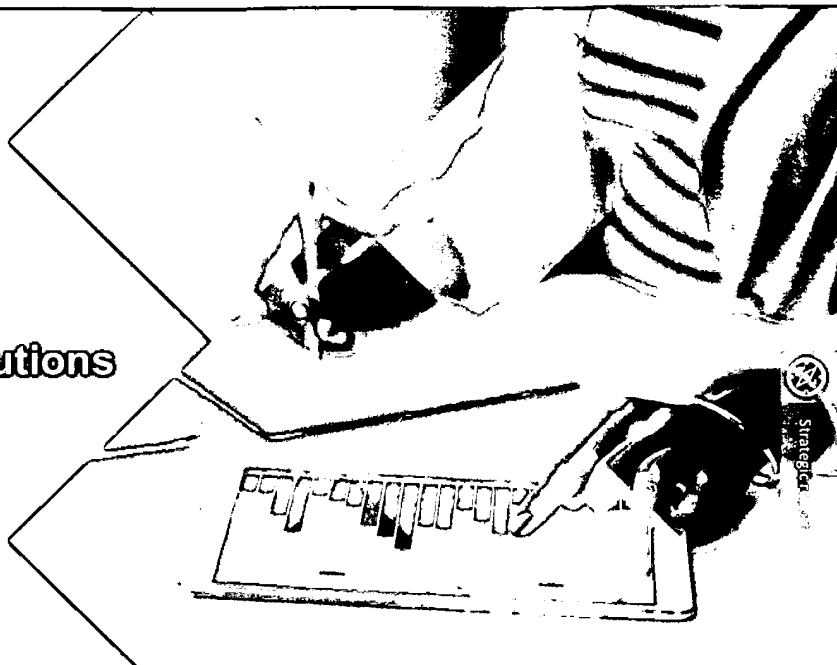
Whilst new to the portfolio, Benevity is valued slightly above its original cost.

Exit

Given the 'category creating' nature of Benevity, its excellent SaaS and retention metrics and its impressive growth, we believe that there are multiple attractive exit options available.



**cutting-edge audit and
accounts production solutions
for accounting firms,
corporations and
governments**



20

Investment date
December 2020

Location
North America

Cluster
Tax & Accounting

Website
caseware.co.uk

HGT's investment through HGT 8 LP

Hg clients' total equity:	63.0%
Unrealised value (£000):	33,956
% of NAV:	1.7%

○ ○ ○ ○
Recurring revenue

○ ○ ○ ○
Long-term growth

○ ○ ○ ○
Thousands of customers

○ ○ ○ ○
Platform for M&A

Business description

CaseWare International Inc ('CaseWare') is a global leader in audit, assurance and accounts production software. Based in Toronto, Canada, the business develops cutting-edge software solutions for accounting firms, corporations and governments. CaseWare's platforms (Working Papers and IDEA) aim to change the future of audit, financial reporting and audit analytics by adopting cloud technology, as well as artificial intelligence and machine learning, enabling measurable returns on efficiency, quality and value for customers and their clients. For over 30 years, CaseWare has been a technology leader in the sector and has grown to over 500,000 users in 130 countries today, serving 16 languages.

Why we invested

Hg's experience in the tax and accounting technology space means that we have known and admired CaseWare for many years. Hg spent a long time getting to know the company's management team and learning about the huge potential in the business. Hg's investment and knowledge in global financial software businesses will help to support the company, particularly in accelerating the growth of CaseWare Cloud, which is already supported by more than 1 million engagements.

Value creation

The Hg team, including the Hg portfolio team, is focused on supporting CaseWare across several initiatives including: systems and reporting; management organisation; strategic projects; sales and marketing. In addition, the Hg portfolio team is focused on driving commercial excellence and supporting M&A.

Performance

CaseWare's partnership with Hg has continued to perform in line with our expectations leading to a small uplift in HGT's share of this investment.

Exit

We believe that CaseWare will be an attractive acquisition target for private equity buyers, as it has high levels of organic growth and strong net revenue retention – in a large and fast-growing market where software provides clear value add for customers. There are also several notable potential trade buyers.

“It is just over a year into our partnership with Hg and we have already experienced significant transformation. It is great to have the support of a global investment partner experienced in our sector. Especially as we embark on the next phase of our journey towards being the leading cloud audit and assurance software provider across the world. We look forward to harnessing Hg's extensive knowledge on managing global operations efficiently and its deep domain expertise on investment analysis as we look to be more acquisitive.”

David Osborne, CEO, CaseWare

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Hg's review



Other investments

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Hg's review

21 Trackunit

Cluster:	Automation & Engineering
Web:	www.trackunit.com
Date of investment:	June 2021
Unrealised value (£000):	32,100
% of NAV:	1.6%

Founded in 1998, Trackunit is a leading provider of SaaS-based Internet of Things ('IoT') solutions to the global construction equipment industry.

The business' solutions allow users to collect and analyse machine data in real-time to deliver actionable, proactive and predictive information, empowering customers with data-driven foresight. From operator safety and machine health to business optimisation, Trackunit's industry-leading telematics software, hardware and fleet management services benefit the everyday operations of customers worldwide.

Trackunit is headquartered in Denmark, with subsidiaries in the US, Sweden, Norway, France, Holland, Germany, Canada and England.

22 MEDIFOX DAN

Cluster:	Healthcare IT
Web:	www.medifox.de
Date of investment:	October 2018
Unrealised value (£000):	32,067
% of NAV:	1.6%

MEDIFOX DAN Group ('MediFox') is the leading provider of software solutions to around 7,900 outpatient care services, 5,600 elderly care homes, 1,700 therapists and 270 youth care facilities in Germany. The business supports care providers with key challenges, including resource and route planning, care documentation, regulatory compliance and quality assurance of services provided, as well as invoicing, reimbursement and factoring. The company is headquartered in Hildesheim, Germany, and employs around 550 people.

23 The Citation Group

Cluster:	SME Tech & Services
Web:	www.citation.co.uk
Date of investment:	December 2020
Unrealised value (£000):	31,264
% of NAV:	1.6%

The Citation Group ('Citation') provides tech-enabled compliance and quality-related subscription services to over 60,000 SMEs across the UK. Citation helps SMEs to comply with relevant regulations and to ensure that certain levels of quality and standards are met, in areas such as HR/employment law, health and safety and ISO and industry-specific rules and standards, by providing a combination of expert advice, software tools and audits/assessments, mostly on a long-term subscription basis.

Citation continues to perform well, leading to an £11.0 million uplift in HGT's holding over 2021.

24 itm8®

Cluster:	SME & Tech Services
Web:	www.itm8.com
Date of investment:	August 2018
Unrealised value (£000):	30,134
% of NAV:	1.5%

Founded in 2003, itm8 provides services which allow SMEs to move their IT infrastructure and operations into the cloud, as well as providing end-user support and consulting as part of a full-service managed IT offering. The company has over 1,100 employees – supporting thousands of customers and tens of thousands of users in Denmark, Sweden and around the world.

Performance over 2021 has led to an uplift in HGT's holding of £8.6 million.

25 GenII

Cluster:	Capital Markets & Wealth Mgmt IT
Web:	www.gen2fund.com
Date of investment:	December 2020
Unrealised value (£000):	27,352
% of NAV:	1.4%

Gen II Fund Services, LLC ('Gen II'), is a leading independent private equity fund administrator. Gen II is a leading pure-play provider of alternative asset fund administration services. Headquartered in New York and Luxembourg with a global customer base, the company administers over \$700 billion of private capital on behalf of its clients across more than 800 funds and their 50,000 investors, spanning various investment strategies including Buyout, Real Estate and Infrastructure.

Over the year, Gen II has seen an uplift in HGT's stake of the business of £8.6 million.



For information regarding Hg's other investments, please visit: hgcapiatal.com/our-portfolio/

Other investments continued

26 Commify

Cluster:	SME Tech & Services
Web:	www.commify.com
Date of investment:	January 2017
Unrealised value (£000):	26,630
% of NAV:	1.3%

Commify is a leading application-to-person ('A2P') messaging service in Western Europe. The group was originally formed through the combination of four businesses: Mobyt, SMS Envoi, Esendex and SMS Publi. The group has since made a further nine acquisitions across Germany, Spain, Netherlands and the UK. The customer base comprises mainly SMEs and some larger enterprises which use Commify's services to communicate with their end customers through messages, voice and other media. The purpose of the communications can be varied, but most messages are mission-critical, operational content, such as appointment reminders and delivery notifications. The business also supports marketing/promotional messages and coupons, as well as surveys. Commify has grown organically and through M&A over the past 10 years and now sends over 3 billion SMS messages across Australia, France, Germany, Italy, Spain, Netherlands and the UK.

27 HHAExchange

Cluster:	Healthcare IT
Web:	hhaexchange.com
Date of investment:	October 2021
Unrealised value (£000):	24,149
% of NAV:	1.2%

In September 2021, Hg announced an investment in HHAExchange (HHAX). HHAX is a leading vendor of state, payer and provider management software in the US homecare space. Its comprehensive solution helps to improve patient outcomes, drive operational efficiency and increase compliance across the homecare ecosystem. Its solutions are delivered through subscription-based enterprise and mobile tools and facilitate over 125 million annual visits for 675,000 caregivers across more than 44 states. Today, HHAX has offices in North America and development facilities in Europe and Asia.

28 Prophix

Cluster:	Tax & Accounting
Web:	www.prophix.com
Date of investment:	February 2021
Unrealised value (£000):	23,586
% of NAV:	1.2%

Founded in 1987 and based in Toronto, Prophix is a leading player in CPM software, serving mid-market companies across multiple industries worldwide – providing consolidation, planning, budgeting and financial reporting software into the 'office of the CFO'.

Prophix's software allows organisations to improve their financial reporting capabilities, while also standardising and streamlining the budgeting process; to generate ROI through a faster time to close, reducing budgeting errors and enabling companies to reforecast in a more agile way. Prophix is a leader in its segment with a global customer base of over 3,000 customers, industry-leading retention rates (more than 108% NRR) and a consistently high customer NPS (over 80).

29 smartTrade

Cluster:	Capital Markets & Wealth Mgmt IT
Web:	www.smart-trade.net
Date of investment:	March 2020
Unrealised value (£000):	22,764
% of NAV:	1.1%

Founded in 1999, smartTrade is a managed services and hosted software provider for trading desks and a global leader in this segment. The business has particular expertise in providing software solutions for currency trading, and its liquidity management solutions enable financial institutions to develop and run high-performance trading platforms throughout the world.

smartTrade has expanded rapidly in recent years and has over 55 clients globally, including some of the leading financial institutions in the world, with offices in London, New York, Tokyo and Singapore.

30 SERRALA

Cluster:	Tax & Accounting
Web:	serrala.com
Date of investment:	November 2021
Unrealised value (£000):	21,785
% of NAV:	1.1%

In August 2021, Hg announced an investment in Serrala, a fast-growing global financial automation and B2B payments software company. Founded in 1984 and based in Hamburg, Germany, Serrala provides software solutions for the 'Office of the CFO' to automate and optimise all processes for corporate payments and cash management of medium-sized to large Enterprise customers globally, with a strong footprint across Europe and the US.



For information regarding Hg's other investments, please visit: hgcapital.com/our-portfolio/





Income statement

for the year ended 31 December 2021

	Notes	Revenue return		Capital return		Total return	
		2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
Gains on investments and liquidity funds	13	–	–	566,130	233,322	566,130	233,322
Losses on priority profit share calls	5(b)	–	–	(7,821)	(3,176)	(7,821)	(3,176)
Net income	4	47,433	24,682	–	–	47,433	24,682
Other expenses	6(a)	(5,703)	(4,846)	–	–	(5,703)	(4,846)
Net return before finance costs and taxation		41,730	19,836	558,309	230,146	600,039	249,982
Finance costs	6(b)	(5,094)	(3,025)	–	–	(5,094)	(3,025)
Net return before taxation		36,636	16,811	558,309	230,146	594,945	246,957
Taxation	9	192	(2)	–	–	192	(2)
Net return after taxation		36,828	16,809	558,309	230,146	595,137	246,955
Basic and diluted return per ordinary share	10(a)	8.49p	4.11p	128.70p	56.30p	137.19p	60.41p

The total return column of this statement represents HGT's income statement. The supplementary revenue and capital return columns are both prepared under guidance published by the Association of Investment Companies ('AIC'). All recognised gains and losses are disclosed in the revenue and capital columns of the income statement and as a consequence, no statement of comprehensive income has been presented.

The movements in reserves are set out in note 21 to the financial statements.

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued during the year.

The following notes form part of these financial statements.





Balance sheet

as at 31 December 2021

	Notes	2021 £000	2020 £000
Fixed asset investments			
Investments at fair value through profit or loss:			
Unquoted investments	12	1,678,008	1,024,116
Total fixed asset investments		1,678,008	1,024,116
Current assets – amounts receivable after one year:			
Accrued income on fixed assets	14	102,166	70,953
Current assets – amounts receivable within one year:			
Debtors	14	8,090	9,528
Investments at fair value through profit or loss:			
Liquidity funds	15	277,049	139,470
Uninvested capital in limited partnerships	12(a)	160	26,471
Cash at bank	16	94,280	21,648
Total current assets		481,745	268,070
Creditors – amounts falling due within one year	17	(2,887)	(1,170)
Net current assets		478,858	266,900
Creditors – amounts falling due after one year	18	(151,142)	–
Net assets		2,005,724	1,291,016
Capital and reserves:			
Called-up share capital	20	11,382	10,400
Share premium account	21	359,971	219,722
Capital redemption reserve	21	1,248	1,248
Capital reserve – unrealised	21	712,188	240,712
Capital reserve – realised	21	885,821	798,988
Revenue reserve	21	35,114	19,946
Total equity shareholders funds		2,005,724	1,291,016
Net asset value per ordinary share	10(b)	440.5p	310.3p
Ordinary shares in issue at 31 December		455,279,808	415,999,808

The financial statements of HgCapital Trust plc (registered number 01525583) on pages 78–101 were approved and authorised for issue by the Board of Directors on 4 March 2022 and signed on its behalf by:

Jim Strang, *Chairman*

Richard Brooman, *Director*

The following notes form part of these financial statements.

Statement of cash flows

for the year ended 31 December 2021

	Notes	2021 £000	2020 £000
Net cash outflow from operating activities	7	(2,088)	(69,041)
Investing activities:			
Purchase of fixed asset investments	12	(424,336)	(403,215)
Proceeds from the sale of fixed asset investments		279,628	383,025
Proceeds from fund level refinancing		90,180	58,334
Purchase of liquidity funds	15	(195,200)	(271,900)
Redemption of liquidity funds	15	57,490	318,149
Net cash (outflow)/inflow from investing activities		(192,238)	84,393
Financing activities:			
Drawdown of loan facility	18	152,481	–
Servicing of finance		(5,094)	(3,025)
Equity dividends paid	11	(21,660)	(20,399)
Proceeds from issue of shares		141,231	25,162
Net cash inflow from financing activities		266,958	1,738
Increase in cash and cash equivalents in the year	16	72,632	17,090
Cash and cash equivalents at 1 January	16	21,648	4,558
Cash and cash equivalents at 31 December	16	94,280	21,648

The following notes form part of these financial statements.





Statement of changes in equity

for the year ended 31 December 2021

	Notes	Non-distributable				Distributable		Total £000
		Share capital £000	Share premium account £000	Capital redemption reserve £000	Capital reserve – unrealised £000	Capital reserve – realised £000	Revenue reserve £000	
At 1 January 2020		10,186	194,774	1,248	264,953	544,601	23,536	1,039,298
Net return after taxation		–	–	–	(24,241)	254,387	16,809	246,955
Contributions of equity net of transaction costs		214	24,948	–	–	–	–	25,162
Equity dividends paid	11	–	–	–	–	–	(20,399)	(20,399)
At 31 December 2020		10,400	219,722	1,248	240,712	798,988	19,946	1,291,016
At 1 January 2021		10,400	219,722	1,248	240,712	798,988	19,946	1,291,016
Net return after taxation		–	–	–	471,476	86,833	36,828	595,137
Contributions of equity net of transaction costs		982	140,249	–	–	–	–	141,231
Equity dividends paid	11	–	–	–	–	–	(21,660)	(21,660)
At 31 December 2021		11,382	359,971	1,248	712,188	885,821	35,114	2,005,724

The following notes form part of these financial statements.



Notes to the financial statements

1. Principal activity

The principal activity of HGT is investment. HGT is an investment company as defined by section 833 of the Companies Act 2006 and an investment trust under sections 1158 and 1159 of the Corporation Tax Act 2010 ('CTA 2010') and is registered as a public company in England and Wales under number 01525583, with its registered office at 2 More London Riverside, London, SE1 2AP.

2. Basis of preparation

The financial statements have been prepared under the historical cost convention, except for the revaluation of financial instruments at fair value as permitted by the Companies Act 2006 and in accordance with applicable UK law and UK Accounting Standards ('UK GAAP'), including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ('SORP'), issued in April 2021. All of HGT's operations are of a continuing nature.

After making enquiries, the Directors have a reasonable expectation that HGT will have adequate resources to continue in operational existence for the next 12-month period from the date of approval of this report. Accordingly, they continue to adopt the going-concern basis in preparing these financial statements.

The same accounting policies, presentation and methods of computation are followed in these financial statements as were applied in HGT's previous annual audited report and accounts.

3. Organisational structure and accounting policies

Partnerships where HGT is the sole limited partner

HGT entered into eleven separate partnership agreements with general and founder partners in May 2003 (subsequently revised in January 2009), January 2009, July 2011, March 2013, December 2016, February 2017, January 2018, February 2018 and February 2020; at each point, an investment-holding limited partnership was established to carry on the business of an investor, with HGT being the sole limited partner in these entities.

The purpose of these partnerships, HGT LP, HGT 6 LP, HGT 7 LP, HGT 8 LP, HgCapital Mercury D LP, HGT Mercury 2 LP, HGT Saturn LP, HGT Transition Capital LP, HGT Saturn 2 LP, HGT Genesis 9 LP and HGT Mercury 3 LP (together the 'primary buyout funds'), is to hold all of HGT's investments in primary buyouts. Under the partnership agreements, HGT made capital commitments into the primary buyout funds, with the result that HGT now holds direct investments in the primary buyout funds and an indirect investment in the fixed-asset investments which are held by these funds, as it is the sole limited partner. These direct investments are included under fixed-asset investments on the balance sheet and in the table of investments on page 91. The underlying investments which are held indirectly are included in the overview of investments on page 54.

HGT does not have control over the operating, financial or governance activities of the limited partnerships in which it is the sole limited partner. The general partner of these partnerships has the day to day control and ultimate decision making powers over the activities of these partnerships. As a result, these limited partnerships are not consolidated in the financial statements.

Partnerships where HGT is a minority limited partner

In July 2011, HGT acquired a direct secondary investment in HgCapital 6 E LP ('Hg 6 E LP'), one of the partnerships which comprise the Hg 6 Fund, in which HGT is now a limited partner pari passu with other limited partners. This is a direct investment in the Hg 6 E LP Fund.

HGT also entered into partnership agreements with other limited partners, with the purpose of investing in renewable energy projects, by making capital commitments in Asper Renewable Power Partners LP ('Asper RPP I LP'). This is a direct investment in the renewable funds, as shown on the balance sheet and in the table of investments on page 91.

Priority profit share and other operating expenses, payable by partnerships in which HGT is a minority limited partner, are recognised as unrealised losses in the capital return section of the income statement and are not separately disclosed within other expenses.

Priority profit share and carried interest under the primary buyout limited partnership agreements

Under the terms of the primary buyout fund limited partnership agreements ('LPAs'), each general partner (see note 5) is entitled to appropriate, as a first charge on the net income of the funds, an amount equivalent to its priority profit share ('PPS'). HGT is entitled to net income from the funds, after payment of the PPS.

In years in which these funds have not yet earned sufficient net income to satisfy the PPS, the entitlement is carried forward to the following years. The PPS is payable quarterly in advance, even if insufficient net income has been earned. Where the cash amount paid exceeds the net income, an interest-free loan is advanced to the general partner by these primary buyout funds, which is funded by a capital call from HGT. Such loan is recoverable from the general partner only by an appropriation of net income until net income is earned. At the HGT level such a call is expensed in the capital column as these amounts are not recoverable (see note 5(b)).

Furthermore, under the primary buyout funds' LPAs, each founder partner (see note 5(c)) is entitled to a carried-interest distribution, once certain preferred returns are met. The LPAs stipulate that the primary buyout funds' capital gains or net income, after payment of the carried interest, are allocated to HGT, when the right to these returns is established.



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Notes to the financial statements



3. Organisational structure and accounting policies continued

Accordingly, HGT's entitlement to net income and net capital gains is shown in the appropriate lines of the income statement. Notes 4, 5 and 10 to the financial statements disclose the gross income and gross capital gains of the primary buyout funds and also reflect the proportion of net income and capital gains in the buyout funds which has been paid to the general partner as its PPS and to the founder partner as carried interest, where applicable.

The PPS paid from net income is charged to the revenue account in the income statement, where there is insufficient income PPS is charged as an unrealised depreciation to the capital return on the income statement.

The carried-interest payments made from net income and capital gains are charged to the revenue and capital account respectively on the income statement.

Investment income and interest receivable

As stated above, all income that is recognised by the primary buyout funds, net of PPS, is allocated to HGT and recognised when the right to this income is established. Income from Hg 6 E LP and the renewable energy funds would normally consist of income distributions and these distributions are recognised as income in the financial statements of HGT when the right to such distribution is established.

The accounting policies below apply to the recognition of income by the primary buyout funds, prior to allocation between the Partners:

Interest income on non-equity shares and fixed income securities is recognised on a time apportionment basis so as to reflect the effective yield when it is probable that it will be realised. Dividends receivable on unlisted equity shares where there is no ex-dividend date and on non-equity shares are brought into account when the right to receive payment is established.

Income from listed equity investments, including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex-dividend. Where dividends are received in the form of additional shares rather than cash dividends, the equivalent of the cash dividend is recognised as the income in the revenue account and any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital reserve – realised.

Expenses

All expenses are accounted for on an accruals basis. All administrative expenses are charged wholly to the revenue account.

Dividend

Dividend distributions to shareholders are recognised as a liability in the year that they are approved unconditionally.

Current and other non-current assets

Financial assets and financial liabilities are recognised in HGT's balance sheet when HGT becomes a party to the contractual provisions of the instrument. Trade receivables are stated at nominal value. Appropriate allowances for estimated irrecoverable amounts are recognised in the revenue return on the income statement.

Cash comprises current accounts held with banks.

Foreign currency

The functional and presentation currency is pounds sterling, reflecting the economic environment in which HGT predominantly operates. All transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the dates of such transactions and the resulting exchange differences are taken to the capital reserve – realised or revenue, as appropriate. Foreign currency assets and liabilities at the balance sheet date are translated into sterling at the exchange rates ruling at that date and the resulting exchange differences are taken to the capital reserve – unrealised or revenue as appropriate.

Taxation

Income taxes represent the sum of the tax currently payable, withholding taxes suffered and deferred tax. Tax is charged or credited in the income statement. Deferred tax is recognised on all timing differences at the reporting date. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Investments

The principle applied is that investments should be reported at 'fair value', in accordance with Sections 11 and 12 of FRS 102 and the International Private Equity and Venture Capital ('IPEV') Valuation Guidelines, December 2018 edition alongside the special issued valuation guidance in March 2020. Where relevant, HGT applies the policies stated below to the investments held by the primary buyout funds, in order to determine the fair value of its investments in these limited partnerships.

Purchases of investments are recognised on a trade date basis. Sales of investments held through the primary buyout funds are recognised at the trade date of the disposal. Sales from the investments in Hg 6 E LP and the renewable energy funds would normally consist of capital distributions and these distributions are recognised as a realisation when the right to such distribution is established. Proceeds are measured at fair value, which is regarded as the proceeds of sale less any transaction costs.

3. Organisational structure and accounting policies continued

Quoted: Quoted investments are held at fair value, which is deemed to be their bid price.

Unquoted: Unquoted investments are also held at fair value and are valued using the following guidelines:

- (i) the level of maintainable earnings or revenue and an appropriate earnings or revenue multiple, unless (iii) is required;
- (ii) where more appropriate, investments can be valued based on other methodologies, including using their net assets or discounted cash flows, rather than on their earnings or revenue; and
- (iii) appropriate fair value movements are made against all individual valuations where necessary to reflect unsatisfactory financial performance or a fall in comparable ratings.

Limited partnership funds: these are investments that are set up by a manager in which HGT has a direct investment, but is not the sole limited partner and does not hold a majority share. These investments are valued at fair value, based on the Manager's valuation after any adjustment required by the Directors.

Liquidity funds: these are short-term investments made in a combination of fixed and floating rate securities and are valued at the current fair value as determined by the manager of the fund. They can be realised at short notice.

Derivative financial instruments: derivative financial instruments are held at fair value and are valued using quoted market prices for financial instruments traded in active markets, or dealer price quotations for financial instruments that are not actively traded.

Both realised and unrealised gains and losses arising on fixed asset investments, financial assets and liabilities and derivative financial instruments, are taken to the capital reserves.

Capital reserves

Capital reserve – realised

The following are accounted for in this reserve:

- (i) gains and losses on the realisation of investments;
- (ii) attribution of gains to the founder partners for carried interest;
- (iii) losses on investments where there is little prospect of realisation or recovering any value;
- (iv) realised exchange differences of a capital nature; and
- (v) expenses, together with the related taxation effect, charged to this reserve in accordance with the above policies.

Capital reserve – unrealised

The following are accounted for in this reserve:

- (i) increases and decreases in the valuation of investments held at the year-end;
- (ii) increases and decreases in the valuation of the loans to general partners; and
- (iii) unrealised exchange differences of a capital nature.

Share capital

Ordinary shares issued are recognised based on the proceeds or fair value received, with the excess of the amount received over their nominal value being credited to the share premium account. Direct issue costs are deducted from equity.

Critical accounting estimates and key sources of estimation uncertainty

The preparation of these financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

The estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key accounting estimate is in respect of the determination of the fair value of financial assets classified as fair value through profit or loss (FVTPL). The methodology used in determining fair values is disclosed above. An attribution analysis of movements in the fair value of investments can be found on page 38 and an analysis of the trading performance and valuation and gearing analysis of the top 20 buyout investments by value can be found from pages 56 to 75. A sensitivity analysis to equity price risk can be found in note 19.





Notes to the financial statements continued

4. Income

	Revenue return	
	2021	2020
	£000	£000
Total net income comprises:		
Interest	44,954	24,682
Dividend	2,479	–
Total net income	47,433	24,682

All income that is recognised by the primary buyout funds, net of PPS, is allocated to HGT and recognised when the right to this income is established. This income and PPS is analysed further below.

	Revenue return	
	2021	2020
	£000	£000
Income from investments held by the primary buyout funds:		
Unquoted investment income	52,862	34,725
Dividend income	2,479	–
Other investment income:		
Unquoted investment income	8	–
Liquidity funds income	648	1,335
Total investment income	55,997	36,060
Total other income	–	60
Total income	55,997	36,120
Priority profit share charge against income:		
Current year - HGT 8 LP	(3,946)	(5,711)
Current year - HGT Genesis 9 LP	(1,440)	–
Current year - HGT Saturn LP	(1,388)	(1,281)
Current year - HGT Mercury 2 LP	(1,154)	(2,092)
Current year - HGT 7 LP	(400)	(1,756)
Current year - HgCapital Mercury D LP	(154)	(371)
Current year - HGT Titan 1 LP	(55)	–
Current year - HGT LP	(27)	(40)
Current year - HGT Transition Capital LP	–	(187)
Current year - HGT 6 LP	–	–
Current year - HGT Saturn 2 LP	–	–
Current year - HGT Mercury 3 LP	–	–
Total priority profit share charge against income (note 5(a))	(8,564)	(11,438)
Total net income	47,433	24,682

Notes to the financial statements continued

5. Priority profit share and carried interest

	Revenue return	
	2021	2020
(a) Priority profit share payable to general partners	£000	£000
Priority profit share payable:		
Current year amount	16,385	14,614
Less: Current year loans advanced to general partners (note 5(b))	(8,153)	(3,922)
Add: Prior year loans recovered from general partners (note 5(b))	332	746
Current year charge against income	8,564	11,438
Total priority profit share charge against income	8,564	11,438

The priority profit share payable on the primary buyout funds rank as a first appropriation of net income from investments held in these partnerships respectively and is deducted prior to such income being attributed to HGT in its capacity as a Limited Partner. The net income of the primary buyout funds earned during the year, after the deduction of the priority profit share, is shown on the income statement. Details of these arrangements are disclosed in the Directors' report on page 114.

The terms of the above priority profit share arrangements during 2021 were:

Primary buyout fund partnership	Priority profit share
HGT Genesis 9 LP	1.75% on the fund commitment during the investment period
HGT Mercury 3 LP	1.75% on the fund commitment during the investment period
HGT 8 LP	1.5% of original cost of investments in the fund, less the original cost of investments which have been realised or written off
HGT Mercury 2 LP	1.5% of original cost of investments in the fund, less the original cost of investments which have been realised or written off
HGT 7 LP	1.5% of original cost of investments in the fund, less the original cost of investments which have been realised or written off
HgCapital Mercury D LP	1.5% of original cost of investments in the fund, less the original cost of investments which have been realised or written off
HGT Saturn 2 LP	1.0% on the fund commitment during the investment period
HGT Saturn LP	1.0% on invested capital
HGT LP	1.0% on invested capital excluding co-investment

In addition, priority profit shares are payable on partnerships where HGT is a minority limited partner invested *pari passu* with other institutional investors. These amounts are initially and indirectly funded by HGT through the amounts invested in these partnerships and these amounts are recognised as unrealised losses in the capital account in the income statement.

Fund partnership	Priority profit share
Asper Renewable Power Partners LP	1.5% of original cost of investments in the fund, less the original cost of investments that have been realised or written-off.

	Capital return	
	2021	2020
(b) Priority profit share loans to general partners within the underlying limited partnerships	£000	£000
Movement on loans to general partners:		
Losses on current-year loans advanced to general partners	(8,153)	(3,922)
Gains on prior-year loans recovered from general partners	332	746
Total losses on priority profit share loans advanced to general partners	(7,821)	(3,176)



Notes to the financial statements continued

5. Priority profit share and carried interest continued

In years in which the funds described in note 5(a) have not yet earned sufficient net income to satisfy the priority profit share, the entitlement is carried forward to the following years. The priority profit share is payable quarterly in advance, even if insufficient net income has been earned. Where the cash amount paid exceeds the net income, an interest free loan is advanced to the general partner by these primary buyout funds, which is funded via a loan from HGT. Such loan is only recoverable from the general partner by an appropriation of net income, until sufficient net income is earned, no value is attributed to this loan and hence an unrealised capital loss is recognised and reversed if sufficient income is subsequently generated.

	Capital return	
	2021 £000	2020 £000
(c) Carried interest to founder partners		
Carried interest charge against capital gains:		
Current year charge against realised capital gains	32,472	37,204
Current year charge against unrealised capital gains	90,063	23,429
Total carried-interest charge against capital gains	122,535	60,633

The carried interest payable ranks as a first appropriation of capital gains, after preferred return, on the investments held in the primary buyout funds, limited partnerships established solely to hold HGT's investments, and is deducted prior to such gains being paid to HGT in its capacity as a Limited Partner. The net amount of capital gains of the primary buyout funds during the year, after the deduction of carried interest, is shown in the income statement.

The details of the carried interest contracts, disclosed in the Directors' report on page 114, state that carried interest is payable once a certain level of repayments have been made to HGT. Based on the repayments made during 2021, £32,472,000 (2020: £37,204,000) of carried interest was paid in respect of the current financial year. If the investments in HGT 7 LP, HGT 8 LP, HGT Saturn LP, HgCapital Mercury D LP and HGT Mercury 2 LP are realised at the current fair value and then distributed to Partners, an amount of £171,578,957 will be payable to the Founder Partner (2020: £81,515,738 payable to the Founder Partner) and therefore the Directors have made a provision for this amount (see note 12). No provision is required in respect of HGT's investment in the other fund limited partnerships, because they are still in their investment period.

6. Other expenses

	Revenue return	
	2021 £000	2020 £000
(a) Operating expenses		
Registrar, management and administration fees	1,544	1,108
Directors remuneration (note 8)	342	292
Legal and other administration costs ¹	3,702	3,340
	5,588	4,740
Fees payable to HGT's auditor in relation to HGT:		
Audit fees ²	115	106
Total fees payable to HGT's auditor	115	106
Total other expenses	5,703	4,846

¹Includes employer's National Insurance contributions of £37,999 (2020: £34,030).

²In addition to the audit fees payable to the auditor in relation to HGT, audit fees payable to the auditor in respect of the audit of the primary buyout funds were £93,600 (2020: £69,000) inclusive of VAT.

	Revenue return	
	2021 £000	2020 £000
(b) Finance costs		
Interest paid	1,677	1,444
Non-utilisation fees and other expenses	2,279	717
Arrangement fees	1,138	864
Total finance costs	5,094	3,025

Notes to the financial statements continued

7. Cash flow from operating activities

Reconciliation of net return before finance costs and taxation to net cash flow from operating activities	2021 £000	2020 £000
Net return before finance costs and taxation	600,039	249,982
Gains on investments held at fair value and liquidity funds	(657,515)	(260,351)
Carried interest paid	(32,472)	(37,204)
Increase in carried interest provision	90,063	23,429
Increase in accrued income from liquidity funds	(648)	(1,335)
Increase in accrued income and other debtors	(29,775)	(17,254)
Increase/(decrease) in creditors	1,717	(61)
Decrease/(increase) in uninvested capital	26,311	(26,245)
Taxation received/(paid)	192	(2)
Net cash outflow from operating activities	(2,088)	(69,041)

8. Directors' remuneration

The aggregate remuneration of the Directors for the year to 31 December 2021 was £341,750 (2020: £291,684). Further information on the Directors' remuneration is disclosed in the Directors' remuneration report on pages 129–131.

9. Taxation

In the opinion of the Directors, HGT has complied with the requirements of section 1158 and section 1159 of the CTA 2010 and will, therefore, be exempt from corporation tax on any capital gains reported in the capital return during the year. To the extent possible, HGT will elect to designate all of the proposed dividend (see note 11) as an interest distribution to its shareholders. This distribution is treated as a tax deduction against taxable income in the revenue return and results in a reduction of corporation tax being payable by HGT at 31 December 2021.

The rate of corporation tax in the UK for a company was 19% during the year (2020: tax rate of 19%). However, the tax charge in the current and previous year was lower than the standard and effective tax rate, owing largely to the reduction in corporation tax from the interest distribution noted above. The effect of this and other items affecting the tax charge is shown in note 9(b) below.

	Revenue return	
	2021 £000	2020 £000
(a) Analysis of charge in the year		
Current tax:		
UK corporation tax	6,583	2,798
Income streaming relief	(6,476)	(2,802)
Prior year adjustment	(192)	6
Tax losses brought forward	(107)	–
Current revenue tax (credit)/charge for the year	(192)	2
Deferred tax:		
Reversal of timing differences	–	–
Total deferred tax charge for the year (note 9(c))	–	–
Total taxation (credit)/charge	(192)	2



Notes to the financial statements continued

9. Taxation continued

(b) Factors affecting tax (credit)/charge for the year	Revenue return	
	2021 £000	2020 £000
Net revenue return before taxation	36,636	16,811
UK corporation tax charge at 19% thereon (2020: 19%)	6,961	3,194
Effects of:		
Tax relief from interest distribution	(6,476)	(2,802)
Tax relief from expenses allocated to capital	(378)	(396)
Prior year tax adjustment	(192)	6
Tax losses brought forward	(107)	–
Total differences	(7,153)	(3,192)
Total taxation (credit)/charge	(192)	2

(c) Deferred tax	Revenue return	
	2021 £000	2020 £000
Deferred tax:		
Movement in taxable income not recognised in revenue return	–	–
Total deferred tax charge for the year (note 9(a))	–	–
Deferred tax recoverable:		
Recoverable deferred tax at 31 December	–	–
Deferred tax charge for the year	–	–
Recoverable deferred tax at end of year	–	–

Deferred tax assets of Enil were recognised at 31 December 2021 (2020: Enil at a 19% tax rate).

10. Return and net asset value per Ordinary share

(a) Basic and diluted return per ordinary share	Revenue return		Capital return	
	2021	2020	2021	2020
Amount (£000):				
Net return after taxation	36,828	16,809	558,309	230,146
Weighted average number of ordinary shares (000):				
Weighted average number of ordinary shares in issue	433,799	408,765	433,799	408,765
Basic and diluted return per ordinary share (pence)	8.49	4.11	128.70	56.30

The basic and diluted EPS are the same as the Company does not have dilutive financial instruments.

(b) Net asset value per ordinary share	Capital return	
	2021	2020
Amount (£000):		
Net assets	2,005,724	1,291,016
Number of ordinary shares (000):		
Number of ordinary shares in issue	455,280	416,000
Net asset value per ordinary share (pence)	440.5	310.3

Notes to the financial statements continued

11. Dividends on ordinary shares

	Record date	Payment date	2021 £000	2020 £000
Interim Dividend of 2.0p for the year ended 31 December 2021	16 September 2021	22 October 2021	8,832	–
Final Dividend of 3.0p for the year ended 31 December 2020	29 April 2021	27 May 2021	12,828	–
Interim Dividend of 2.0p for the year ended 31 December 2020	24 September 2020	28 October 2020	–	8,176
Final Dividend of 3.0p for the year ended 31 December 2019	19 March 2020	15 May 2020	–	12,223
Total equity dividends paid			21,660	20,399

The proposed final dividend of 5.0 pence per ordinary share for the year ended 31 December 2021 is subject to approval by the shareholders at the annual general meeting and has not been included as a liability in these financial statements. The total dividends payable in respect of the financial year, which form the basis of the retention test as set out in Section 1159 of the CTA 2010, are set out below:

	2021 £000	2020 £000
Revenue available for distribution by way of dividend for the year	36,828	16,809
Interim dividend of 2.0p for the year ended 31 December 2021 (paid on 22 October 2021)	(8,832)	(12,223)
Proposed final dividend of 5.0p for the year ended 31 December 2021 (based on 455,279,808 ordinary shares in issue at 31 December 2021)	(22,764)	(12,480)
Undistributed revenue/(distributions in excess of revenue) for Section 1159 purposes*	5,232	(7,894)

*Distributions in excess of revenue are financed by the revenue reserve

12. Fixed asset investments

	2021 £000	2020 £000
Investments held at fair value through profit and loss:		
Unquoted investments held in HGT 8 LP	697,719	431,092
Unquoted investments held in HGT Saturn 2 LP	336,397	112,992
Unquoted investments held in HGT Genesis 9 LP	281,995	57,734
Unquoted investments held in HGT Saturn LP	265,810	208,138
Unquoted investments held in HGT Mercury 2 LP	160,471	94,659
Unquoted investments held in HGT LP	141,477	71,108
Unquoted investments held in HGT 7 LP	74,914	103,527
Unquoted investments held in HGT Mercury 3 LP	34,621	–
Unquoted investments held in HgCapital Mercury D LP	12,711	30,702
Other unquoted investments held by the company	311	2,239
Unquoted investments held in HGT Transition Capital LP	–	29,126
Total fixed asset investments gross of carried interest provision	2,006,426	1,165,403
Carried interest provision (note 5(c))	(171,579)	(81,516)
Fund level facilities*	(156,839)	(59,771)
Total fixed asset investments	1,678,008	1,024,116
Total fixed asset investments consist of:		
Fund limited partnerships	1,678,008	1,024,116

*Loan facility in the underlying funds that resulted in proceeds received by HGT.



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Further information



Notes to the financial statements continued

12. Fixed asset investments continued

	2021 £000	2020 £000
Opening valuation as at 1 January	1,024,116	788,013
Opening unrealised appreciation – investments	(339,497)	(329,086)
Opening carried interest provision	81,516	58,087
Opening advanced proceeds	59,771	–
Opening book cost as at 1 January	825,906	517,014
Movements in the year:		
Additions at cost	424,336	403,215
Disposals – proceeds	(279,628)	(383,025)
– realised gains on sales	122,294	288,702
Closing book cost of investments	1,092,908	825,906
Add: closing unrealised appreciation – investments	913,518	339,497
Less: closing carried interest provision	(171,579)	(81,516)
Less: fund level facilities	(156,839)	(59,771)
Closing valuation of investments at 31 December	1,678,008	1,024,116

The investments above include investments in companies that are indirectly held by HGT through its investment in the primary buyout funds as set out in note 3 on page 83, and investments in fund limited partnerships in Hg 6 E LP and Asper Renewable Power Partners LP. The net assets attributable to partners at 31 December 2020, being the date of the last audited balance sheet, of these primary buyout funds were £71,108,224 (HGT LP), £24,085,862 (HGT 6 LP), £103,527,054 (HGT 7 LP), £30,701,781 (HgCapital Mercury D LP), £431,091,918 (HGT 8 LP), £94,659,381 (HGT Mercury 2 LP), £208,138,396 (HGT Saturn LP), £29,126,013 (HGT Transition Capital LP), £112,991,806 (HGT Saturn 2 LP) and £57,733,503 (HGT Genesis 9 LP).

a) Uninvested capital in limited partnerships

Uninvested capital in the limited partnerships relates to cash held in the underlying limited partnerships as a result of timing differences before an investment or after a realisation. Cash held at the fund level at the 31 December 2021 was £0.2 million (2020: £26.5 million).

Notes to the financial statements continued

13. Gains on investments and liquidity funds

		Capital return	
		2021 £000	2020 £000
Realised:			
Realised gains/(losses)	– fixed asset investments	122,294	288,702
	– liquidity funds	236	2,117
	– foreign exchange losses	(1,234)	–
	– aborted deal fees	(1,991)	548
	– loan facility	–	224
		119,305	291,591
Carried interest charge against realised capital gains (note 5(c))		(32,472)	(37,204)
Net realised gains		86,833	254,387
Unrealised:			
Unrealised gains/(losses)	– fixed asset investments	574,021	10,411
	– foreign exchange on investments	1,861	(2,288)
	– liquidity funds	(1,015)	(2,238)
	– aborted deal fees	42	(2,084)
	– foreign exchange on loan facility	1,339	–
		576,248	3,801
Carried interest charge against unrealised capital gains (note 5(c))		(90,063)	(23,429)
Fund level facilities ¹		(6,888)	(1,437)
Net unrealised gains / (losses)		479,297	(21,065)
Total gains		566,130	233,322

¹Loan facility in the underlying funds that resulted in proceeds received by HGT.

Page 38 of the Manager's Review contains an analysis of all material realised and unrealised movements in value of individual investments held as fixed asset investments, in accordance with paragraph 28 and 29 of the 'SORP'.

14. Debtors and accrued income

	2021 £000	2020 £000
Amounts receivable after one year:		
Accrued income on fixed assets	102,166	70,953
Amounts receivable within one year:		
Prepayments and other debtors	8,090	9,528
Total amounts receivable within one year	8,090	9,528
Total debtors	110,256	80,481

The Directors consider that the carrying amount of debtors approximates their fair value.



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Notes to the financial statements continued

15. Liquidity funds	2021 £000	2020 £000
Investments held at fair value through profit or loss:		
Opening valuation	139,470	184,505
Purchases at cost	195,200	271,900
Redemptions	(57,490)	(318,149)
Movement in unrealised capital losses	(1,015)	(2,238)
Movement in accrued income	648	1,335
Realised capital gains	236	2,117
Closing valuation	277,049	139,470

16. Movement in net debt	2021 £000	2020 £000
Analysis and reconciliation of net funds:		
Net funds at 1 January	21,648	4,558
Change in cash	72,632	17,090
Change in debt due after one year	(152,481)	(224)
Other non-cash changes	1,339	224
Net (debt)/funds at 31 December	(56,862)	21,648
Net funds comprise:		
Cash	94,280	21,648
Debt due after one year	(151,142)	–

17. Creditors – amounts falling due within one year	2021 £000	2020 £000
Accruals	2,887	1,170
Total creditors	2,887	1,170

The Directors consider that the carrying amount of creditors approximates their fair value.

18. Bank facility	2021 £000	2020 £000
Opening valuation	–	–
Draw on loan facility	152,481	80,271
Repayment of loan facility	–	(80,047)
Unrealised gains	(1,339)	–
Realised gains	–	(224)
Total loan facility	151,142	–

In June 2019 HGT entered into an £80 million facility. In October 2020 this facility was repaid in full and a revised facility agreed for £200 million. In December 2021 the facility was increased to £250 million. Under the facility agreement, HGT is liable to pay interest on any drawn amount at LIBOR plus a margin of 3.25%. A commitment fee of 1.15% is liable on any undrawn commitment. The term of this facility is four years. The facility was 60% drawn as at the end of the year.

19. Financial risk

The following disclosures relating to the risks faced by HGT are provided in accordance with sections 11 and 12 of FRS 102. The reference to investments in this note is in relation to HGT's direct investments in Asper RPP I LP, Hg 6 E LP and the underlying investments in HGT LP, HGT 6 LP, HGT 7 LP, HGT 8 LP, HgCapital Mercury D LP, HGT Mercury 2 LP, HGT Saturn LP, HGT Saturn 2 LP, HGT Genesis 9 LP and HGT Transition Capital LP as described in note 3 on page 83.

Financial instruments and risk profile

HGT's investment objective is to achieve long-term capital appreciation by indirectly investing in unquoted companies. It does this through its investments in fund partnerships, mostly in the UK and Europe. Additionally, HGT holds UK Government securities, cash, liquidity funds and items such as debtors and creditors arising directly from its operations. In pursuing its investment objective, HGT is exposed to a variety of risks that could result in either a reduction of HGT's net assets or a reduction in the profits available for distribution by way of dividends. Valuation risk, market risk (comprising currency risk and interest rate risk), liquidity risk and credit risk, and the Directors' approach to the management of them, are described below. The Board and Hg coordinate HGT's risk management. The objectives, policies and processes for managing the risks, and the methods used to manage the risks, that are set out below, have not changed from the previous accounting period.

Valuation risk

HGT's exposure to valuation risk arises mainly from movements in the value of the underlying investments (held through fund partnerships), the majority of which are unquoted. A breakdown of HGT's portfolio is given on page 43 and a breakdown of the most significant underlying investments is given on page 54. In accordance with HGT's accounting policies, the investments in fund limited partnerships are valued by reference to their underlying unquoted investments, which are valued by the Directors following the IPEV Valuation Guidelines. Page 41 includes details of the most significant assumptions included in the valuations. HGT does not hedge against movements in the value of these investments, apart from foreign exchange movements as explained below, though the borrowing arranged to fund these investments is normally denominated in the currency in which the business is operating and valued (see page 98). HGT has exposure to interest rate movements, through bank deposits and liquidity funds.

In the opinion of the Directors, the diversified nature of HGT's investments significantly reduces the risks of investing in unquoted companies.

FRS 102 requires HGT to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

The determination of what constitutes an 'observable' input requires significant judgement by the Board. The Board considers observable data relating to investments actively traded in organised financial markets, in which case fair value is generally determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date, without adjustment for transaction costs necessary to realise the asset.





Notes to the financial statements continued

19. Financial risk continued

The following table analyses, within the fair value hierarchy, the fund's financial assets (by class) measured at fair value at 31 December 2021.

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investments held at fair value through profit and loss:				
Unquoted investments				
- Investment in HGT 8 LP	-	-	697,719	697,719
- Investment in HGT Saturn 2 LP	-	-	336,397	336,397
- Investment in HGT Genesis 9 LP	-	-	281,995	281,995
- Investment in HGT Saturn LP	-	-	265,810	265,810
- Investment in HGT Mercury 2 LP	-	-	160,471	160,471
- Investment in HGT LP	-	-	141,477	141,477
- Investment in HGT 7 LP	-	-	74,914	74,914
- Investment in HGT Mercury 3 LP	-	-	34,621	34,621
- Investment in Hg Mercury D LP	-	-	12,711	12,711
- Investment in Asper RPP I LP	-	-	311	311
- Liquidity funds	-	277,049	-	277,049
- Carried interest provision	-	-	(171,579)	(171,579)
- Fund level refinancing	-	-	(156,839)	(156,839)
- Uninvested capital in limited partnerships	-	-	160	160
As at 31 December 2021	-	277,049	1,678,168	1,955,217

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investments held at fair value through profit and loss:				
Unquoted investments				
- Investment in HGT 8 LP	-	-	431,092	431,092
- Investment in HGT Saturn LP	-	-	208,138	208,138
- Investment in HGT Saturn 2 LP	-	-	112,992	112,992
- Investment in HGT Saturn LP	-	-	103,527	103,527
- Investment in HGT Mercury 2 LP	-	-	94,659	94,659
- Investment in HGT LP	-	-	71,108	71,108
- Investment in HGT Genesis 9 LP	-	-	57,734	57,734
- Investment in Hg Mercury D LP	-	-	30,702	30,702
- Investment in HGT Transition Capital LP	-	-	29,126	29,126
- Investment in HGT 6 LP	-	-	24,086	24,086
- Investment in HG6 E LP	-	-	2,239	2,239
- Liquidity funds	-	139,470	-	139,470
- Carried interest provision	-	-	(81,516)	(81,516)
- Fund level facilities	-	-	(59,771)	(59,771)
- Uninvested capital in limited partnerships	-	-	26,471	26,471
As at 31 December 2020	-	139,470	1,050,587	1,190,057

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include government securities and actively traded listed equities. HGT does not adjust the quoted bid price of these investments.

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

Notes to the financial statements continued

19. Financial risk continued

Investments classified within level 3 have significant unobservable inputs. Level 3 instruments include private equity and corporate debt securities. As observable prices are not available for these securities, the Board has used valuation techniques to derive the fair value. In respect of unquoted instruments, or where the market for a financial instrument is not active, fair value is established by using recognised valuation methodologies, in accordance with IPEV Valuation Guidelines. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

There were no transfers of assets from level 1 to level 2 or 3, level 2 to level 1 or 3 and level 3 to level 1 or 2.

The following table presents the movement in level 3 investments for the year ended 31 December 2021 by class of financial instrument.

Total investments in limited partnerships	2021 £000	2020 £000
Unquoted investments:		
Opening balance	1,024,116	788,013
Purchases	424,336	403,215
Realisations at 31 December 2020 valuation	(198,150)	94,046
Unrealised appreciation of fixed asset investments	614,837	(177,958)
Movement in net carried interest provision	(90,063)	(23,429)
Fund level refinancing	(97,068)	(59,771)
Closing unrealised valuation of level 3 investments	1,678,008	1,024,116

Equity price risk

Equity price risk is the risk of a fall in the fair value of HGT's ownership interests (comprising equities and shareholder loans) held by HGT indirectly through its direct investments in fund limited partnerships. The Board revalues each investment on a quarterly basis. The Board manages the risks inherent in HGT's investment activities by ensuring full and timely access to relevant information from Hg. The Board meets regularly and at each meeting reviews the trading performance of the principal underlying investments. If there appears to the Board to be a fair value movement in value between regular valuations, it can revalue the investment. The Board also monitors Hg's compliance with HGT's investment objective and investment policy.

For unquoted equity investments, the market risk variable is deemed to be the multiples applied to a maintainable earnings figure to calculate the individual investment valuations within each of the primary buyout funds; borrowing is then deducted to arrive at a valuation of the net equity held by HGT. These multiples are largely based on the historic trading multiples of comparable businesses and therefore there is a potential impact on the valuation of unquoted investments of a fall in global equity markets. Hg's best estimate of the effect on the net assets of HGT due to a 1x reduction in the multiples applied to calculate the enterprise value of all unquoted investments, with all other variables held constant, is as follows:

	2021 £000	NAV per ordinary share Pence	2020 £000	NAV per ordinary share Pence
Sensitivity to equity price risk:				
1x reduction in EV to EBITDA multiple applied to unquoted investments				
Change in the value of unquoted investments	(129,215)	(28.4)	(59,864)	(14.7)

A fall in the value of unquoted investments could be mitigated to some degree by a reduction in the provision for carried interest (£172 million at 31 December 2021), but only in funds where an adjustment for carried interest is required (Hg Genesis 6, Hg Genesis 7, Mercury 1, Hg Genesis 8, Hg Saturn and Mercury 2, see note 5(c) or on page 87). Hg's best estimate of the impact on the carried interest provision of the above change in value of unquoted investments is a reduction in the provision of £14,336,000, 3.1 pence per ordinary share (2020: £17,715,000, 4.3 pence per ordinary share). There are likely to be other correlations (either positive or negative) between the assumptions and other factors. Other inputs, such as the earnings of individual investments within the primary buyout funds are likely to have a significant impact on the value of unquoted investments. See page 40 of the Manager's report for an analysis of the portfolio trading performance as at 31 December 2021. The Board regularly stress tests the NAV.

Credit risk

Credit risk is the risk of financial loss in the event that any of HGT's market counterparties fail to fulfil their contractual obligations to HGT. HGT's financial assets (excluding fixed asset investments) that are subject to credit risk, were neither impaired nor overdue at the year-end. HGT's cash balances were held with the Royal Bank of Scotland International and amounts not required for day-to-day use



Notes to the financial statements continued

19. Financial risk continued

were invested in liquidity funds managed by Royal London Asset Management which are rated AAA by Fitch. Foreign exchange forward contracts and options are held with counterparties which have credit ratings which the Board considers to be adequate. The Board regularly monitors the credit quality and financial position of these market counterparties. The credit quality of the above mentioned financial assets was deemed satisfactory.

Market risk

The fair value of future cash flows of a financial instrument held by HGT may fluctuate due to changes in market prices of comparable businesses. This market risk may comprise: currency risk (see below), interest rate risk and/or equity price risk (see above). The Board of Directors reviews and agrees policies for managing these risks. Hg assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk across all of HGT's investments on an ongoing basis.

Currency risk and sensitivity

HGT is exposed to currency risk as a result of investing in fund partnerships which invest in companies that operate and are therefore valued in currencies other than sterling. The value of these assets in sterling, being HGT's functional currency, can be significantly influenced by movements in foreign exchange rates. Borrowing raised to fund each acquisition in such companies is normally denominated in the currency in which the business is operating and valued, thus limiting HGT's exposure to the value of its investments, rather than the gross enterprise value. From time to time, HGT is partially hedged against movements in the value of foreign currency against sterling where a movement in exchange rate could affect the value of an investment, as explained below. Hg monitors HGT's exposure to foreign currencies and reports to the Board on a regular basis. The following table illustrates the sensitivity of the revenue and capital return for the year in relation to HGT's year-end financial exposure to movements in foreign exchange rates against sterling. The rates represent the range of movements against sterling over the current year for the currencies listed, and are considered the best estimate for movements looking forward.

In the opinion of the Directors, the sensitivity analysis below may not be representative of the year as a whole, since the level of exposure changes as HGT's holdings change through the purchase and realisation of investments to meet HGT's objectives.

	2021				2020			
	Revenue return		Capital return		Revenue return		Capital return	
	NAV per		NAV per		NAV per		NAV per	
	ordinary		ordinary		ordinary		ordinary	
	share		share		share		share	
	£000	Pence	£000	Pence	£000	Pence	£000	Pence
Highest value against sterling during the year:								
Danish krone	(1)	–	(15)	–	119	0.3	793	1.9
Euro	(15)	–	(197)	(0.4)	1,375	3.3	16,436	39.5
New Zealand dollar	–	–	–	–	–	–	17	–
Norwegian krone	–	–	(7,817)	(17.2)	–	–	2,262	5.4
US dollar	(147)	(0.3)	(21,296)	(46.8)	356	0.9	31,134	74.8
CAD dollar	(93)	(0.2)	(6,075)	(13.3)	6	–	3,293	7.9
	(256)	(0.5)	(35,400)	(77.7)	1,856	4.5	53,935	129.5
Lowest value against sterling during the year:								
Danish krone	352	0.8	4,526	9.9	(213)	(0.5)	(1,420)	(3.4)
Euro	2,934	6.4	39,735	87.3	(2,165)	(5.2)	(25,874)	(62.2)
New Zealand dollar	–	–	–	–	–	–	(90)	(0.2)
Norwegian krone	–	–	9,653	21.2	–	–	(21,219)	(51.0)
US dollar	79	0.2	11,546	25.4	–	–	6	–
CAD dollar	56	0.1	3,652	8.0	(3)	–	(1,758)	(4.2)
	3,421	7.5	69,112	151.8	(2,381)	(5.7)	(50,355)	(121.0)

At 31 December 2021, the following rates were applied to convert foreign denominated assets into sterling: Danish krone (8.8585); euro (1.1910); New Zealand dollar (1.9783); Norwegian krone (11.9440); US dollar (1.3545) and CAD dollar (1.7109).

Hedging

At times, HGT uses derivative financial instruments such as forward foreign currency contracts and option contracts to manage the currency risks associated with its underlying investment activities. The contracts entered into by HGT are denominated in the foreign currency of the geographic areas in which HGT has significant exposure against its reporting currency. The contracts are used for hedging and the fair values thereof are recorded in the balance sheet as investments held at fair value. Unrealised gains and losses are taken to capital reserves. At the balance sheet date, there were no outstanding derivative financial instruments (2020: nil).

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19. Financial risk continued

HGT does not trade in derivatives but may hold them from time to time to hedge specific exposures with maturities designed to match the exposures they are hedging. It is the intention to hold both the financial investments giving rise to the exposure and the derivatives hedging them until maturity and therefore no net gain or loss is expected to be realised.

Derivatives are held at fair value, which represents the replacement cost of the instruments at the balance sheet date. Movements in the fair value of derivatives are included in the income statement. HGT does not adopt hedge accounting in the financial statements.

Interest rate risk and sensitivity

HGT has exposure to interest rate movements as this may affect the fair value of funds awaiting investment, interest receivable on liquid assets and managed liquidity funds, and interest payable on borrowings. HGT has little immediate direct exposure to interest rates on its fixed assets, as the majority of the underlying investments are fixed rate loans or equity shares that do not pay interest. Therefore, HGT's revenue return is not materially affected by changes in interest rates.

However, funds awaiting investment have been invested in managed liquidity funds and, as stated above, their valuation is affected by movements in interest rates. The sensitivity of the capital return of HGT to movements in interest rates has been based on the UK base rate. With all other variables constant, a 0.25% decrease in the UK base rate should increase the capital return in a full year by about £690,000 (2020: £360,000) with a corresponding decrease if the UK base rate were to increase by 0.25%. In the opinion of the Directors, the above sensitivity analyses may not be representative of the year as a whole, since the level of exposure changes as investments are made and realised throughout the year.

Liquidity risk

Investments in unquoted companies, which form the majority of HGT's investments, may not be as readily realisable as investments in quoted companies, which might result in HGT having difficulty in meeting its obligations. Liquidity risk is currently not significant as 19% of HGT's net assets at the year-end are liquid resources and, in addition, HGT has a £250 million multi-currency bank facility which had £99 million undrawn capacity at the year end. The Board gives guidance to Hg as to the maximum amount of HGT's resources that should be invested in any one company. For further details refer to HGT's Investment Policy on page 13.

Currency and interest rate exposure

HGT's financial assets that are subject to currency and interest rate risk are analysed below:

	2021				2020			
	Fixed and floating rate £000	Non interest- bearing £000	Total £000	Total %	Fixed and floating rate £000	Non interest- bearing £000	Total £000	Total %
Sterling	371,489	373,425	744,914	34.2	187,589	375,482	563,071	41.4
Euro	–	537,380	537,380	24.7	–	386,450	386,450	28.4
Norwegian krone	–	213,002	213,002	9.8	–	144,646	144,646	10.6
US dollar	–	454,933	454,933	20.9	–	166,018	166,018	12.2
Danish krone	–	61,627	61,627	2.8	–	21,525	21,525	1.6
New Zealand dollar	–	–	–	–	–	948	948	0.1
CAD dollar	–	165,447	165,447	7.6	–	77,678	77,678	5.7
Total	371,489	1,805,814	2,177,303	100.0	187,589	1,172,747	1,360,336	100.0

Short-term debtors and creditors, which are excluded, are mostly denominated in sterling, the functional currency of HGT. The fixed and floating rate assets consisted of cash and liquidity funds, of which the underlying investments are a combination of fixed and floating rate. The non-interest-bearing assets represent the investments held in fund limited partnerships, net of the provision for carried interest.

Capital management policies and procedures

HGT's capital management objectives are to ensure that it will be able to finance its business as a going concern and to maximise the revenue and capital return to its equity shareholders.

HGT's capital at 31 December 2021 comprised:

	2021 £000	2020 £000
Equity:		
Equity share capital	11,382	10,400
Share premium	359,971	219,722
Capital redemption reserve	1,248	1,248
Retained earnings and other reserves	1,633,123	1,059,646
Total capital	2,005,724	1,291,016





Notes to the financial statements continued

19. Financial risk continued

With the assistance of Hg, the Board monitors and reviews the broad structure of HGT's capital on an ongoing basis. This review covers:

- the projected level of liquid funds (including access to bank facilities);
- the desirability of buying back equity shares, either for cancellation or to hold in treasury, balancing the effect (if any) this may have on the discount at which shares in HGT are trading against the advantages of retaining cash for investment;
- the opportunity to raise funds by an issue of equity shares; and
- the extent to which revenue in excess of that which is required to be distributed should be retained, while maintaining its status under Section 1158 of the CTA 2010.

HGT's objectives; policies and processes for managing capital are unchanged from the preceding accounting period.

20. Called-up share capital

	2021		2020	
	No. 000	£000	No. 000	£000
Ordinary shares of 2.5p each:				
Allotted, called up and fully paid:				
At 1 January	416,000	10,400	407,425	10,186
Sub-division of ordinary shares	–	–	–	–
Issues of ordinary shares	39,280	982	8,575	214
At 31 December	455,280	11,382	416,000	10,400
Total called-up share capital	455,280	11,382	416,000	10,400

While HGT no longer has an authorised share capital, the Directors will still be limited as to the number of shares they can at any time allot, as the Companies Act 2006 requires that Directors seek authority from shareholders for the allotment of new shares. Share issue costs incurred during the year were £1,426,573 (2020: £254,167). Total proceeds received from the issuance of shares during the year were £141,230,750 (2020: £25,162,000).

21. Share premium account and reserves

	Share premium account £000	Capital redemption reserve £000	Capital reserve unrealised £000	Capital reserve realised £000	Revenue reserve £000
As at 1 January 2021	219,722	1,248	240,712	798,988	19,946
Issues of ordinary shares	140,249	–	–	–	–
Transfer on disposal of investments	–	–	(40,816)	40,816	–
(Losses)/gains on liquidity funds	–	–	(1,015)	236	–
(Losses)/gains on aborted deal fees	–	–	42	(1,991)	–
Foreign exchange gain on loan facility	–	–	1,339	–	–
Net movement on sale of fixed asset investments	–	–	–	81,478	–
Net movement in unrealised appreciation of fixed asset investments	–	–	614,837	–	–
Foreign exchange gain/(loss) on fixed asset investments	–	–	1,861	–	–
Foreign exchange gain/(loss) on portfolio facilities	–	–	(6,888)	–	–
Foreign exchange gain/(loss) on cash balances	–	–	–	(1,234)	–
Dividends paid	–	–	–	–	(21,660)
Net revenue return	–	–	–	–	36,828
Net loans recovered from General Partners	–	–	(7,821)	–	–
Carried interest	–	–	(90,063)	(32,472)	–
As at 31 December 2021	359,971	1,248	712,188	885,821	35,114

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22. Commitment in fund partnerships and contingent liabilities

Fund	Original ¹	Outstanding at 31 Dec	
	commitment £000	2021 £000	2020 £000
HGT Saturn 3 LP	627,538 ²	627,538	–
HGT LP	92,285 ³	92,285	1,300
HGT Saturn 2 LP	295,312 ⁴	67,835	200,605
HGT Genesis 9 LP	302,267 ⁵	66,162	263,218
HGT Mercury 3 LP	96,558 ⁶	64,033	102,936
HGT 8 LP	350,000	51,499	9,700
HGT Saturn LP	150,000	15,944	7,900
HgCapital Mercury D LP	60,000 ⁷	3,265	3,300
HGT Mercury 2 LP	80,000	1,849	4,700
HGT 7 LP	200,000 ⁷	992	1,200
Asper RPP I LP	18,170 ⁸	581 ⁹	600
HGT Transition Capital LP	75,000	–	49,600
HGT 6 LP	285,029 ⁷	–	2,300
Hg 6 E LP	15,000 ⁷	–	100
Total outstanding commitments		991,983	647,459

¹ HGT has the benefit of an opt-out provision in connection with its commitments to invest alongside Hg Genesis 8, Hg Mercury 2, Hg Saturn, Transition Capital, Hg Saturn 2, Hg Genesis 9, Hg Mercury 3 and Hg Saturn 3 allowing it to opt out of its obligation to fund draw-downs under its commitments, without penalty, where certain conditions exist.

² Sterling equivalent of \$850,000,000.

³ Sterling equivalent of \$125,000,000 of junior debt.

⁴ Sterling equivalent of \$400,000,000.

⁵ Sterling equivalent of £360,000,000.

⁶ Sterling equivalent of £360,000,000.

⁷ 5.5% of the original £300 million to the HgCapital 6 Fund, 7.6% of the £60 million to the Mercury 1 Fund and 12.4% of the original £200 million to the HgCapital 7 Fund have subsequently been cancelled, as the Manager deemed that it was unlikely to be required.

⁸ Sterling equivalent of £21,640,000.

⁹ Sterling equivalent of £692,000 (2020: £834,000).

23. Key agreements, related party transactions and ultimate controlling party

Key agreements, related party transactions and ultimate controlling party

Hg acts as Manager of HGT through a management agreement and indirectly participates through fund limited partnership agreements as the general partners and, alongside a number of Hg's executives (past and present), as the founder partners of the fund partnerships in which HGT invests. In addition, Hg acts as Administrator of HGT.

HGT has no ultimate controlling party.

HGT's related parties are its Directors. Fees paid to HGT's Board are disclosed in the Directors' Remuneration Report on pages 129 to 131 and employer's National Insurance contributions are disclosed in note 6(a). There are no other identified related parties at the year-end, and as of 4 March 2022.

24. Post balance sheet events

Since 31 December 2021, there have been no significant post balance sheet events.



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Independent auditor's report

to the members of HgCapital Trust plc

Opinion - Our opinion on the financial statements is unmodified

We have audited the financial statements of HgCapital Trust plc (the 'Company') for the year ended 31 December 2021, which comprise the Income Statement, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK

and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease or continue as a going concern.

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included an assessment of the Company's cashflow forecast prepared by management, availability and nature of its liquid resources, the appropriateness of key assumptions used and the Company's ability to opt out of future investment commitments if required. We also evaluated the sensitivity analysis prepared by management and challenged management on the impact to the forecast from potential changes in assumptions.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

In relation to the company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

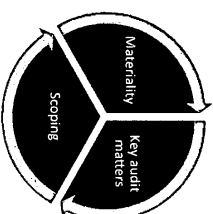
Overview of our audit approach

Overall materiality: £40,099,000, which represents 2% of the Company's net assets.

Key audit matters were identified as:

- Valuation of unquoted investments (same as previous year)
- Occurrence of investment income (same as previous year)

We performed a risk-based substantive audit focused on valuation of unquoted investments at the year-end and investment income recognised during the year. There were no significant changes in the scope of the audit from the prior year.

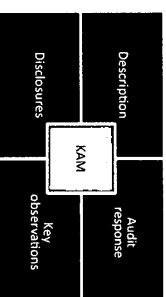


Strategic report

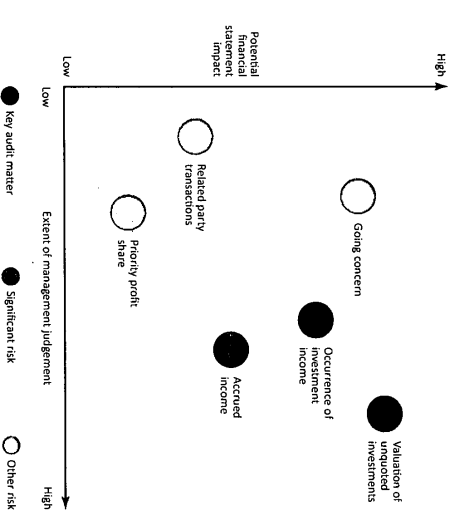
H&S review

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



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Independent auditor's report continued



Key Audit Matter: Valuation of unquoted investments

We identified valuation of unquoted investments as one of the most significant assessed risks of material misstatement due to error.

Providing long-term returns to the Company's shareholders is the primary objective sought by the Company in investing predominantly in unquoted companies through limited partnerships managed by its Manager. Consequently, unquoted investments are the largest asset class in the financial statements representing 84% (2020: 79%) of the Company's net assets of £2.0 billion (2020: £1.2 billion).

Valuations of unquoted investments are subjective and have

a high degree of estimation and uncertainty as they derived using market-based valuation approaches. This involves applying a multiple obtained from comparable listed companies and market transactions to maintainable earnings or revenue of investee companies.

The key judgements in these models include selection of appropriate multiples, any adjustments to observable market data and their relevant weighting.

The subjective nature and complexity inherent in the valuation process introduces a risk that the fair value measurements of these unquoted investments may not be appropriate.



How our scope addressed the matter

In responding to the key audit matter, we performed the following audit procedures:

- Attending the Audit, Valuations & Risk Committee meetings during the year where we observed the committee's review and challenge of unquoted investment valuations and received updates on portfolio performance from the Manager;
- Conducting procedures to satisfy ourselves of the competence and capability of the Manager to prepare investment valuations on behalf of the Company;
- Challenging the appropriateness of the valuation methodologies used by the Manager and whether the valuations were performed in accordance with International Private Equity and Venture Capital valuation guidelines and Financial Reporting Standard ('FRS') 102;
- Challenging the Manager to consider alternative valuations and assessing the resulting analysis for significant variations between different methodologies;
- Using our internal valuation specialists to assess the appropriateness of the key judgements used in the valuations, specifically:
- the reasonableness and factual accuracy of comparable listed Company multiples;
- the reasonableness of the weightings and adjustments applied to observable market multiples (listed and transactional); and
- the concluded multiple applied to maintainable earnings
- Testing the significant inputs to a sample of unquoted investee Company valuations by agreeing key information such as earnings, revenue where relevant and net debt to investee Company reports as well as determining the arithmetical accuracy of the valuation; and
- Recalculating the impact of carried interest taken by the General Partner on valuation of fund limited partnerships and considering whether hurdles are met based on performance.

Relevant disclosures in the Annual Report and Accounts 2021

- The Company's accounting policy on valuation of unquoted investments is shown in Note 3 'Organisation structure and accounting policies' to the financial statements and related disclosures are included in Note 12 'Fixed asset investments'; and
- The Audit, Valuations & Risk Committee identified valuation of unquoted investments as a significant issue in its report on page 123 where the committee also described the action that it has taken to address this issue.

Our results

Our audit work did not identify any material misstatements in relation to the valuation of unquoted investments.

Independent auditor's report continued

Key Audit Matter: Occurrence of investment income

We identified occurrence of investment income as one of the most significant assessed risks of material misstatement due to fraud.

The Company is subject to Investment Trust Company (ITC) regulations and as a result is required to allocate investment returns between revenue and capital. Investment income is a

significant component of the Income Statement and during the year the Company has recognised net income of £47.4 million (2020: £24.7 million) in revenue returns. There is a risk that income recognised in the year may be materially misstated through fraudulent transactions which could impact the level of distribution required under ITC regulations.

How our scope addressed the matter

In responding to the key audit matter, we performed the following audit procedures:

- Assessing the design and implementation effectiveness of controls at the Manager in relation to revenue recognised from investments to determine whether the controls in place are appropriate;
- Assessing whether the Company's accounting policy to recognise investment income is in accordance with FRS 102 and the Statement of Recommended Practice (SORP) issued by the Association of Investment Companies;
- Obtaining an understanding of whether the Company's process for income recognition is in accordance with its accounting policy;
- Agreeing dividend income received in the year to supporting documentation including cash receipts; and
- Recalculating, on a sample basis, the net interest income recognised in accordance with the underlying agreements and substantively testing cash receipts to bank statements in the year.

Relevant disclosures in the Annual Report and Accounts 2021

- The Company's accounting policy on revenue recognition is shown in Note 3 'Organisation structure and accounting policies' to the financial statements and related disclosures are included in Note 4 'Income'.

Our results

Our testing did not identify any material misstatements relating to the occurrence of the investment income recognised during the year.



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Independent auditor's report continued

Our application of materiality

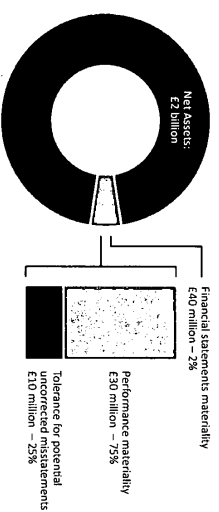
We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.
Materiality threshold	£40,099,000 which is 2% of the Company's net assets.
Significant judgements made by auditor in determining the materiality	We considered net assets as the most appropriate benchmark as it is the Company's primary performance measure for internal and external reporting and is the measure most relevant to the stakeholders of the Company. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2020 to reflect the increase in the Company's net assets.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Performance materiality threshold	£30,074,000 which is 75% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	Our performance materiality threshold was set based on our risk assessment combined with an assessment of the Company's overall control environment (including at the service organisation). Specifically, our judgement to select 75% was driven by the audit team's experience in previous audits, the quality of information received, the qualification and experience of management and the absence of any significant issues (or adjustments) identified in the past.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
Specific materiality	We determined a lower level of specific materiality for the following areas: <ul style="list-style-type: none">• Net income, finance costs and taxation in the revenue return column of the income statement; and• Related party transactions including Director's remuneration.
Communication of misstatements to the audit, valuations and risk committee	We determine a threshold for reporting unadjusted differences to the audit, valuations and risk committee.
Threshold for communication	£2,005,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overall materiality

The graph opposite illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the company's business and in particular matters related to:

- we obtained an understanding of the Company and its control environment and assessed the risk of material misstatement;
- we obtained an understanding of the relevant controls in place at the third-party service organisation. This included documenting the nature and design effectiveness of internal controls at the investment manager;
- an audit of the financial information of the Company was undertaken using the financial statement materiality (full-scope audit);
- we identified valuation of unquoted investments and occurrence of investment income as key audit matters and the procedures performed in respect of these have been included in the key audit matters section of our report; and
- there have been no changes in the scope of current year's audit from the scope of the audit in prior year.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006. In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.



Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the directors' explanation in the annual report and accounts as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions;
- the directors' statement that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy;

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal and emerging risks facing the Company (including the impact of Brexit and Covid-19) and the disclosures in the annual report that describe the principal risks, procedures to identify emerging risks and an explanation of how they are being managed or mitigated (including the impact of Brexit and Covid-19);
- the section of the annual report that describes the review of the effectiveness of the Company's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls; and
- the section of the annual report describing the work of the Audit, Valuations & Risk Committee, including significant issues that the committee considered relating to the financial statements and how these issues were addressed.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and the industry in which it operates. We determined that the following laws and regulations were most significant: the Companies Act 2006, the UK Corporate Governance Code, the SORP and the relevant provisions of HMRC's regulations applicable to an Investment Trust Company;
- We enquired of the directors and management to obtain an understanding of how the Company is complying with those legal and regulatory frameworks and whether there were any instances of non-compliance with laws and regulations and whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of the board minutes of the Company's board and Audit, Valuations & Risk Committee meetings;
- In assessing the potential risks of material misstatement, we obtained an understanding of the Company's operations, including the nature of its investments, sources of income, its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included an evaluation of the risk of management override of controls. Audit procedures performed by the engagement team in connection with the risks identified included:
 - assessing the design effectiveness of controls management has in place to prevent and detect fraud;
 - challenging assumptions and judgements made by management in its significant accounting estimates;
 - identifying and testing journal entries, in particular manual journal entries made at year end for financial statement preparation; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result

from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

- In assessing the appropriateness of the collective competence and capabilities of the engagement team, the engagement partner considered the engagement team's:
 - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation
 - the specialist skills required in relation to valuation of unquoted investments; and
 - knowledge of the industry in which the client operates.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Other matters which we are required to address

Following the recommendation of the Audit, Valuations & Risk Committee, we were appointed by the Board and approved at the Annual General Meeting on 10 May 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 5 years, covering the years ended 31 December 2017 to 31 December 2021.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit, Valuations & Risk Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Marcus Swales
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
4 March 2022



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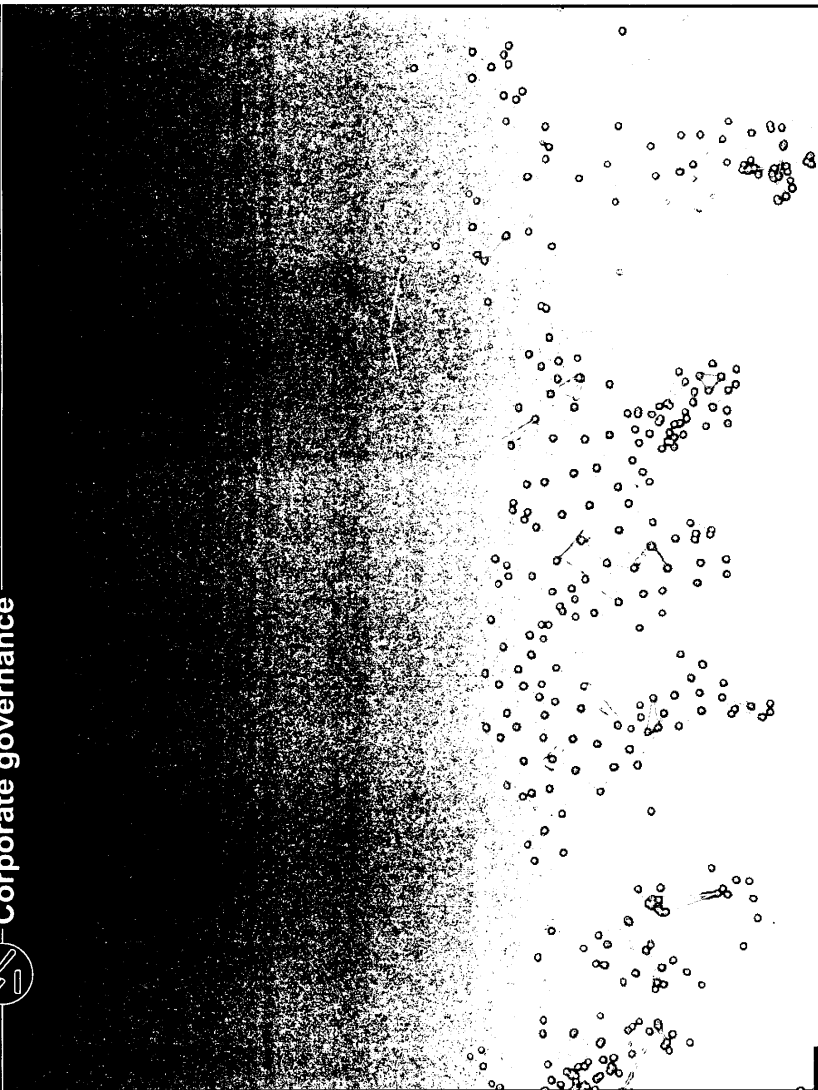
Financial statements



Corporate governance



Further information





Directors' report

The Directors present the Annual Report and Accounts of HgCapital Trust plc (HGT) (registered number 1525583) for the year ended 31 December 2021. The Corporate Governance Report forms part of this Directors' Report. Information about future developments and important events since the year end are included in the Chairman's statement on pages 10–12.

Status of HGT

HGT is an investment company, as defined in section 833 of the Companies Act 2006, and qualifies as an investment trust under sections 1158 and 1159 of the Corporation Tax Act 2010. HGT has received confirmation from HMRC that it has been accepted as an approved investment trust, with effect from 1 January 2012, provided that it continues to meet the eligibility conditions for section 1158 and the ongoing requirements for approved companies in the Investment Trust (Approved Company) (Tax) Regulations 2011.

Capital structure

As at 31 December 2021, HGT had 455,279,808 ordinary shares of 2.5 pence each in issue, with no shares held in Treasury. Each ordinary share has one voting right attached to it. The total number of voting rights in HGT at this date was therefore 455,279,808.

Results and dividend

The total return after taxation for the year was £595,137,000 (2020: £246,955,000) of which the revenue return was £36,828,000 (2020: revenue return of £16,809,000). Following payment of an interim dividend of 2.0 pence per ordinary share in October 2021, which was maintained at the same level as the previous year, the Directors recommend the payment of a final dividend of 5.0 pence per ordinary share for the year ended 31 December 2021, making a total of 7.0 pence (2020: 5.0 pence). Subject to the approval of this dividend at the forthcoming Annual General Meeting (AGM), it will be paid on 13 May 2022 to shareholders on the register of members at the close of business on 18 March 2022.

Dividend

The Board reviews HGT's approach to dividends on a regular basis, taking into consideration feedback from shareholders and the evolving nature of HGT's income streams, which are driven by the investment structures Hg utilises in its various transactions. The Board regards the full year dividend declared in respect of 2020 (5.0 pence) as a sustainable level, absent some material shift in underlying deal structures. From time to time, the pattern of deployment and the income which may arise may allow for a higher level of dividend to be supported. The current year is an example of such a year allowing a further distribution of residual income and a higher full year dividend of 7.0 pence. It is important to note that HGT, in order to qualify for investment trust tax status, can only retain a maximum of 15% of the income.

Powers of the Board of Directors

The general powers of the Directors are set out in Article 103 of HGT's Articles of Association, which provides that the business of HGT shall be managed by the Board, which may exercise all the powers of HGT, subject to any limitations imposed by applicable legislation, the Articles and any directions given by special resolution of the shareholders of HGT.

Directors' indemnity

HGT has maintained appropriate Directors' liability insurance cover throughout the year. HGT's Articles take advantage of statutory provisions to indemnify the Directors against certain liabilities owed to third parties, even where such liability arises from conduct amounting to negligence or breach of duty or breach of trust.

In addition, under the terms of appointment of each Director, HGT has agreed, subject to the restrictions and limitations imposed by statute and by HGT's Articles, to indemnify each Director against all costs, expenses, losses and liabilities incurred in the execution of his or her office as Director or otherwise in relation to such office. Save for such indemnity provisions in HGT's Articles and in the Directors' terms of appointment, there are no qualifying third party indemnity provisions in force.

Conflicts of interests

The Directors declare all actual or potential conflict of interest to the Board, which has the authority to approve such situations. A register of the matters so approved is maintained and reviewed at each meeting of the Board. The Directors advise the Board as soon as they become aware of any possible conflicts of interest. In the event that a Director has a relevant conflict of interest they would not be party to discussions or decisions on the matter on which they are conflicted. The Board can, however, confirm that it has not been necessary to exclude any Director from the consideration of Board or Committee matters on such basis at any time during the year.

HGT's Board of Directors

As at the date of this Report, the Board comprises six non-executive Directors, all of whom are considered to be independent. In the Board's opinion, despite the length of his tenure exceeding nine years, Richard Brooman remains independent and continues to provide constructive challenge and robust scrutiny, of matters coming before the Board. He is independent of Hg and free from any business or other relationships which could materially interfere with his decision-making. Richard is currently the only long-serving member of the Board and the Board believes that longer periods of service are not only desirable, but essential for an investment company such as HGT, where the cycles of commitment-investment-realisation and the negotiations of significant, new long-term commitments can extend over a period of up to ten years or longer. It is important that the Board is able effectively to maintain its long-term perspective, supported by a long corporate memory, balanced with the regular challenge provided by fresh thinking.

The rules concerning the appointment and replacement of Directors are contained within HGT's Articles of Association and the Companies Act 2006. Further details are provided in the Corporate Governance Statement on page 119 and the report of the Nomination Committee on page 127. The Articles of Association can be amended by shareholders at a General Meeting. In line with the recommendations of the AIC Corporate Governance Code, all Directors will stand for election or re-election at the forthcoming AGM.



The Board of Directors



Jim Strang
Chairman of the Board and the
Nomination Committee

Appointed: March 2018
Age: 50

Career: Jim has spent over 20 years in the private equity industry and latterly served as Chairman EMEA and Managing Director at Hamilton Lane. Jim's career in private equity encompasses a wide range of experience gained across multiple transactions, market cycles and global markets. Before entering the private equity industry, Jim served as a strategy consultant at Bain & Company, working extensively with private equity clients across the world on numerous projects. Before this, he worked as a UK equities fund manager, focusing on growth investments in the UK and assisting in the management of several Investment Companies.

Relevant skills and experience and reasons for re-election:

Jim brings a wide range of private equity experience, both at the individual investment level and also from structuring and developing programmes of private equity investments which meet the needs of a large, diverse and sophisticated mix of global investors. Furthermore, his experience in working with private equity managers, while at Bain & Company, and his Investment Company experience gained during his tenure as UK equity fund manager provide a highly relevant and broad mix of skills to HGT.

Other appointments:

Non-Executive Director at the Business Growth Fund plc; Senior Adviser to the Private Equity Group (PEG) at Bain & Company; Senior Adviser at Hamilton Lane; Senior Adviser at CVC Capital Partners; Fellow at London Business School



Richard Brooman
Chairman of the Audit, Valuations
and Risk Committee

Appointed: October 2007
Age: 66

Career: Richard qualified as a chartered accountant with Price Waterhouse. He held senior operational and financial positions at Mars, going on to become Chief Financial Officer at the global consumer healthcare business of SmithKline Beecham. Moving to the SME sector, he became Group Finance Director of VCI plc and subsequently Chief Financial Officer of Sherwood International plc, both mid-cap businesses listed on the London Stock Exchange. Until recently, Richard was also the Deputy Chairman of Invesco Perpetual UK Smaller Companies Investment Trust plc and the Senior Independent Director of DiscoverIE Group plc.

Relevant skills and experience and reasons for re-election:

Richard has comprehensive experience of financial and risk management in two leading global companies and of both acquisitions and disposals of businesses. This has provided a strong basis for assessing, and, where appropriate, challenging the financial and risk-management framework of not only HGT, but also companies across a wide range of industries. Richard takes the lead in scrutinising the valuation of each company in the portfolio prepared by Hg.

Other appointments:

Trustee at British Youth Opera;
Governor of Merchant Taylors' School



Peter Dunscombe
Chairman of the Management
Engagement Committee

Appointed: January 2014
Age: 72

Career: Peter was joint Managing Director of Imperial Investments Ltd and the manager of the Imperial Tobacco pension fund. Following this, he served as Head of Pensions Investments at the BBC Pension Trust, and was responsible for allocating funds to a variety of private asset classes, including private equity. He selected managers and negotiated limited partnership interests in many private equity funds, including funds raised by Hg.

Relevant skills and experience:

Peter's work as a senior manager of major pension funds has provided him with extensive experience of asset allocation and investment management in large institutions, which is relevant to his role as Chairman of HGT's MEC. He led the board's annual review of Hg's performance, resources and strategy to provide assurance that Hg is well equipped to continue to act as HGT's Manager. Peter will be retiring from the Board of HGT following the 2022 AGM of the Company.

Other appointments:

N/A

Directors' report continued



Pilar Junco
Non-executive Director



Guy Wakeley
Non-executive Director



Anne West
Senior Independent Director

Appointed: July 2020
Age: 47

Career: Pilar is a Managing Partner and Chief Client Officer at AltamarCAM Partners, a leading pan-European solutions provider for private markets. She heads AltamarCAM's client teams and internationalisation initiatives for the firm. Before joining Altamar, she worked in London at Blackstone for over 10 years, where most recently she acted as a Senior Managing Director and head of non-US (EMEA and APAC) private wealth management and retail business.

Relevant skills and experience and reasons for re-election:

Pilar has a wealth of industry knowledge in private equity and brings to the board recent and relevant experience in leading international expansion and strategic planning. She provides the board with insights into M&A activity, investment in international private equity and into institutional investors.

Appointed: March 2018
Age: 51

Career: Guy was Chief Executive of Equiniti Group plc, the FTSE 250 provider of processing, share-dealing and payment platforms and services to the biggest businesses in the UK and the US. Guy joined the board of Equiniti in 2014 and, the following year, led its flotation on the main market of the London Stock Exchange, stepping down as its CEO in January 2021. He was an FCA-approved person, with control function responsibilities for Equiniti's regulated functions in the UK, as well as president of Equiniti's US trust company bank. Guy is also a chartered engineer.

Relevant skills and experience and reasons for re-election:

Guy's professional interests lie in harnessing technology to transform service delivery. He specialises in the interplay among financial services, regulation and data security. He brings to the board relevant and recent experience in international M&A, technology disruption and large-scale operational leadership and transformation.

Appointed: May 2014
Age: 71

Career: Anne joined HGT's board following a long career as an equity investment manager, initially in Hong Kong. She spent 23 years at Cazenove Capital Management, one of the UK's largest wealth managers, rising to Chief Investment Officer. As manager of the investment teams, she was responsible for leading the firm's strategy on asset allocation, including diversification into private markets using listed vehicles, such as HGT. She was also responsible for communication of investment views and policy to wealth managers and clients and introduced investment risk-management tools to portfolio construction.

Relevant skills and experience and reasons for re-election:

Anne's experience in asset allocation and equity markets provides the board with insights into the decision-making processes of many of HGT's wealth management shareholders and potential investors. She also brings her knowledge of investing in emerging markets, especially in Asia, as well as expertise gained through her directorships of investment trust companies.

Other appointments:

Board Member at Altamar CAM Partners; Trustee at Action Against Hunger (Spain).

Other appointments:

Fellow of the Royal Institution of Chartered Surveyors; Member of the CBI's Public Services Strategy Board

Other appointments:

Director of The Scottish Oriental Smaller Companies Trust plc; Director of ScotGems plc



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Directors' report continued

Investment management and administration

HGT entered into an amended and restated Management Agreement with HGT's investment manager, Hg Pooled Management Limited (Hg), in May 2015. In 2021, HGT's assets were managed by Hg. HGT pays a priority profit share in respect of either its commitments to or invested capital alongside Hg funds on the same terms as those payable by all institutional investors in these funds as listed below:

Primary buyout fund partnership	Priority profit share
HGT Genesis 9 LP	1.75% on the fund commitment during the investment period
HGT Mercury 3 LP	1.75% on the fund commitment during the investment period
HGT 8 LP	1.5% of original cost of investments in the fund, less the original cost of investments which have been realised or written off
HGT Mercury 2 LP	1.5% of original cost of investments in the fund, less the original cost of investments which have been realised or written off
HGT 7 LP	1.5% of original cost of investments in the fund, less the original cost of investments which have been realised or written off
HgCapital Mercury D LP	1.5% of original cost of investments in the fund, less the original cost of investments which have been realised or written off
HGT Saturn 2 LP	1.0% on the fund commitment during the investment period
HGT Saturn LP	1.0% on invested capital
HGT LP	1.0% on invested capital excluding co-investment

For HGT's investment alongside the Hg Genesis 6, Hg Mercury 1, Hg Genesis 7, Hg Mercury 2, Hg Genesis 8, Hg Genesis 9 and Hg Saturn 2 funds, the carried interest arrangements are identical to that which applies to all limited partners in these funds. Under these arrangements, carried interest is payable based on 20% of the aggregate profits, but only after the repayment to HGT of its invested capital and a preferred return, based on 8% p.a., calculated daily, on the aggregate of its net cumulative cash flows in each fund and such preferred return amount which is capitalised annually. Carried interest in HGT Transition Capital will be calculated in the same way.

For HGT's investment alongside the Hg Saturn fund, carried interest is payable based on 12% of the aggregate profits, payable after the repayment to HGT of its invested capital and a preferred return based on 8% p.a. If a preferred return of 12% p.a. is achieved, carried interest of 20% of aggregate profits is payable.

No priority profit share or carried interest will apply to any co-investment made alongside Hg5, Hg Genesis 6, Hg Mercury, Hg Genesis 7, Hg Mercury 2, Hg Genesis 8, Hg Saturn, Hg Saturn2, Hg Genesis 9 and Hg Mercury 3 funds in excess of HGT's pro-rata commitment. Thus, the co-investments made by HGT in P&I, Azets, Mitrstech, Commify, MEDIFOX DAN Group, Transporeon, Argus Media, Evaluate, smartTrade, F24, Silverfin, insightsoftware, Riskalyze and DEXT do not entitle Hg to any priority profit share or carried interest. No compensation would be due to Hg on termination of the agreement.

Hg has also been appointed as administrator of HGT for a fee equal to 0.1% p.a. of the NAV.

Link Company Matters Limited was appointed as Company Secretary on 13 May 2015.

Continuing appointment of the Manager

The Board keeps the performance of Hg under continual review, and the Management Engagement Committee carries out an annual review of the Manager's performance and the terms of the Management Agreement. The outcome of this review can be found in the Management Engagement Committee Report on page 126.

Calculation of ongoing charges

For the year to 31 December 2021, HGT's ongoing charges were calculated as 1.4% (31 December 2020: 1.8%). The calculation is based on the ongoing charges expressed as a percentage of the average monthly NAV over the relevant year. The ongoing charges, in accordance with guidelines issued by The Association of Investment Companies ('AIC'), are the annualised expenses which are operational and recurring by nature and specifically exclude, among others, the expenses and gains or losses relating to the acquisition or disposal of investments, performance related fees (such as carried interest), taxation and financing charges.

HGT's ongoing charges consist of its current year priority profit share payable of £16.4 million and operating expenses of £5.7 million as described in notes 5 and 6 to the financial statements respectively. The average monthly NAV for the year to 31 December 2021 was £1.6 billion.

Directors' report continued

Stewardship

For Hg, responsible investing means growing sustainable businesses which are great employers and good corporate citizens, whilst also generating superior risk adjusted returns for the shareholders of HGT, as well as other pensioners and savers who are invested with Hg. Hg seeks to invest HGT's funds in businesses which are well managed, with high standards of corporate governance. The Directors of HGT believe this creates the proper conditions to enhance long-term shareholder value and to achieve a high level of corporate performance.

The exercise of voting rights attached to HGT's underlying investments lies with Hg. Hg has a policy of active portfolio management and ensures that significant time and resource are dedicated to every investment, with Hg executives and Operating Partners typically being appointed to investee company Boards, in order to ensure the application of active, results-orientated corporate governance. Further information about the stewardship of investee companies by Hg can be found in their review on pages 38–43.

Relations with shareholders

All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. For further information on the details of this year's AGM and ways to engage with the Board and the Manager, please refer to page 142. The notice of the AGM given on pages 142–149 of this Report sets out the business of the meeting, with any item not of an entirely routine nature explained below. Separate resolutions are proposed in respect of each substantive issue. Proxy voting figures will be available to shareholders after the AGM. Hg holds regular discussions with major shareholders, the feedback from which is greatly valued by the Board.

In addition, the Chairman and the Senior Independent Director are available to enter into dialogue and correspondence with shareholders regarding the progress and performance of HGT. The 'Shareholder Information' section of this Report, provides information which may be useful to shareholders. Details of how the Directors have met their obligations under Section 172 of the Companies Act 2006 can be found on page 18.

HGT receives notices from shareholders who have interests in 3% or more of the total voting rights of HGT. The table below shows this information as at 31 December 2021. No changes were notified to the Company following the period end of 31 December 2021 to 4 March 2022, being the latest practicable date prior to the publication of this Report.

Substantial interests (as at 31 December 2021)	Ordinary shares ¹	% of voting rights
Schroders plc	41,598,090	9.99
M&G plc	22,365,487	4.99
Rathbone Investment Management Ltd	22,208,518	4.99
Oxfordshire County Council Pension Fund	19,340,000	4.80

¹ Notifications are required where an investor reaches the 3% threshold and for every 1% increase or decrease thereafter. The above holdings may therefore not be wholly accurate statements of the actual investor holdings at 31 December 2021.

In addition to their direct holdings in Hg funds, the partners and staff of Hg also hold shares in HGT.

As at 31 December 2021, the Partners and staff of Hg owned 11,558,719.89 shares; 2.5% of the total voting rights (2020: 13,115,765 shares; 3.2% of the total voting rights).

Greenhouse gas emissions

HGT has no greenhouse gas emissions to report from the operations of HGT, nor does it have responsibility for any other emissions producing sources or energy consumed reportable under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, implementing the UK Government's policy on Streamlined Energy and Carbon Reporting. Hg has been carbon neutral since 2019 and more information on our Manager's value chain carbon footprint can be found online at www.hgcapital.com/responsibility.

As an investment company, HGT also does not need to report against the TCFD framework, however, understanding and managing climate-related risks and opportunities based on the TCFD's recommendations is a fundamental part of Hg's Sustainability Policy and Hg's inaugural TCFD report can be found on Hg's website <https://hgcapital.com/wp-content/uploads/2021/11/Taskforce-on-Climate-related-Financial-Disclosures-Report-2021-Final.pdf>

Risk management and objectives

HGT is subject to various risks in pursuing its objectives. The nature of these risks and the controls and policies in place used to minimise these risks are further detailed in the Strategic Report and in Note 19 to the financial statements. The work of the Audit, Valuations and Risk Committee in respect of risks management is described on page 123.

Financial instruments

HGT had no outstanding derivative contracts at 31 December 2021. Note 19 to the financial statements describes the financial risk management objectives and HGT's exposures to credit risk and liquidity risk.

Listing Rule 9.8.4R

Certain information is required to be included in the Annual Financial Report by Listing Rule 9.8.4. The following table provides references to where this information can be found in this Annual Report. If a requirement is not shown, it is not applicable to HGT.

Section	Listing Rule requirement	Location
7	Details of an allotment for cash of equity securities made during the year	Directors' Report (page 116 – Authority of Directors to allot shares)





Directors' report continued

Transfer of shares and voting rights

There are no restrictions concerning the transfer of securities in HGT; no special rights with regard to control attached to securities; no restrictions on voting rights; no agreements between holders of securities regarding their transfer known to HGT; and no agreements to which HGT is a party which might change or fall away on a change of control or trigger any compensatory payments for Directors following a successful takeover bid.

Annual General Meeting (AGM)

The AGM of HGT will be held at 2 More London Riverside, London SE1 2AP on 10 May 2022 at 11 a.m.

Details of shareholder engagement and how to vote at this year's AGM are contained in the Notice of AGM on pages 142-149.

The Board is of the opinion that the passing of all resolutions being put to the AGM would be in the best interests of HGT and its shareholders. The Directors therefore recommend that shareholders vote in favour of all resolutions as set out in the Notice of Meeting as they intend to do in respect of their own shareholdings.

Authority of Directors to allot shares

A general authority to allot new shares (or to grant rights over shares) was given to the Directors at HGT's AGM in 2021. The authority gives the Directors, for the period until the conclusion of the AGM in 2022, the necessary authority to allot securities up to a maximum nominal amount of £3,793,998 or what was, at 31 December 2020, approximately 33.33% of the issued Ordinary share capital of HGT.

The Directors are proposing to renew the general authority to allot shares at the 2022 AGM.

The Board considers it appropriate that the Directors should be granted ongoing authority to allot shares in the capital of HGT up to a maximum nominal amount of £3,793,998, representing approximately 33.33% of HGT's ordinary share capital. The power will last until the conclusion of the AGM in 2023. The Directors will continue to consider further potential share issues, providing that market conditions permit. This power will be exercised only if, in the opinion of the Directors, it would be in the best interests of shareholders as a whole.

On 10 November 2020, HGT applied to the Financial Conduct Authority for a block listing of 37,595,610 ordinary shares of 2.5 pence each, being the number of shares which HGT still had the authority to issue non-pre-emptively, following the equity placing, and that was granted by the shareholders' approval at the AGM held in 2020. The block listing became effective on 13 November 2020. During 2021, this facility was expected to become exhausted through a number of issuances from the blocklisting and, therefore, on 15 November 2021, HGT applied to the Financial Conduct Authority for a block listing of a further 21,032,500 ordinary shares of 2.5 pence each. The blocklisting became effective on 16 November 2021. The 2020 blocklisting authority was subsequently exhausted on 26 November 2021 after which all issuances to date have been issued under the 2021 blocklisting authority.

Details of the allotments and allottees made during the year are set out in the following table:

	No. of issues	Shares issued	Weighted Average Price (pence)	Total gross consideration (£000)	Weighted Average Premium %
Numis Nominees (Client) Limited	69	39,280,000	363.18	142,657	3.7

Disapplication of pre-emption rights

A general power to disapply the pre-emption rights set out in Section 561 of the Companies Act 2006 was granted to the Directors at the AGM in 2021.

The Directors are proposing a resolution to renew and extend, subject to the passing of the resolution to allot shares, the Directors' authority to allot equity securities for cash without pre-emption rights applying in certain circumstances.

This resolution will authorise the Directors, until the date falling 15 months after the date of the passing of the resolution or, if earlier, the conclusion of the next annual general meeting of HGT, to issue ordinary shares for cash, without pre-emption rights applying, of up to an aggregate nominal value of £1,138,199.52, representing approximately 10% of HGT's issued ordinary share capital as at the date of the Notice.

No issuance of ordinary shares without pre-emption rights will be made at a price less than the prevailing net asset value per ordinary share at the time of issue. This power will be exercised only if, in the opinion of the Directors, it would be in the best interests of shareholders as a whole.

Authority to buy back shares

The Directors' authority to buy back shares was renewed at last year's AGM and will expire at the end of the AGM in 2022. Although no shares were bought back during the year, the Directors are proposing to renew the authority at the forthcoming AGM, as set out in Resolution 13 in the Notice of Meeting, and are seeking authority to purchase up to 14.99% of the issued share capital. This authority, unless renewed, will expire at the conclusion of the AGM in 2023 or if earlier, 15 months from the passing of the resolution. The authority will be used where the Directors consider it to be in the best interests of shareholders.

Purchases of ordinary shares will only be made through the market for cash at prices below the prevailing NAV per ordinary share. Under the Listing Rules of the Financial Conduct Authority, the maximum price which can be paid for each ordinary share is the higher of: (a) 105% of the average of the mid-market quotations of the ordinary shares in HGT for the five business days prior to the date on which such share is contracted to be purchased; and (b) the higher of the price of the last independent trade and the highest current independent bid for an ordinary share. The minimum price that may be paid will be the nominal value of such ordinary share, being 2.5 pence.

Any shares purchased under this authority will be either be cancelled or held in treasury at the discretion of the Board for future re-sale in appropriate market conditions.

Changes to the Investment Policy

The Board is proposing a resolution to amend HGT's investment policy to allow greater flexibility in the size of investments that can be made and to more accurately describe the sectors and markets in which the Manager invests. We recommend that:

- on investment, no initial (rather than total) investment in a single business will exceed a maximum of 20% of gross assets. This change is proposed to allow additional flexibility in the size of investments that can be made;
- we specify that the policy of HGT is to invest predominantly, directly or indirectly, in a portfolio of unlisted software and tech-enabled services companies and HGT holds a spread of businesses diversified by the end-markets the investee companies serve and by geographies in which they operate;
- we specify that the Manager invests mainly in companies that have substantial business operations and opportunities in Europe, though the investee companies themselves may serve, or be present in, a variety of sectors;
- we specify that part of HGT's portfolio is located outside of the UK, predominantly in northern Europe, and now, increasingly, in North America.

A blackline version of the investment policy, showing the proposed changes is set out at the end of the Notice of AGM on page 149.

Disclosure of information to auditors

Each of the persons who is a Director at the date of approval of this Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which HGT's auditor is unaware; and
- the Director has taken all the steps that they ought to have taken as a Director in order to make them aware of any relevant audit information and to establish that HGT's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Donations

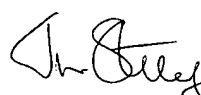
HGT made no political or charitable donations during the year (2020: nil).

On behalf of the Board

Jim Strang

Chairman

4 March 2022




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Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102, the Financial Reporting Standard applicable in the UK and Ireland.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed;
- assess HGT's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate HGT or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain HGT's transactions and disclose with reasonable accuracy at any time the financial position of HGT and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have responsibility for taking such

steps as are reasonably open to them to safeguard the assets of HGT and to prevent and detect fraud and other irregularities. Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statements that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on HGT's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

The Directors of HGT, whose names are shown on pages 112–113 of this Report, each confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of HGT taken as a whole; and
- the Strategic Report and Hg's Review include a fair review of the development and performance of the business and the position of HGT, together with a description of the principal risks and uncertainties that it faces.

The Directors consider the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and the information provided to shareholders is sufficient to allow them to assess HGT's position, performance, business model and strategy.

On behalf of the Board

Jim Strang
Chairman

4 March 2022



Corporate governance statement

This Corporate Governance Statement forms part of the Directors' Report

Statement of compliance

Throughout the year HGT has complied with the Principles and Provisions of the AIC Code of Corporate Governance (AIC Code). By reporting against the AIC Code, HGT meets the obligations of the UK Corporate Governance Code (the UK Code), and reports against additional AIC Code Provisions that are of specific relevance to HGT as an investment company. The Board considers that reporting against the Principles and Provisions of the AIC Code, which have been endorsed by the Financial Reporting Council, provides more relevant information to its shareholders. The AIC Code is available on the AIC website (www.theaic.co.uk).

AIC Code	Principle	Evidence of compliance/explanation of departure from the AIC Code
A	A successful company is led by an effective Board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	Both the Board and Hg agree that responsible business practices help to generate superior performance in the long-term. Hg has embedded its approach of responsible investing into the whole spectrum of the investment process and takes an active interest in how the portfolio companies manage environmental, social, and governance (ESG) issues. Details on the Manager's approach to responsible investing are on pages 34 to 36 of this report, information on how the Board operates is on pages 120-122 and more information on HGT's long-term performance record can be found on page 8.
B	The Board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All Directors must act with integrity, lead by example and promote the desired culture.	The purpose of HGT is to deliver consistent, long-term returns in excess of the FTSE All-Share Index to our shareholders by investing predominantly in unquoted companies, where value can be created through strategic and operational change. The Board has formally defined HGT's culture, as well as the behaviours and attributes that promote it. Information about our culture and how it is aligned with our purpose and strategy can be found on page 19.
C	The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	The Directors regularly consider HGT's position with reference to the business model, the balance sheet, cash flow projections, availability of funding and HGT's contractual commitments. Information on outstanding commitments and the cash position can be found on page 42. HGT's objective is to deliver consistent, long-term returns to our shareholders; therefore, one of the measures which the Board considers is total return per share and revenue return per share, as well as long-term performance against the FTSE All-Share Index, details of which can be found on page 8. As outlined in the 'Principal Risks and Uncertainties' on pages 16 and 17, HGT is exposed to various risks in pursuing its objectives, and in order to effectively assess and manage risk, appropriate controls and policies are in place and are regularly assessed by the Audit, Valuations and Risk Committee. These are detailed on pages 116 to 117, in the Audit, Valuations and Risk Committee Report on page 123 and in Note 19 to the financial statements.
D	In order for the company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.	On pages 20 to 21, we describe our key stakeholders, how we develop an understanding of their interests and how we engage with our shareholders and stakeholders.
E	Principle E from the UK Code has been deleted with agreement of the FRC	Principle E of the UK Code describes the Board's responsibilities for workforce policies and practices and as such is not relevant to externally managed investment companies





AIC Code	Principle	Evidence of compliance/explanation of departure from the AIC Code
F	The chair leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive Board relations and the effective contribution of all non-executive Directors, and ensures that Directors receive accurate, timely and clear information	<p>The Chairman, independent on appointment, leads the Board by presiding over Board meetings and ensuring that Board debates are balanced, open and inclusive, and promote behaviours and attributes which make up our culture. The Chairman ensures that the Board is provided with information of appropriate quality and form, in a timely manner. In addition to formal Board meetings, there is a continuous informal interaction between the Directors and the Manager. The responsibilities of the Chairman and the Senior Independent Director (SID) have been agreed by the Board and are available on HGT's website.</p> <p>The annual evaluation of the Board's effectiveness always considers the performance of the Chairman. The Directors, led by the SID, have concluded that the Chairman has fulfilled his role and supports and promotes the effective functioning of the Board.</p>
G	The Board should consist of an appropriate combination of Directors (and, in particular, independent non-executive Directors) such that no one individual or small group of individuals dominates the Board's decision making.	<p>During the year under review, the Board comprised only independent non-executive Directors. In the Board's opinion, despite the length of his tenure exceeding nine years, Richard Brooman remains independent. He is currently the only long-serving member of the Board and the Board believes that longer periods of service are not only desirable, but essential for an investment company such as HGT, where the cycles of commitment-investment-realisation and the negotiations of significant, new long-term commitments can extend over a period of up to ten years or longer. It is important that the Board is able effectively to maintain its long-term perspective, supported by a long corporate memory, balanced with the regular challenge provided by fresh thinking.</p> <p>The Nomination Committee regularly considers the composition of the Board and its Committees and more information on this can be found on pages 127 and 128.</p>
H	Non-executive Directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third party service providers to account.	<p>The Board considers the required time commitment annually, and during the year under review, all Directors continued to devote a sufficient amount of time to the business of HGT. All Directors share their experience and guidance with the Manager, and, where appropriate, challenge Hg's thinking or assumptions both through their contributions in meetings and outside of the usual meeting cycle.</p> <p>The Directors, supported by the Management Engagement Committee, regularly assess the performance of all third-party service providers. Details on the work of the Management Engagement Committee can be found on page 126.</p>
I	The Board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	<p>The Board's responsibilities are set out in the schedule of Matters Reserved for the Board, and certain responsibilities are delegated to the Board Committees, to help the Board operate effectively and give an appropriate level of attention and consideration to pertinent matters. We explain how the Directors discharged their duties under Section 172 on page 18. Several Board policies, which help to codify its processes, are reviewed and, if needed, periodically updated, with the support and guidance of the Company Secretary. The Directors have access to the advice of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Directors regularly receive updates and guidance on regulatory matters and governance best practice from the Company Secretary, and have access to independent advisers, as necessary.</p>
J	Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	<p>The Nomination Committee, comprising independent non-executive Directors, is responsible for identifying and recommending to the Board the appointment of new Directors. Any new Board appointment is subject to a formal and rigorous process and the details of this process are always disclosed in our Annual Reports.</p> <p>HGT has a Diversity and Inclusion Policy, which sets out the principles and commitments the Board follows when making new appointments, including how the Directors ensure that any new appointment will add to the diversity of experience, skill, gender, social and/or ethnic backgrounds. HGT also has a Board Members' Tenure and Reappointments Policy, explaining our approach to tenure and reappointments of the Chairman and the Board members. Both policies are described in detail in the Nomination Committee report on pages 127 to 128.</p> <p>The Directors also regularly consider succession planning and details can be found on page 127.</p>

Corporate governance statement continued

AIC Code	Principle	Evidence of compliance/explanation of departure from the AIC Code
K	The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.	<p>The Nomination Committee regularly considers the tenure of each of the Board members as well as the average tenure of the Board; the current Board composition and the balance of skills, experience, and diversity; the Company's strategy and likely future developments in short, medium and longer term; and the skills, experience and knowledge the Board will need in future.</p> <p>The Board maintains a skills matrix which maps the key skills needed now and in future and is used to inform the role description for any new appointments. The current succession plans for the refreshment of the Board are described in more detail in the Nomination Committee report on page 127 and our Board Tenure and Reappointments Policy can be found on page 127.</p>
L	Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each Director continues to contribute effectively	<p>The Directors consider the evaluation of the Board, its Committees and themselves to be an important aspect of corporate governance, and evaluations are undertaken annually.</p> <p>The evaluation undertaken in 2021 was facilitated by the Company Secretary and took the form of a detailed questionnaire and one-to-one discussions between the Chairman and the Board members. The exercise focused on key areas in order to assess the effectiveness of the Board and its committees and identify possible areas for improvement, and these included: strategy and long term value generation; the Board's culture; relationships and engagement with shareholders and other stakeholders; relationship with the Manager; and Board decision making. The Board discussed the results of the evaluation process and agreed a number of actions to implement over the following year, including:</p> <ol style="list-style-type: none"> Continuing to refine the meetings to use the Board's time in a way that is the most impactful, increasing focus on discussions and planning 'teach in' sessions for a deep dive on topical matters; Where possible, meet with more investee companies; Continuing to focus on the key priorities for HGT, including finalising the commitments and ongoing work on HGT's non financial KPIs; and Ever increasing focus on engagement with shareholders. <p>The Board has started to implement changes to address these actions, and, among others, all Board agendas have been reviewed and re-structured to help manage the meeting time more effectively; teach in sessions are being scheduled to arrange deep-dive sessions on topics such as the Manager's approach to ESG; and even more time is being allocated to discussion as opposed to presentations to the Board. The actions arising from last year's Board evaluation were also reflected on and implemented during the previous year.</p>
M	The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements.	<p>The Audit, Valuations and Risk Committee supports the Board in fulfilling its oversight responsibilities by reviewing the performance of the external auditor and audit quality, as well as the auditor's objectivity and independence. The Committee also reviews the integrity and content of the Financial Statements, including the ongoing viability of HGT. More details can be found in the Committee's report on pages 123 to 125.</p>
N	The Board should present a fair, balanced and understandable assessment of the company's position and prospects.	<p>The Audit, Valuations and Risk Committee supports the Board in assessing that HGT's accounts present a fair, balanced and understandable assessment of HGT's position and prospects. In its assessment, the Committee considers, among others, whether:</p> <ul style="list-style-type: none"> the information is deemed to be free of bias, reasonable and impartial and it does not omit important elements. there is a good level of consistency between the front and back sections of the reports and the same conclusions can be drawn from reading the two sections independently. the key judgements referred to in the narrative reporting are consistent with the disclosures in the back end of the reports and correspond with the risks that the external auditor would include in their report. there is there a clear and cohesive framework and the important messages are highlighted throughout the document. <p>the information set out in the reports is easy to find and written in accessible language and, where the use of specialist terms or acronyms is necessary, there is a glossary to define them for clarity and consistency.</p>



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Corporate governance statement continued

AIC Code	Principle	Evidence of compliance/explanation of departure from the AIC Code
O	The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	<p>The Audit, Valuations and Risk Committee supports the Board through its independent oversight of the:</p> <ul style="list-style-type: none"> • financial reporting process, including the financial statements; • management of risk framework and internal control ; • appointment and ongoing review of the quality of the work of the external Auditor; • independence of HGT's external Auditor, as well as the procedures for monitoring compliance. <p>More information can be found in the Committee's report on pages 123 to 125.</p>
P	Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.	<p>The Directors are all non-executive and independent of Hg. They only receive Directors' fees and reasonable expenses, no element of their remuneration is related to performance, and are not eligible for bonuses, share options or long-term performance incentives. While there is no requirement under HGT's Articles of Association or letters of appointment for Directors to hold shares in HGT, most Directors do. The details of directors' shareholdings are set out on page 131.</p>
Q	A formal and transparent procedure for developing a remuneration policy should be established. No Director should be involved in deciding their own remuneration outcome.	<p>Directors' remuneration is reviewed annually within the limits of the last approved Remuneration Policy (details of which can be found on page 129) and HGT's Articles of Association. HGT has no employees or executive directors and the level of fees paid to the Directors is considered within those limits. The Board as a whole is responsible for deciding the level of fees paid to the non-executive Directors and the Chairman, with each Director abstaining from voting on his or her individual remuneration. The details of the Remuneration Policy and Directors fees can be found on pages 129 to 131.</p>
R	Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	<p>The process of reviewing the Directors' fees is described on page 129, although because there are no performance related elements of the remuneration, there is very little scope for the exercise of discretion or judgement.</p>

Board committees

The following Reports from the Committees of the Board form part of the Corporate Governance Statement.

The Board has delegated several areas of responsibility to its committees. The composition of the Board's committees was considered by the Nomination Committee during the year and as part of the annual evaluation process. It was felt that it was appropriate that every non-executive Director should be a member of all committees. On page 123 of we explain the reasons the Board considers the Chairman's membership of the Audit, Valuations and Risk Committee remains, in the Directors' opinion, appropriate and adds value to the Committee's debate.

Each of the Directors is considered independent of Hg, having had no previous or current connection with the Manager, other than in his or her capacity as a Director of HGT, and is considered to be independent in mind and judgement. Mr Brooman has served on HGT's Board for a period longer than nine years, and the reasons the Board continues to deem him independent, and his longer tenure complementary to the Board's composition, is set out on page 142.

The Board and its Committees meet on a regular basis during the year, and attendance is shown in the table below:

Number of meetings attended/eligible to attend

	Richard Brooman	Peter Dunscombe	Pilar Junco	Jim Strang	Guy Wakeley	Anne West
Board	6/6	6/6	6/6	6/6	6/6	6/6
Audit, Valuations and Risk	6/6	6/6	6/6	6/6	6/6	6/6
Management Engagement	2/2	2/2	2/2	2/2	2/2	2/2
Nomination	1/1	1/1	1/1	1/1	1/1	1/1

During the year, the Board also held a Strategy session and four ad hoc shorter meetings of a Committee of the Board. In addition, a sub-committee of the Audit, Valuations and Risk Committee, the Quarterly Valuations Committee, also meets twice a year.



Audit, Valuations and Risk Committee report

Membership of the Audit, Valuations and Risk Committee

Richard Brooman	Chairman
Peter Dunscombe	Member
Pilar Junco	Member
Jim Strang	Member
Guy Wakeley	Member
Anne West	Member

Key responsibilities:

- Scrutinising and challenging, where appropriate, the valuations of unquoted investments as proposed by the Manager;
- Reviewing HGT's and the Manager's risk management systems and internal controls;
- Monitoring compliance and reviewing the process for compliance with laws, regulations and ethical codes of practice;
- Reviewing the integrity and content of the financial information provided to shareholders, including the annual financial statements and the ongoing viability of HGT;
- Appointing an external auditor, approving its remuneration and monitoring the extent of any proposed non-audit services;
- Assessing the external auditor objectivity and independence; and
- Reviewing the performance and quality of the audit work by the external auditor.

Chairman's introduction

The Committee aims to serve the interests of our shareholders and other stakeholders through its independent oversight of the financial reporting process, including the financial statements, the system of internal control and management of risk, the appointment and ongoing review of the quality of the work and independence of HGT's external Auditor, as well as the procedures for monitoring compliance. The Committee recognises, through its interactions with the Board, the Manager and the external Auditor, that it plays a key role in facilitating a high-quality audit.

In addition to the routine agenda for the year, the Committee focused on monitoring any impacts of the ongoing pandemic on the investee companies, and on wider risks arising from an uncertain and volatile economic environment, as well as considering HGT's resilience and long-term sustainability. During 2022 the Committee plans to review the Manager's internal controls, as they affect and support HGT.

Membership of the Committee

The Terms of Reference and the composition of the Committee are reviewed regularly. HGT's Chairman is a member of the Committee, as permitted by the AIC Code of Corporate Governance. This is considered appropriate, given Dr Strang's deep understanding of private equity and his financial experience. I am a chartered accountant and all of the members of the Committee have recent and relevant financial experience across a broad range of sectors and areas of practice. The Committee, as a whole, has competence relevant to the private equity sector.

Activities during the year

Risk management and internal controls

During the year, the Committee focused on the following matters, in order to ensure that:

- HGT's risk management system remains appropriate and effective. The review process is explained in more detail below.
- the annual assessment of the emerging and principal risks facing HGT, which are described on pages 16 and 17 of this Report, is robust and includes those risks which would threaten HGT's business model, future performance, reputation, solvency or liquidity.
- the accounting and internal control systems of HGT, Hg, the Depositary and other service providers are adequate.
- Hg sets the appropriate 'control culture' by communicating the importance of internal control and risk management, both internally and across its portfolio, ensuring that all relevant employees have a good understanding of their roles and responsibilities.
- the systems put in place by Hg (specifically accounting and internal control systems) meet legal and regulatory requirements, and that further investigations are initiated, where appropriate, to assess the effectiveness of the systems of control.





Reports from the Committees of the Board continued

- matters of compliance are under proper review; the Directors regularly review the relevant policies and have direct access to the Compliance Officer at Hg and receive a report every six months, confirming that HGT's affairs have been conducted in compliance with the applicable regulations.

In accordance with the FRC's guidance on Risk Management, Internal Control and Related Financial and Business Reporting, the Committee regularly reviews the effectiveness of HGT's processes for mapping and monitoring risks and there is an ongoing process, carried out in conjunction with Hg, to identify, evaluate and manage HGT's significant, and emerging risks. As part of this ongoing review process, the Committee considers:

- the nature and acceptable scale of the risks which the Company faces in the context of its overall investment objective;
- the likelihood and the potential impact on HGT's investment objective of such risks materialising;
- HGT's ability to reduce the likelihood and impact of the principal and emerging risks it has identified;
- the acceptability of the net risk after mitigation;
- the process and operation of relevant controls;
- the effectiveness and relative costs and benefits of particular controls;
- the impact on the Company of the values, culture and style of the Manager;
- the extent to which third parties are responsible for the effective operation of relevant controls.

The Committee also recognises the value in undertaking periodic and more fundamental reviews of HGT's systems and processes to ensure that they continue to evolve as the business grows in size and complexity and as the external environment changes.

We carried out a fundamental review of the Risk Register and Risk Concentration Map last year, and consequently, we updated the way in which they capture and assess key risks and their mitigations. During the year under review, the Committee also focused on the ever increasing threat of cyber related risks and the Committee members received an in-depth session on the Manager's cyber security. The Committee continues to review the Risk Register at least twice a year, and more often if required. Controls relating to the identified risks, covering financial, operational, compliance and risk management, are embedded in the operations of Hg, and those of other outsourced service providers – they are being monitored and reporting processes by Hg's Compliance function and other service providers are in place. Hg reports formally to the Committee, every six months, on its review of internal controls, with verbal updates are provided at each Committee meeting.

During the year, HGT has not identified any significant failings or weaknesses in the internal control systems.

Whistleblowing and anti-bribery and anti-corruption policies

The Committee regularly reviews the whistleblowing procedures and anti-bribery and anti-corruption policies of Hg. The Manager's employees are able to raise concerns in confidence and anonymously and there is a process in place for a proportionate and independent investigation and follow-up actions, should any reports be made. The Board receives periodic updates on whether any reports have been made.

Internal audit function

The Committee considers annually whether an internal audit function should be established. As HGT is an investment company with no employees, the Committee again concluded that it remained appropriate for HGT to rely on the internal controls implemented by Hg and other third-party providers, with no need for a separate internal audit function.

Financial reporting

The Committee considers in detail the annual report and accounts and the interim statements. A key focus in its work on the Annual Report and Accounts is to ensure that the financial statements are fair, balanced and understandable – and provide the information necessary for shareholders to assess HGT's position and performance, business model and strategy. The Committee reviews any significant accounting or financial reporting judgements, taking into account industry practice, as well as any guidance from the external Auditor. This year, when the Committee reviewed the annual report and accounts, it did not identify any major concerns. The principal issue identified during the audit process and discussed by the Committee was the valuation of unquoted investments, especially matters of valuation methodologies, judgement and estimation. Further details of the steps taken by the Committee to address valuations are disclosed below. Other areas which the Committee focused on included:

- consistent and transparent disclosure and presentation of information on portfolio performance and, in particular, the key financial highlights;
- revenue recognition;
- management override of controls;
- COVID-19, including impacts of the ongoing pandemic on the investee companies. This was also considered as part of the going concern assessment (which can be found on page 15) and the longer-term viability statement (page 15); and
- the computation and amount of carried interest.

Reports from the Committees of the Board continued

This year, the Committee also carefully considered the results of the review of HGT's Interim Results and Accounts for the year ended 31 December 2021, undertaken by the Conduct Committee of the Financial Reporting Council ('FRC'). The FRC had not raised any questions or queries but did make some recommendations of improvements to our existing disclosures where they believed this would benefit the users of the accounts. The Directors welcomed the feedback, and where appropriate, the disclosures in this Annual Report and Accounts have been enhanced, incorporating the FRC's suggestions.

The Committee also reviewed HGT's dividend objective, as well as making recommendations to the Board on both the interim and the final dividends. Additionally, the Committee considered the rules pertaining to dividends payable by investment trusts. In addition, the Committee advises the Board on assessing the prospects of HGT over a period longer than the 12 months required by the Going Concern test. The longer-term viability statement can be found on page 15 of this Report.

Valuations

The Committee has a sub-committee tasked with considering the quarterly valuations (the QVC), in addition to the rigorous annual and half-yearly valuations review undertaken by this Committee. The Committee carefully considers the methodology and the integrity of the recommended valuations of each of HGT's investments prepared by Hg and reviews analytical and performance data, as well as the valuation process itself. The Committee regularly reviews the supporting materials provided by the Manager and where appropriate, requests further information from the Manager. The valuations are carried out in accordance with the International Private Equity and Venture Capital (IPEV) Valuation Guidelines. In 2021, the Manager confirmed, as in previous years, that the valuations had been performed consistently with previous years and in accordance with published industry guidelines, taking into account the latest available information about investee companies and current market data. During the year, the Committee also considers risk appetite and the risk register, to ensure that all activity remains within the tolerance levels set by the Board.

External audit

HGT's external Auditor, Grant Thornton UK LLP (Grant Thornton), was appointed by shareholders as the independent Auditor to HGT at HGT's AGM in 2017, following a full audit tender process and the Committee expects to carry out the next tender process in, or before, 2026, in respect of the audit for the year ending 31 December 2027. HGT is in

compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Grant Thornton is invited to attend and present at the Committee meetings. The Auditor also meets with the Committee and its Chairman, without Hg team present. In accordance with professional guidelines, the senior statutory auditor, a role fulfilled by Mr Marcus Swales since 2017, will be rotated at least every five years.

During the year, the Committee has reviewed the Auditor's terms of engagement and the audit plan, assessed Grant Thornton's performance, considered its remuneration and whether its continued appointment was in the best interests of HGT and its shareholders. The Committee also reviewed its Non-Audit Services Policy, which helps to ensure that the Auditor's independence and objectivity are not impaired. In 2021, Grant Thornton did not provide any non-audit services to HGT. The details of the remuneration for services provided by the Auditor are set out in Note 6 to the financial statements.

Review of the effectiveness of the audit

In order to form a view on audit quality and the effectiveness of the external audit process, the Committee considers its own observations, interactions with the Auditor, as well as the feedback from key Hg Management personnel. In addition, the Committee conducted a formal evaluation of the effectiveness of the audit process via a tailored questionnaire, focused on four key areas of performance, and completed by all members of the Committee and the key members of the Hg team. The Committee, to form its view on how the auditor performed, considered: the robustness of the audit process; quality of delivery; quality of reporting; and quality of people and service. The Committee also takes into account the Auditor's technical competence, its understanding of HGT's business and the wider PE sector, and whether it demonstrates an appropriate level of scepticism and challenge.

Following this comprehensive review, the Committee was satisfied that Grant Thornton had carried out its duties in a diligent and professional manner and provided a high level of service. Consequently, the Committee proposed to the Board that a resolution to reappoint Grant Thornton as HGT's Auditor be put to shareholders at the 2022 AGM.

Richard Brooman
Chairman, Audit, Valuations and Risk Committee
4 March 2022



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Management Engagement Committee report

Membership of the Management Engagement Committee

Peter Dunscombe	Chairman
Richard Brooman	Member
Pilar Junco	Member
Jim Strang	Member
Guy Wakeley	Member
Anne West	Member

Key responsibilities:

- Monitor and evaluate the performance of the Manager;
- Review the Manager's compliance with HGT's investment policy;
- Review the terms of the Management Agreement;
- Review the level and method of the remuneration of the Manager, including the methodology of the annual management and performance fees;
- Consider the merit of obtaining an independent appraisal of the Manager's services;
- Monitor the performance of other service providers (except for that of the external auditor), including their remuneration as well as compliance with the terms of their respective agreements.

The Committee continues to support the Board in fulfilling its oversight responsibilities, primarily through its comprehensive review of the Manager's performance and compliance with HGT's investment policy.

Review of the Manager

When reviewing the Manager's performance of the provision of investment management and other services to HGT, the Committee considers the quality and continuity of HGT's team, succession planning, sector and geographic coverage, investment processes and the results achieved to date, as well as their strategy and goals for the future. The Committee also considers the Manager's culture and evaluates the way in which the Manager's partners, Executives and other members of the team are remunerated and incentivised, determining the remuneration arrangements and the methodology of the annual management and performance fee. In addition, the Manager's ongoing commitment to the promotion of HGT and engagement with HGT's key stakeholders are also evaluated. Alongside the performance review, the Committee completed an appraisal of the terms of the investment management agreement to ensure that they remained competitive and in the best interest of shareholders. Following its review, the Committee agreed that the continued appointment of the Manager remains in the best interests of the Company and its shareholders as a whole.

Reviews of other service providers

The Committee also has the responsibility for monitoring and reviewing HGT's other key service providers. The Committee undertakes in depth reviews of all of the third-party service providers on a five-yearly cycle. This is done through formal assessments, for example by using scorecards, and/or thorough periodic relationship meetings. The Committee reviews the performance of certain key service providers, such as the Company Secretary or its legal advisors more frequently, considering the extent and the importance of the services they provide to HGT. Following consideration of the evaluation outcomes, the Committee makes recommendations to the Board in respect of these appointments.

During 2021, the Committee reviewed the services of Computershare, HGT's share registrar and concluded that its continued appointment remained appropriate. The Committee also reviewed the services of Royal London Asset Management, a fund management firm that provides cash management services to HGT, concluding that the firm continued to add value and that their continued appointment remained in the best interests of HGT. During the year, the Committee again reviewed the performance of the Company Secretary, Company Matters—agreeing that the appointment also remained in the best interests of HGT.

Peter Dunscombe
Chairman, Management Engagement Committee
4 March 2022

Nomination Committee report

Membership of the Nomination Committee

Jim Strang	Chairman
Richard Brooman	Member
Peter Dunscombe	Member
Pilar Junco	Member
Guy Wakeley	Member
Anne West	Member

Key responsibilities:

- Review the composition of the Board and its Committees including the balance of skills, experience, knowledge and diversity, including that of gender, social and ethnic backgrounds, cognitive and personal strengths;
- Consider and formulate succession plans for the Chairman and the Directors in the context of HGT's strategic plans and consistent with the HGT's policies on Board Tenure and Diversity & Inclusion;
- Identify, evaluate and recommend candidates for new Board appointments;
- Evaluate the Directors' performance and consider whether they should be recommended for re-election;
- Review outside commitments of the Directors;
- Develop and review policies on Board's Tenure and Diversity & Inclusion. The Culture Policy is reviewed regularly directly by the Board;
- The evaluation of the Board, its Committees, and the Directors is led by the Chairman of the Board and findings presented at the Board meetings.

Chairman's introduction

During the year, the Committee remained focused on the Board's composition and succession planning and continued to consider matters of diversity and inclusion. Towards the end of the year, the Committee also begun a search for a new Non-Executive Director to replace Mr Dunscombe, who would retire from the Board at the 2022 AGM. The search is ongoing and the Committee expects to be able to make its recommendation to the Board shortly, and once approved by the Board, we expect to announce the new appointment in the coming weeks.

Succession Planning

During the year, the Committee continued to review the Board's current composition and succession plans. In doing so, the Committee took into account the Directors' skills matrix, which maps out the Directors' current skills, skill sets following any planned Board changes and skills likely needed in future, as HGT makes progress against its strategic goals. The Committee, led by the Chairman of the Board, plans for future Board departures over a ten-year period and reviews these plans regularly.

Directors' policy on tenure

The Board adopts a Board Members' Tenure and Reappointments Policy (Board Tenure Policy). The Committee remains of the opinion that a policy encompassing the whole Board, rather than just the Chairman, is better aligned with HGT's objective of delivering long-term success and consistent returns to shareholders, which can be supported by both, the benefits of longer corporate memory and challenge provided by fresh thinking. The Board believes that the value contributed by the continuity and experience of Directors with longer periods of service is not only desirable, but essential for an investment company whose business creates a cycle of negotiating significant long-term investment commitments with the Manager approximately every four years, and where those commitments lead to investments which are required to be scrutinised and monitored across a cycle of commitment-investment-realisation that can extend over periods of ten years or longer. Therefore, the Committee considers it to be inappropriate to set a specific tenure limit for any individual Director or the Chairman of the Board. Instead, the Board will seek to recruit a new Director every two to three years. By doing so, the Board believes that its effectiveness will be better supported by Directors who have served on the Board for a range of different periods. This approach will likely result in an average tenure of circa six years, thus ensuring that, when the Board enters into new investment commitments, at least half of the Board members have direct personal experience of negotiating previous commitments with the Manager. This way, the Board intends to benefit from fresh perspectives and diversity of thought, while preserving the cumulative experience and deep understanding of HGT, its commitments and investment portfolio.



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Reports from the Committees of the Board continued

The Board Members' Tenure and Re-Appointments Policy also sets out that Directors should not expect to be nominated for re-election automatically, nor do they expect to retire from the Board in the order of their original appointment. In determining whether to recommend a Director for re-election, the Nomination Committee evaluates the quality of a Director's participation and contribution to the Board's deliberations, the results of the annual performance evaluations and any other pertinent aspect of the Director's performance. The Committee reviews this Policy annually and will continue to report on its performance to shareholders.

Policy on diversity and inclusion

We recognise that the Board's debates and decision-making are greatly enriched by a wider range of perspectives and thinking, fostered by diversity of experience and knowledge, social and ethnic backgrounds, gender, and cognitive and personal strengths. While we continue to believe that it would be inappropriate to set a rigid target for any specific recruitment and that all appointments must be made on merit, diversity in all its forms is encouraged and embedded in the search process. Therefore, there is a set of principles and commitments which HGT follows when looking to recruit a new candidate, including: any advertising states that applications from suitably qualified candidates who would add to the Board's diversity will be especially welcome; any recruitment agency used will be instructed to include diverse candidates of appropriate merit, identified through a search of a wide pool of potential appointees; and any shortlist must include candidates who would, if appointed, add to the diversity of the Board. In addition, recognising that the finance, investment and private equity sectors have not historically reflected the diversity of the UK society, HGT encourages the inclusion of candidates from other backgrounds, and not necessarily based in the UK, provided they have appropriate transferable skills.

HGT is pleased to have met the target of the Hampton-Alexander Review to increase the number of women in senior leadership positions in all FTSE 350 companies and looks forward to making progress to meeting the targets of the Parker Review to increase the ethnic diversity of UK boards by having at least one director from an ethnic minority background in the FTSE 250 by 2024.

Changes to Board Composition

Given Peter's intention to retire at HGT's AGM in 2022, the Committee recommended a search for a new candidate to join the Board as a Non-Executive Director. Led by myself, the Committee agreed on a description of the role, skills and attributes based on our Skills Matrix and the Diversity & Inclusion Policy. In December 2021, the Committee engaged Fletcher Jones Limited, an executive search practice, to help to identify suitable candidates. We can confirm that Fletcher Jones Limited has no other connection to HGT. In renewing its past efforts to achieve greater diversity, including that of gender, the Committee followed the recruitment principles set out in our Policy on Diversity and Inclusion, described above. Following a comprehensive and extensive search process, the Committee reviewed the applications of all long listed candidates and has been conducting interviews with the shortlisted candidates. The Committee expects to be able to make its recommendation shortly.

Evaluation of the Board's performance

The details of the annual board evaluation and the outputs of that review can be found on page 121. The Committee has concluded that the performance of all Directors remains effective. The Directors have all demonstrated commitment to their role and devoted sufficient time to the business of HGT, in particular in the face of persisting uncertainty and challenging conditions posed by the ongoing pandemic. The Board also reviewed the Directors' external commitments, and believes that it is in the best interests of shareholders that Messrs Strang, Brooman and Wakeley, and Ms West and Ms Junco be re-elected by shareholders. The relevant skills and experience they each bring to the Board and the reasons why we believe their appointments are in the best interests of HGT are set out along their biographies on pages 112 and 113.

Looking ahead

During 2021, the Board devoted significant time to discussion of HGT's long-term strategy, including non-financial KPIs. The Committee will therefore remain focused on longer-term succession planning, in particular in the context of our Board Tenure and Diversity and Inclusion policies, and we will aim to meet the objective of the Parker Review in having at least one ethnically diverse Non-Executive Director ahead of the 2024 deadline. During 2022, the Committee will revisit and evaluate its processes and policies, to ensure that they continue to support HGT's long-term objectives, strategy and purpose.

Jim Strang
Chairman of the Nomination Committee
4 March 2022



Directors' remuneration report

This Directors' Remuneration Report for the year ended 31 December 2021, has been prepared in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The law requires the auditor to audit certain disclosures contained within this Report – and these are indicated accordingly. The auditor's opinion is included in the Independent auditor's Report on pages 102–109.

An ordinary resolution for the approval of this Report will be put to members at the forthcoming AGM.

Statement from the Chairman of the Board

HGT has no employees or executive Directors and the level of the non-executive Directors' fees are only considered within the limits prescribed by the Articles of Association; therefore, it is felt that maintaining a separate Remuneration Committee would add very little value. Consequently, the Board is responsible for deciding on the level of fees to be paid to the non-executive Directors and the Chairman at its discretion – and each Director abstains from voting on his or her own individual remuneration.

The Directors' fees are reviewed annually – and, in its assessment, the Board considers the time required to be committed to the business of HGT and whether all Directors did devote sufficient time to HGT during the year under review; whether the Board evaluation indicated that the Directors fulfilled their roles, acted effectively and in the best interests of HGT; and whether, through the evolution of HGT's scale, complexity and its associated processes and procedures resulted in an increase in required time commitments.

During the year under review, the Board considered the annual fees, taking account of the various aspects described above, and agreed that, as HGT grows, managing the commitment / investment cycle and the balance sheet becomes increasingly complex and time consuming. The frequency and the length of meetings outside of the usual meeting cycle has been increasing, especially since the introduction of the quarterly valuations, with the Board and its committees now meeting in excess of 20 times a year; the Directors participate in, and/or deliver, monthly teach in sessions; and maintain a regular contact with the Manager outside of the scheduled meetings. In 2021, the Board negotiated a commitment of \$850 million

to Hg's latest upper mid-market fund, and further commitments are anticipated to follow in 2022. HGT now balances its commitments across five different fund structures and manages the balance sheet through a multi-bank lender facility, all of which require significant time and attention from the Board. Consequently, in order for the fees to better reflect those materially higher time commitments, it was agreed that it was appropriate that these change with effect from 1 July 2021 as follows:

- Dr Strang
(Chairman of the Board)
from £72,000 to £100,000 per annum;
- Mr Brooman
(Chairman of the Audit, Valuations and Risk Committee)
from £53,500 to £65,000 per annum
(including a fee of £15,000 for the Committee chairmanship);
- Mr Dunscombe
(Chairman of the Management Engagement Committee)
from £48,000 to £57,500 per annum
(including a fee of £7,500 for the Committee chairmanship);
- Ms West
(Senior Independent Director)
from £48,000 to £57,500 per annum
(including a fee of £7,500 for acting as the SID);
- All other Directors:
from £41,000 to £50,000 per annum.

No discretion was exercised during the year in relation to directors' remuneration.

Directors' remuneration policy

In accordance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended (the Regulations), an ordinary resolution to approve the new Directors' Remuneration Policy was approved at HGT's Annual General Meeting (AGM) on 12 May 2020. It is proposed that the approved policy remain in force until the annual general meeting of HGT in 2023, at which time a further resolution will be proposed. The approved policy is available for inspection by shareholders on HGT's website: www.hgcapitaltrust.com.

Statement of voting at General Meeting

Any views expressed by shareholders at HGT's AGM in respect of the Directors' remuneration are taken into account in formulating the Directors' Remuneration Policy. At the last AGM, over 99.74% of votes were cast in favour of the Directors' Remuneration Report, 0.06% of the votes being cast against and 0.2% of votes being withheld. The current Directors' Remuneration Policy was approved by shareholders at the 2021 AGM, with 99.85% of votes cast in favour and only 0.03% votes cast against, showing significant shareholder support (with 0.04% of votes withheld).





Directors' remuneration report continued

Total remuneration paid to each Director

	Fees		Total fixed remuneration		Total variable remuneration	
	2021 £	2020 £	2021 £	2020 £	2021 £	2020 £
Jim Strang	86,000	60,121	86,000	60,121	-	-
Richard Brooman	59,250	52,750	59,250	52,750	-	-
Peter Dunscombe	52,750	47,250	52,750	47,250	-	-
Pilar Junco	45,500	18,428	45,500	18,428	-	-
Guy Wakeley	45,500	40,500	45,500	40,500	-	-
Anne West	52,750	47,250	52,750	47,250	-	-
Roger Mountford*	-	25,385	-	25,385	-	-
Total remuneration	341,750	291,684	341,750	291,684	-	-

*Roger Mountford retired from the Board in May 2020

The information in the above table has been audited.

There have been no payments to past Directors, whether for loss of office or otherwise. None of the fees referred to in the table above was paid to any third party, in respect of the services provided by any of the Directors. No element of the Directors' remuneration is performance related or variable. The Directors' remuneration is determined within the limits set out within HGT's Articles of Association and the Remuneration Policy – with Directors not eligible for benefits, bonuses, share options or long-term performance incentives. The terms and conditions for all Director appointments are set out in letters of appointment which are available for inspection at the Company's registered office. No Director has a service contract.

Annual percentage change in remuneration of directors

Directors' pay has increased over the last three years, as set out in the table below:

	2021 ¹ £	% change from 2020 to 2021	2020 ¹ £	% change from 2019 to 2020	2019 ¹ £
Chairman	100,000	38.9%	72,000	2.9%	70,000
Audit, Valuations and Risk Committee Chairman	65,000	21.5%	53,500	2.9%	52,000
Management Engagement Committee Chairman	57,500	19.8%	48,000	3.2%	46,500
Senior Independent Director	57,500	19.8%	48,000	3.2%	46,500
Non-Executive Director	50,000	22.0%	41,000	2.5%	40,000

¹The increases in pay were effective on 1 July in the given year.

The requirements to disclose this information came into force for companies with financial years starting on or after 10 June 2019 and the comparison will be expanded in future annual reports until such time as it covers a five year period.

HGT does not have any employees and therefore no comparisons are given in respect of Directors' and employees' pay increases.

Statement of implementation of Remuneration Policy in respect of the financial year ending 31 December 2021

The Board will, as usual, review Directors' fees during 2022, including the time required to be committed to the business of HGT, and will consider whether any further changes to remuneration are required.

Relative importance of spend on pay

	2021 £000	% change from 2020 to 2021	2020 £000	% change from 2019 to 2020	2019 £000
Total Directors' remuneration	342	17.1%	292	2.8%	284
Total dividend paid or declared	21,660	6.2%	20,399	10.6%	18,444

Directors' remuneration report continued

Director's interest

There is no requirement under HGT's Articles of Association or letters of appointment for Directors to hold shares in HGT. The interests of the Directors (including their connected persons) in the shares of HGT, at the end of the year under review and at the end of the previous year, were as follows:

No. Ordinary shares	2021	2020
Richard Brooman	28,500	21,900
Peter Dunscombe	60,000	60,000
Pilar Junco	—	—
Jim Strang	109,000	33,551
Guy Wakeley	15,429	15,301
Anne West	200,000	200,000

The above information has been audited.

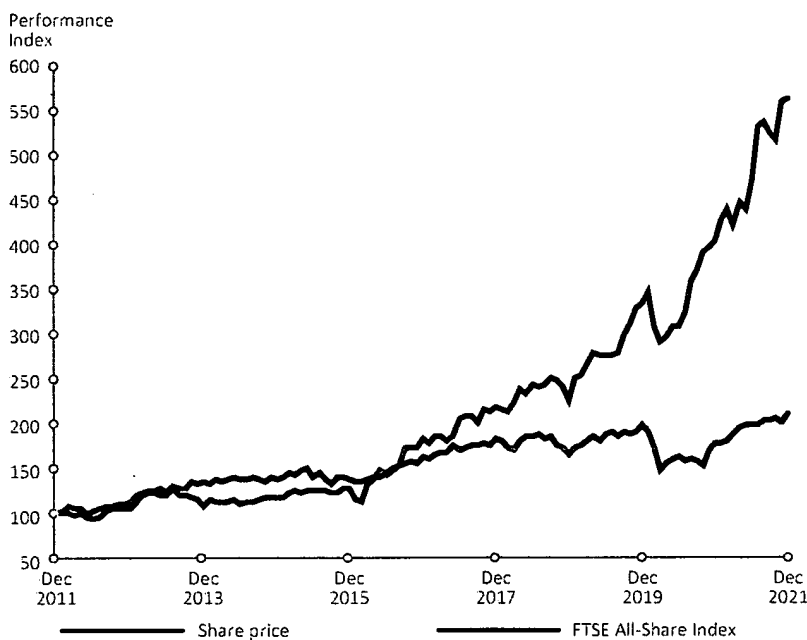
The interests of the Directors (including their connected persons) in the ordinary shares of HGT, as at the date of this Report are shown here:

No. Ordinary shares	as at 4 March 2022
Richard Brooman	28,500
Peter Dunscombe	60,000
Pilar Junco	—
Jim Strang	109,000
Guy Wakeley	15,429
Anne West	200,000

The above information has been audited.

Share price performance from 31 December 2011 to 31 December 2021

The FTSE All-Share Index (total return) has been used for comparative purposes, as this is the comparator used when reporting to shareholders. All figures are based on the total return to shareholders.



On behalf of the Board
Jim Strang
Chairman of the Board
4 March 2022



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Alternative Investment Fund Managers Directive (AIFMD)

Pursuant to Article 23(1) of the AIFMD, Hg Pooled Management Limited, as Manager of HGT, makes available the following information to the existing shareholders of HGT in order to supplement and update (where relevant) the information provided to them before they invested.

Please note that where Hg has determined that the required information is already detailed elsewhere in the Annual Report and Accounts (as defined below) or other available source documents, this supplemental disclosure contains a reference to such source documents. Where Hg has determined that the required information has not been provided to shareholders, this supplemental disclosure contains the relevant details.

Status and legal form

HGT is an EU Alternative Investment Fund ('AIF'), being a public limited company incorporated in England and Wales and listed on the London Stock Exchange. HGT's registered office is 2 More London Riverside, London SE1 2AP.

Investment Policy and risk management

The investment objective, policy and strategy of HGT and Hg are set out in HGT's Investment Objective and Investment Policy section (page 13) and Hg's Review section (pages 38–43) of the 31 December 2021 Annual Report and Accounts. HGT is subject to the UK Listing Authority listing rules and as such, any material change to HGT's investment policy can only be made with the approval of shareholders in a general meeting.

The principal risks associated with HGT's investment policy are set out in HGT's Business Model and Risk Framework (pages 14–18) and the Financial Risk section (page 94; note 19) of the notes to the financial statements in the Annual Report and Accounts. Hg is responsible for risk management functions and has procedures in place to evaluate, monitor and mitigate the risks faced by HGT. Hg's risk management function is reviewed by the Board and the Audit, Valuations and Risk Committee in order to ensure that the best processes are in place and properly followed.

Manager

Hg Pooled Management Limited ('Hg') is the Manager of HGT, its registered office being 2 More London Riverside, London SE1 2AP. Hg is a limited company and is authorised and regulated (FRN 122466) by the Financial Conduct Authority ('FCA').

Hg was authorised to manage AIFs for the purpose of the AIFMD with effect from 22 July 2014.

Hg has been appointed to manage HGT pursuant to an agreement dated 14 January 2009 as amended and restated on 22 July 2014 (the 'Management Agreement') to include appropriate provisions relating to AIFMD.

Hg has sole responsibility for managing HGT, including investigating and negotiating any potential investments and making investment decisions for HGT (subject to the Investment Policy). Hg has delegated certain administration and investment support services to HgCapital LLP, its parent undertaking. In addition, HgCapital LLP is appointed as an investment adviser to Hg.

Hg's duties under the Management Agreement are owed to HGT as a whole and not directly to the shareholders, whether individually or in groups.

Hg maintains appropriate additional own funds to meet its regulatory capital requirements under the AIFMD, including in relation to professional liability risks.

Depository

HGT has appointed APEX Depository (UK) Limited (the 'Depository'), whose registered office is at 6th Floor, 140 London Wall, London, EC2Y 5DN, as the depository in relation to HGT under an agreement dated 22 July 2014 (the 'Depository agreement').

The Depository is authorised and regulated (FRN 610203) by the FCA and is responsible for verifying ownership of HGT's investments (on the basis of evidence provided by Hg) and maintaining a register of such as well as cash monitoring of HGT's bank accounts and oversight as required by Hg. The Depository's duties under the Depository agreement are owed to HGT as a whole and not directly to the shareholders, whether individually or in groups.

Auditor

HGT has appointed Grant Thornton UK LLP, whose registered office is at 30 Finsbury Square, London EC2A 1AG, as auditor. The auditor's duties are to carry out the annual audit of HGT. The auditor is primarily responsible for evaluating the application of HGT's accounting policies and the review of the financial statements.

The agreement between HGT and Grant Thornton for the provision of audit services to HGT does not include any specific rights for shareholders.

Legal Adviser

HGT has appointed Dickson Minto W.S., whose registered office is at 16 Charlotte Square, Edinburgh EH2 4DF as HGT's legal adviser.

The agreement between HGT and Dickson Minto W.S. does not include any specific rights for shareholders.

Prime Broker

HGT does not retain a prime broker.

Legal relationship with shareholders

The rights of the shareholders are governed by HGT's Articles of Association.

As at 31 December 2021, HGT had 455,279,808 ordinary shares of 2.5 pence each in issue. Each ordinary share has one voting right attached to it. The total number of voting rights in HGT at this date was 455,279,808. Further information on the share capital of HGT can be found in the ordinary share capital (page 100; note 20) section of the notes to the financial statements in the Annual Report and Accounts. Shares are not offered on an ongoing basis but may be bought or sold through a stockbroker, financial intermediary, or one of the share dealing services detailed in the Shareholder Information section of the Annual Report and Accounts (page 133). HGT is incorporated under the laws of England and Wales. As such, the courts of England and Wales will have jurisdiction to hear and determine any proceeding, and to settle any dispute, in accordance with English law, which may arise out of a shareholder's shareholding in HGT. Consequently, for shareholders residing outside that jurisdiction it may not be possible to effect service of process in an alternative jurisdiction or enforce any judgement obtained against HGT in an alternative jurisdiction.

Leverage

The aggregate amount of borrowing shall not exceed an amount equal to twice the aggregate of:

- the amount paid up, or credited as paid up, on the share capital of HGT (excluding any share capital presented as debt); and
- the total of any credit balance on the distributable and undistributable reserves of HGT's group, but excluding amounts attributable to outside shareholders in subsidiary undertakings of HGT and deducting any debit balance on any reserve.

HGT has in place a £250 million multi-currency standby facility with Lloyds Bank Corporate Markets plc on an unsecured basis, expiring on 7 October 2024. The facility was 60% drawn at 31 December 2021. Please refer to HGT's Business model and risk framework (page 13) of the Annual Report and Accounts for further details.

Valuation policy and procedure

Hg's valuation policy is to value investments in accordance with the International Private Equity and Venture Capital ('IPEV') guidelines. HGT has an Audit, Valuations and Risk Committee which reviews these valuations and provides oversight of the valuation process and methodology. Please see HGT's Business model and risk framework section (page 16) of the Annual Report and Accounts for further details.

Liquidity management

As HGT is closed-ended, and no redemptions are possible, its liquidity management is limited to ensuring it has the ability to meet the commitments made to make investments. A number of levers are available in order to manage HGT's liquidity profile. A proportion of the assets of HGT is normally maintained in liquid readily realisable form (cash, money market instruments, gilts and a managed liquidity fund) to meet draw-downs. A borrowing facility has been arranged with Lloyds Bank Corporate Markets plc, pursuant to which additional temporary facilities of up to £250 million are available (as referred to in the Leverage section above), if required. In addition, an opt-out provision has been negotiated in connection with HGT's commitment alongside Hg Genesis 8, Hg Genesis 9, Hg Mercury 2, Hg Mercury 3, Hg Saturn and Hg Saturn 2. This permits HGT to opt out of its obligation to fund its commitment for certain liquidity or regulatory reasons, if to do so would result in HGT (i) not having the cash resources to meet any of its liabilities, expenses or obligations to fund its commitments to other funds or investment vehicles of Hg that are reasonably likely to become due within 12 months or (ii) not being able to undertake any share buy-back, in each case subject to certain conditions. For further details, refer to HGT's Business model and risk framework (page 16) section of the Annual Report and Accounts.

Fees, charges and expenses

For details of the fees payable by HGT to Hg in relation to its investment activities within the underlying fund partnerships, please refer to the priority profit share and carried interest section (page 87; note 5) of the notes to the financial statements in the Annual Report and Accounts.

In relation to the management of HGT, Hg is also entitled to receive £5,000 per quarter for its activities as the Manager of HGT and 0.025% of the NAV of HGT per quarter for its activities as administrator.

HGT also incurs fees in the form of depositary fees, bank fees, marketing fees, legal fees, auditor's fees and other fees. It is not possible to provide a maximum fee payable due to the nature of these amounts.

Fair treatment of shareholders and Preferential Treatment

Hg and the Board are committed to treating shareholders fairly in accordance with UK company law. No preferential rights have been granted to any shareholder. Hg and the Board of HGT will not enter into any preferential arrangements which would lead to a material disadvantage to other shareholders.



Remuneration disclosure

HGT does not directly employ any staff and instead HgCapital LLP, which also acts as investment adviser and provides administrative services to HGT, provides personnel to fulfil roles within its investment committee, portfolio review committee and the control and risk functions (the 'Relevant Functions') and perform other activities for HGT. Personnel carrying out the Relevant Functions or who are senior management of Hg are referred to below as 'Identified Staff'.

The table below sets out the disclosures required under AIFMD in relation to the proportion of remuneration which Hg calculates was attributable to work done for HGT during the year ended 31 December 2021.

	2021 £	2020 £
Fixed remuneration paid to Identified Staff	350,000	299,000
Variable remuneration paid to Identified Staff	68,000	34,000
Aggregate remuneration paid to Identified Staff who are senior management of the Manager	90,000	85,000
Aggregate remuneration paid to Identified Staff who have a material impact on the risk profile of the AIF by reason of performing Relevant Functions	328,000	248,000
Carried interest paid by the AIF to Identified Staff	2,943,000	4,786,000

The number of Identified Staff for the year was 21.

Remuneration policy

Hg has ensured that all remuneration is directly aligned with the specific requirements of the AIFMD.

Hg's remuneration policy (which also applies directly to HgCapital LLP) seeks to avoid conflicts of interest by ensuring that:

- It comprises an appropriate mix of fixed and variable remuneration that encourages staff to make a positive contribution to HGT and other AIFs that it manages;
- It is consistent with the objectives of Hg;
- The assessment of performance is set in a multi-year framework appropriate to the life-cycle of the AIFs it manages in order to ensure that the assessment process is based on longer term performance;
- It is under the oversight of a remuneration committee with one independent member;
- It contains measures to promote effective risk management;
- It applies a carried interest model which (a) aligns the interests of staff involved in investment management with the risks of the AIFs and investors in the AIFs; and (b) does not incentivise inappropriate risk taking; and
- It does not pay out remuneration for future potential revenues that are not certain.

Reporting and updates

HGT's historic performance has been disclosed to shareholders in its Annual Report and Accounts, the most recent one covering the year ended 31 December 2021 (and being sent to all shareholders).

Any further information about HGT's risk profile and risk management, any material changes to the liquidity arrangements, the proportion of assets subject to special arrangements arising from liquidity and the maximum permitted leverage will be provided via HGT's Annual Report and Accounts and on HGT's website at www.hgcapitaltrust.com.



Shareholder information

Financial calendar

The announcement and publication of HGT's results may normally be expected in the months shown below:

March	<ul style="list-style-type: none"> Final results for year announced Annual report and accounts published
May	<ul style="list-style-type: none"> Annual general meeting and payment of final dividend Release of Manager's quarterly update with updated 31 March NAV
September	<ul style="list-style-type: none"> Interim figures announced and interim report published
October	<ul style="list-style-type: none"> Payment of interim dividend
November	<ul style="list-style-type: none"> Release of Manager's quarterly update with updated 30 September NAV

Dividend

The final dividend proposed in respect of the year ended 31 December 2021 is 5.0 pence per share (following the interim dividend of 2.0 pence, bringing the full year dividend to 7.0 pence per share).

Ex-dividend date (date from which shares are transferred without dividend)	17 March 2022
Record date (last date for registering transfers to receive the dividend)	18 March 2022
Last date for registering DRIP instructions (see below)	21 April 2022
Dividend payment date	13 May 2022

Payment of dividends

Cash dividends will be sent by cheque to the first-named shareholder at their registered address, to arrive on the payment date. Alternatively, dividends may be paid direct into a shareholder's bank account. This may be arranged by contacting HGT's registrar, Computershare Investor Services PLC ('Computershare'), on 0370 707 1037.

Dividend re-investment plan ('DRIP')

Shareholders may request that their dividends be used to purchase further shares in HGT.

Dividend re-investment forms may be obtained from Computershare on 0370 707 1037 or may be downloaded from www.computershare.co.uk/DRIP. Shareholders who have already opted for dividend re-investment do not need to re-apply. The last date for registering for this service for the forthcoming dividend is 21 April 2022.

Share price

HGT's mid-market ordinary share price is published daily in The Times and The Daily Telegraph, under the section 'Investment Companies'. In the Financial Times, the ordinary share price is listed in the sub-section 'Conventional-Private Equity'. The share price is also available on our website, subject to a 15-minute delay: www.hgcapitaltrust.com

ISIN/SEDOL numbers

The ISIN/SEDOL numbers and mnemonic code for HGT's ordinary shares are:

ISIN	GB00BJOLT190
SEDOL	BJOLT19
Reuters code	HGT.L

Share dealing

Investors wishing to purchase or sell shares in HGT may do so through a stockbroker, financial adviser, bank or several share-dealing platforms. To purchase this investment, you must have read the key information document ('KID') before the trade can be executed. This, and other information, is available on HGT's website: www.hgcapitaltrust.com

If you are proposing to use Computershare Investor Services PLC to purchase shares, please contact it on +44 (0)370 703 0084 to provide you with the KID by either e-mail or post.

The following share-dealing services are available through our registrars, Computershare Investor Services PLC:

Internet share dealing

Please note that, at present, this service is available to shareholders in certain jurisdictions only, including the UK. Please refer to the website for an up-to-date list of these countries. This service provides shareholders with an easy way to buy or sell HGT's ordinary shares on the London Stock Exchange. The commission is 1.0%, subject to a minimum charge of £30. In addition, stamp duty, currently 0.5%, is payable on purchases. Before you trade, you will need to register for this service. Real-time dealing is available during market hours. In addition, there is a convenient facility to place your order outside of market hours. Up to 90-day limit orders are available for sales. Before you can trade, you will need to register for this service. To access the service, log on to www.computershare.trade. Shareholders should have their shareholder reference number ('SRN') available. The SRN appears on share certificates, as it will be required as part of the registration process. A bank debit card will be required for purchases.



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Telephone share dealing

Please note that this service is, at present, available to shareholders resident in certain jurisdictions only. The commission is 1.0%, plus a charge of £50. In addition, stamp duty, currently 0.5%, is payable on purchases. The service is available during 0800–1630, Monday–Friday, excluding bank holidays, on telephone number 0370 703 0084. Before you trade, you will need to register for this service. This can be done by going online at www.computershare.trade.

Shareholders should have their SRN ready when making the call. The SRN appears on share certificates. A bank debit card will be required for purchases. Detailed terms and conditions are available on request by telephoning 0370 703 0084.

Please note that, owing to regulations in the UK, Computershare is required to check that you have read and accepted the terms and conditions before being able to trade, which could delay your first telephone trade. If you wish to trade quickly, we suggest visiting its website and registering online first.

These services are offered on an execution-only basis and subject to the applicable terms and conditions. This is not a recommendation to buy, sell or hold shares in HgCapital Trust plc. Those shareholders unsure of what action to take should obtain independent financial advice. Share values may go down, as well as up, which may result in a shareholder receiving less than they originally invested.

To the extent that this statement is a financial promotion for the share-dealing service provided by Computershare Investor Services PLC, it has been approved by Computershare Investor Services PLC for the purpose of section 21 (2) (b) of the Financial Services and Markets Act 2000 only. Computershare Investor Services PLC is authorised and regulated by the Financial Conduct Authority. Where this has been received in a country where the provision of such a service would be contrary to local laws or regulations, this should be treated as being for information only.

Uncertificated Securities Regulations 1995 – CREST

HGT's ordinary shares have joined CREST, an electronic system for uncertificated securities trading.

Private investors can continue to retain their share certificates and remain outside of the CREST system. Private investors are able to buy and sell their holdings in the same way as they did before the introduction of CREST, although there may be differences in dealing charges.

Income tax

Where possible, dividends can be designated as an interest distribution (interest-streaming) for tax purposes. The Finance Bill 2017 included provisions which removed the requirement to deduct income tax at source from dividends notionally designated as interest distributions by investment trust companies, when they are made on or after 6 April 2017.

This brought this type of income into line with the treatment of interest paid on bank and building society accounts, following the introduction of the personal savings allowance. The amount of your personal savings allowance depends on your adjusted net income. Where interest-streaming is not possible, there is an individual annual allowance of £2,000 across all dividend income, above which there is a tax liability. For further information, please visit the HMRC.gov.uk website. For queries about your own tax position, please speak to an independent tax adviser.

Capital gains tax ('CGT') for UK tax payers

Qualifying investment trusts currently pay no corporation tax on capital gains made within the portfolio. When investors sell all or part of their holdings, they may be liable to CGT. For more details, visit: www.gov.uk/capital-gains-tax

Investments held in ISAs continue to remain exempt from CGT.

Please remember that we are unable to offer individual investment or taxation advice. Those investors in any doubt about their liability for CGT should seek professional advice.

Risk factors

- Investments in predominantly unquoted companies, which form the majority of HGT's investments, may not be as readily realisable as investments in quoted companies.
- As Hg invests predominantly in Continental Europe and in companies which trade internationally, the value of HGT's shares may be affected by changes in rates of foreign exchange.
- Hg invests in a portfolio of small to mid-cap companies, with enterprise values of more than £100 million (at the time of acquisition), the performance of which can fluctuate.
- The price at which HGT's shares trade on the London Stock Exchange is not the same as their NAV (although they are related); therefore, you may realise returns which are lower or higher than NAV performance.
- Past performance is not necessarily a guide to future performance – and an investor may not get back the amount originally invested.

Shareholder information continued

- The value of investments in HGT and the income from them can fluctuate, as the value of the underlying investments fluctuates.
- HGT invests in unquoted companies; although great care is taken in their valuation, such valuations cannot, by their nature, be exact and are liable to change.

Duration of HGT

An ordinary resolution was approved by shareholders at the annual general meeting in May 2020 to continue the life of HGT for a further five years – and a similar resolution will be put to the shareholders at every fifth year thereafter.

If the resolution to continue the life of HGT is not approved, a general meeting will be convened within six months after the date of the AGM to put forward proposals for the reorganisation or reconstruction of HGT.

Nominee holdings

Where shares are held in a nominee company name, HGT undertakes to:

- provide the nominee company with multiple copies of shareholder communications, provided that an indication of quantities has been given in advance.
- allow investors holding shares through a nominee company to attend general meetings, provided that the correct authority from the nominee company is available.

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend HGT's general meetings.

Non-mainstream pooled investments

The Board notes the changes to the FCA rules relating to the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes which came into effect on 1 January 2014.

Legal advice obtained by HGT confirms that HGT's shares will qualify as an 'excluded security' under these new rules and will be excluded, therefore, from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

HGT conducts its affairs so that the shares issued by HGT can be recommended by IFAs to ordinary retail investors, in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

Common reporting standard

With effect from 1 January 2016, new tax legislation under the OECD ('Organisation for Economic Co-operation and Development'), The Common Reporting Standard for Automatic Exchange of Financial Account Information ('The Common Reporting Standard'), was introduced.

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in them. As an affected company, HGT provides information annually to the local tax authority on the tax residencies of some non-UK based certificated shareholders and corporate entities.

All shareholders, excluding those whose shares are held in CREST, entered onto the share register from 1 January 2016 will be sent a certification form for the purposes of collecting this information.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information, information for account holders: www.gov.uk/guidance/automatic-exchange-of-information-introduction

ISA status

HGT's shares are eligible for stocks and shares ISAs.

Shareholders' enquiries

In the event of queries regarding your shares, please contact Computershare on 0370 707 1037 or via the Computershare Investor Centre. Computershare now offers a free secure share management website which allows you to:

- view your share portfolio and see the latest market price of your shares.
- elect to receive your shareholder communications online.
- calculate the total market price of each shareholding.
- view price histories and trading graphs.
- update bank mandates and change of address details.
- use online dealing services.

Log on to www.investorcentre.co.uk to register – you will need a shareholder reference number (this information can be found on the last dividend voucher or your share certificate). Changes of name or address must be notified in writing to:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol, BS99 6ZZ
Telephone: 0370 707 1037

General enquiries about HGT should be directed to:

Hg Pooled Management Ltd
2 More London Riverside
London, SE1 2AP

Telephone: 020 8396 0930

Email: investorrelations@hgcapitaltrust.com



Investing in private equity

Private equity

Private equity is the term given to the provision of equity and equity type risk capital to unlisted companies.

It is normally used to finance beneficial change in businesses. The changes which require equity finance are manifold and ever present. They include a change in the scale of a business (through fast growth or acquisitions), a change in ownership, often in conjunction with management (the management buyout), a change in the strategic direction of a company, a significant change in the structure and operations of a business or financing the commercialisation of new technologies.

Healthy economies require constant change in their corporate sector, otherwise they stultify. Private equity is a form of finance well suited to pay for this change, as it is patient, welcomes considered risk-taking and participates directly in outcomes.

In return for their investment, private equity investors receive a share of the equity in the businesses they finance and do so with the objective of making a significant capital gain over holding periods, typically from three to seven years.

Private equity investors, like Hg, aim to deliver their clients higher returns than may be obtained from a portfolio of public equity investments over any rolling period of five to 10 years. Attractive returns can be garnered, if the private equity manager exploits the advantages which private equity investors have over investors in public markets.

Investment profile

Private equity investments are less liquid than publicly traded equities. To compensate for this, they offer greater control and aim for more attractive returns.

Individual private equity investments have a risk profile dependent on the nature of the underlying business. Investing in a diversified portfolio helps to mitigate some of these risks; the quality of company selections by the private equity manager and the Manager's ability to manage its portfolio further mitigates risk. Manager selection is a key determinant of returns.

Advantages of the private equity model

Compared with investment in the public markets, a private equity investor has significant advantages:

- **Better governance**
Theory and experience tell us that businesses run by their owners tend to perform better than those run by salaried agents. In a private equity-backed business, almost everybody around the Board table and often a high percentage of the management and staff own shares in the companies they run. In addition, the private equity managers also have an equity interest in the portfolio companies through their co-investment obligations and via their carried interest. Accordingly, the interests of all parties are closely aligned and focused on creating value and realising a substantial capital gain. This is achieved by selecting ambitious medium- to long-term goals and allowing managers to pursue them, free from short-term distractions which often beset the managers of listed companies.
- **Better control**
The private equity manager has more control over the method and timing of the sale of the business than does a manager of listed equities. This superior control also extends to the appointment of management.
- **Ability to attract the best management talent**
Working in a private equity-backed business is highly attractive to the best and most ambitious managers. They will be incentivised by capital returns which the listed companies rarely, if ever, match and are given the challenge and satisfaction of running their own business.
- **Larger universe of opportunities**
The universe of privately owned businesses is much larger than the publicly traded one, so the investor has greater choice. The choice available to private equity also includes listed companies which can be delisted and refinanced with private equity capital.
- **Better access presenting the possibility for better assessment**
Before investing, private equity managers often have better access to information, including detailed market, financial, legal and management due diligence.

Listed private equity

Listed private equity ('LPE') refers to public companies invested in unquoted businesses. The shares of the LPE company are listed and traded on a primary stock exchange.

In Europe, primary exchanges include the London Stock Exchange and Euronext. Some private equity companies quoted on the London Stock Exchange are structured as investment trusts. All LPE companies provide the shareholder with an exposure to a differentiated portfolio of private companies, either directly or via funds.

By buying shares in LPE companies, the investor benefits from liquidity while participating in the potentially superior returns of a private equity portfolio. In addition, LPE companies allow investors access to private equity, without having to commit to the 10-year lock-in and minimum investment required when investing in private equity via limited partnerships.

London Stock Exchange-listed private equity investment trusts are supervised by Boards of Directors, the majority of whom is independent, in order to reinforce the Manager's accountability to shareholders.

Provided that they meet certain criteria, investment trusts pay no corporation tax on capital gains, but may not retain more than 15% of their income in each financial year.

The objective of LPE is usually to provide shareholders with long-term capital appreciation, rather than income.

Each listed company, like each private equity firm, has its own investment strategy relating to geography, size and type of investment etc. LPE companies vary considerably in the number of their own holdings, ranging from specialist direct investment trusts, with a handful of portfolio companies in one country, to a fund-of-funds manager, with holdings in over 300 private equity funds worldwide.

LPE companies continually invest and reinvest; most have no fixed life span like a limited partnership. Proceeds from the sale of assets are generally retained for re-investment, rather than being distributed to investors, which would trigger taxable gains. This, together with the long-term horizon of private equity, means that LPE is best suited to long-term holding, rather than frequent trading.

Advantages of listed private equity

Compared with an investment in a limited partnership with a 10-year life, the normal route to obtaining a diversified exposure to private equity, LPE offers significant advantages:

- the opportunity for retail investors, as well as institutions, to participate in a diversified portfolio of mainly unlisted companies for the price of one share, rather than a typical minimum commitment of over £5 million to a limited partnership.
- by buying shares in an LPE company, investors have liquidity in the shares and do not have to make a 10-year commitment to a fund. Accordingly, they can trade without requiring the Manager's consent or the need to run a private auction of their interest.
- listed vehicles handle the cash management and administration, which are complex for a limited partnership interest. All LPE investors need do is monitor the value of their shareholdings in the quoted vehicle itself.
- capital gains retained within London-listed trusts are not taxed.

The listed sector is diverse, offering a wide range of private equity investment vehicles adopting different investment strategies and criteria.



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Glossary

Available liquid resources

Includes cash at bank, cash fund investments and the undrawn bank facility.

CAGR

Compound annual growth rate

Carried interest

Equivalent to a performance fee, this represents a share of the capital profits which will accrue to the investment manager, after achievement of an agreed preferred return.

Co-investment

An equity co-investment is typically a minority investment in a company made alongside a private equity fund. These investments are free from management fees and carried interest.

DACH

An acronym for D (Deutschland/Germany), A (Österreich/Austria), CH (Schweiz/Switzerland).

Discount

Investment trust shares frequently trade at a discount to NAV. This occurs when the share price is less than the NAV. In this circumstance, the price which an investor pays or receives for a share would be less than the value attributable to it by reference to the underlying assets. The discount is the difference between the share price and the NAV, expressed as a percentage of the NAV. For example, if the NAV were 440.5 pence and the share price were 400.5 pence, the discount would be 10%.

EBITDA

Earnings before interest, tax, depreciation and amortisation

ESG

Environmental, social and governance

ESH

Environmental, social and health

EV (enterprise value)

This is the aggregate value of a company's entire issued share capital and net debt.

Expansion capital

The provision of capital to an existing, established business, to finance organic growth or acquisitions.

Hedging

Hedging is an investment technique designed to offset a potential loss on one investment by purchasing a second investment which is expected to perform in the opposite way.

IPO (initial public offering)

An offering by a company of its share capital to the public with a view to seeking an admission of its shares to a recognised stock exchange.

IRR (internal rate of return)

The annualised rate of return received by an investor in a fund. This is calculated from cash drawn from and returned to the investor, together with the residual value of the investment.

LBO (leveraged buyout)

The purchase of all or most of a company's share capital, often involving its managers, funded mainly by borrowings often secured on HGT's assets, resulting in a post-financing capital structure of HGT which is geared.

LP (limited partnership)

An English limited partnership includes one or more general partners who have responsibility for managing the business of the partnership and have unlimited liability and one or more limited partners who do not participate in the operation of the partnership and whose liability is ordinarily capped at their capital and loan contribution to the partnership. In typical fund structures, the general partner receives a priority profit share ahead of distributions to limited partners. In addition, a limited partner, designated as the 'founder partner', will share in the profits of the partnership, alongside the other limited partners, once limited partners have been returned all loan contributions, plus a hurdle rate of return as agreed with the partnership.

Shareholder information continued

LTM

Last 12 months

MBI (management buy-in)

A change of ownership, where an incoming management team raises financial backing, normally a mix of equity and debt, to acquire a business.

MBO (management buyout)

A change of ownership, where the incumbent management team raises financial backing, normally a mix of equity and debt, to acquire a business it manages.

MOIC

Multiple on invested capital – is one of the performance measurements for private fund investing. It is calculated by dividing the sum of a fund's realised and unrealised value by the total amount invested.

NAV (net asset value per share)

This is the value of HGT's assets attributable to one ordinary share. It is calculated by dividing 'shareholders' funds' by the total number of ordinary shares in issue. For example, as at 31 December 2021, shareholders' funds were £2,005,724,000, with 455,279,808 ordinary shares in issue; the NAV was therefore 440.5 pence per ordinary share. Shareholders' funds are calculated by deducting current and long-term liabilities, and any provision for liabilities and charges, from HGT's total assets.

NRR

Net recurring revenue is the proportion of the revenue from existing clients which is secured and will therefore recur in the following calendar year.

P2P (public to private)

The purchase of all of a listed company's shares using a special-purpose vehicle funded with a mixture of debt and unquoted equity.

Preferred return

A preferential rate of return on an individual investment or a portfolio of investments.

Premium

A premium occurs when the share price is higher than the NAV and investors would therefore be paying more than the value attributable to the shares by reference to the underlying assets. For example, if the share price were 484.6 pence and the NAV were 440.5 pence, the premium would be 10%.

Quoted company

Any company whose shares are listed or traded on a recognised stock exchange.

Share-split

A share-split (or stock-split) is the process by which a company divides its existing shares into multiple shares. Although the number of shares outstanding increases, the total net asset value of the shares remains the same as before.

HGT completed a 10:1 share-split in May 2019.

TCFD

Task Force on Climate-related Financial Disclosures. The Financial Stability Board created TCFD to improve and increase reporting of climate-related financial information.

Total ongoing charges

Please refer to page 114.

Total return

The total return to shareholders comprises both changes in HGT's NAV or share price and dividends paid to shareholders; it is calculated on the basis that all historic dividends have been reinvested in HGT's shares on the date the dividend is paid.

UNPRI

Principles of Responsible Investment. The PRI is the world's leading proponent of responsible investment.

Unquoted company

Any company whose shares are not listed or traded on a recognised stock exchange.

Venture capital

Investing in companies at a point in that company's life cycle which is at the concept, start-up or early stage of development.



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This document is important and requires your immediate attention. If you are in any doubt about any aspect of the proposals referred to in this document or about the action which you should take, you should seek your own advice immediately from a stockbroker, solicitor, accountant or other independent professional adviser. If you have sold or otherwise transferred all of your shares, please pass this document, together with the accompanying documents, to the purchaser or transferee, or to the person who arranged the sale or transfer, so they can pass these documents to the person who now holds the shares.

HgCapital Trust plc (incorporated and registered in England and Wales under number 01525583)

Directors:

Jim Strang Peter Dunscombe Guy Wakeley
Richard Brooman Pilar Junco Anne West

Registered Office:

2 More London Riverside
London, SE1 2AP

Annual General Meeting 2022

I am pleased to present the Notice of the Annual General Meeting (AGM) of HgCapital Trust plc (HGT) which will be held at 2 More London Riverside, SE1 2AP on 10 May 2022 at 11.00 a.m. to transact the business set out in the resolutions below. The Notice of AGM sets out the business to be considered at the meeting. The purpose of this letter is to explain certain elements of that business to you. Following the easing of the Government pandemic restrictions, we are pleased to be able to once again welcome our shareholders at our AGM. Those of our shareholders who will not be able to attend the meeting in person are encouraged to submit a proxy vote in advance of the meeting. All resolutions will be voted on by a poll.

A form of proxy for use at the AGM is enclosed with this document or can be requested from the Company Secretary (HgCapitalSecretarial@linkgroup.co.uk). To be valid, the form of proxy should be completed, signed and returned in accordance with the instructions printed thereon, as soon as possible and, in any event, to reach HGT's registrars, Computershare Investor Services PLC (Computershare), no later than 48 hours before the time of the AGM, or any adjournment of that meeting. The results of the AGM business will be posted on www.hgcapitaltrust.com and announced to the market via the London Stock Exchange.

Should you wish to ask the Board or HGT's investment manager any questions, we request that you do so by either email to: HGTAGM2022@hgcapital.com, or by post, by writing to HGT at 2 More London Riverside, London, SE1 2AP. Those questions which are submitted before 4 May 2022 will be answered ahead of the AGM, and we will endeavour to answer any questions subsequently received as soon as possible.

The UK Government may implement further measures relating to the holding of general meetings in future. Any changes to the arrangements for the AGM (including any change to the location or in relation to permitted attendance at the AGM) will be communicated to shareholders before the meeting through our website www.hgcapitaltrust.com and, where appropriate, by an announcement on the London Stock Exchange.

Resolution 1 – To receive the Annual Report and Financial Statements

The Directors are required to present the financial statements, Strategic Report, Directors' Report and Auditor's Report to the meeting. These are contained in HGT's Annual Report and Accounts for the year ended 31 December 2021 (the Annual Report). A resolution to receive the financial statements, together with the Strategic Report, Directors' Report and the Auditor's Report on those accounts is included as an ordinary resolution.

Resolution 2 – Remuneration

An advisory resolution to approve the Directors' Remuneration Report (set out in the Annual Report) is included.

Resolution 3 – Final dividend

The Board proposes a final dividend of 5.0 pence per share in respect of the year ended 31 December 2021. If approved, the recommended final dividend will be paid on 13 May 2022 to all ordinary shareholders who are on the register of members on 18 March 2022. The shares will be marked ex-dividend on 17 March 2022.

Resolutions 4 to 8 – Re-election of Directors

In line with the recommendations of the 2019 AIC Corporate Governance Code, all Directors of HGT are required to retire and offer themselves for re-election at each AGM. In accordance with this requirement, Dr Strang, Mr Brooman, Ms Junco, Dr Wakeley and Ms West will retire and offer themselves for re-election as Directors.

Full biographies of all of the Directors are set out in the Annual Report on pages 112 and 113 and are also available for viewing on HGT's website www.hgcapitaltrust.com. The Nomination Committee considered the Directors' performance and recommended their re-election and the Board agrees that it is in the best interests of shareholders that each of the Directors be re-elected.

In the Board's opinion, despite the length of his tenure exceeding nine years, Richard Brooman remains independent and continues to provide constructive challenge and robust scrutiny, of matters coming before the Board. He is independent of Hg and free from any business or other relationships which could materially interfere with his decision-making. Richard is currently the only long-serving member of the Board and the Board believes that longer periods of service are not only desirable, but essential for an investment company such as HGT, where the cycles of commitment-investment-realization and the negotiations of significant, new long-term commitments can extend over a period of up to ten years or longer. It is important that the Board is able effectively to maintain its long-term perspective, supported by a long corporate memory, balanced with the regular challenge provided by fresh thinking. More information about the Board's Policy on Tenure can be found on page 127 of the Annual Report.

Notice of Annual General Meeting continued

Resolutions 9 and 10 – Re-appointment and remuneration of Auditor

At each meeting at which HGT's financial statements are presented to its members, HGT is required to appoint an auditor to serve until the next such meeting. The Board, on the recommendation of the Audit, Valuations and Risk Committee, recommends the re-appointment of Grant Thornton UK LLP as auditor to HGT, and this will be proposed to the AGM as Resolution 9. Resolution 10 authorises the Directors to fix the auditor's remuneration.

Resolution 11 – Authority to allot ordinary shares

Resolution 11 authorises the Board to allot ordinary shares generally and unconditionally in accordance with Section 551 of the Companies Act 2006 (the Act) up to an aggregate nominal value of £3,793,998.40, representing approximately one-third (33.33%) of the issued ordinary share capital at the date of the Notice. No shares are held in treasury.

No ordinary shares will be issued at a price less than the prevailing net asset value per ordinary share at the time of issue, other than on a pre-emptive basis or with the prior consent of Shareholders provided in accordance with the Listing Rules. This authority shall expire at the next AGM of HGT.

Resolution 12 – Authority to disapply pre-emption rights

Resolution 12 is a special resolution which is being proposed to authorise the Directors to disapply the pre-emption rights of existing Shareholders in relation to issues of ordinary shares under Resolution 11 (being in respect of ordinary shares up to an aggregate nominal value of £1,138,199.52, representing approximately 10% of HGT's issued ordinary share capital as at the date of the Notice).

No issuance of ordinary shares without pre-emption rights will be made at a price less than the prevailing net asset value per ordinary share at the time of issue.

This authority shall expire at the next AGM of HGT.

Resolution 13 – Purchase of own shares

Resolution 13 is a special resolution which will grant HGT authority to make market purchases of up to 68,246,443 ordinary shares, representing 14.99% of the ordinary shares in issue as at the date of the Notice. The ordinary shares bought back will either be cancelled or placed into treasury, at the determination of the Directors.

The maximum price which may be paid for each ordinary share must not be more than the higher of (i) 105% of the average of the mid-market values of the ordinary shares for the five business days before the purchase is made or (ii) the higher of the price of the last independent trade and the highest current independent purchase bid for a share of HGT on the trading venues where the market purchases by HGT, pursuant to the authority conferred by this Resolution 13, will be carried out. The minimum price which may be paid for each Ordinary share is £0.025.

There are currently no shares held in treasury by HGT. In addition, the Directors would not exercise the authority granted under this resolution, unless they consider it to be in the best interests of Shareholders, which may include addressing any

significant imbalance between the supply and demand for HGT's ordinary shares and to manage any discount to net asset value at which the ordinary shares trade. Purchases would be made in accordance with the provisions of the Act and the Listing Rules. This authority shall expire at the next AGM of HGT, when a resolution to renew the authority will be proposed. HGT currently intends that any ordinary shares repurchased would be held in treasury, subject to applicable law and regulation.

Resolution 14 – Amendment to Investment Policy

Resolution 14 is an ordinary resolution to amend the Company's investment policy. The Board is proposing a resolution to amend the Company's investment policy to allow greater flexibility in the size of investments that can be made and to more accurately describe the sectors and markets in which the Manager invests. We recommend that:

- on investment, no initial (rather than total) investment in a single business will exceed a maximum of 20% of gross assets. This change is proposed to allow additional flexibility in the size of investments that can be made.
- we specify that the policy of HGT is to invest predominantly, directly or indirectly, in a portfolio of unlisted software and tech-enabled services companies and HGT holds a spread of businesses diversified by the end-markets the investee companies serve and by geographies in which they operate.
- we specify that the Manager invests mainly in companies that have substantial business operations and opportunities in Europe, though the investee companies themselves may serve, or be present in, a variety of sectors.
- we specify that part of HGT's portfolio is located outside of the UK, predominantly in northern Europe, and now, increasingly, in North America.

A blackline version of the investment policy, showing the proposed changes, is set out on page 149 of this Report

Action to be taken

All shareholders are encouraged to submit a proxy vote in advance of the meeting. Forms of Proxy should be returned so as to be received by HGT's Registrar, Computershare, at The Pavilions, Bridgewater Road, Bristol BS99 6ZY as soon as possible and, in any event, no later than 11.00 a.m. on 6 May 2022. Alternatively, you may appoint a proxy electronically via www.investorcentre.co.uk/eproxy by following the instructions on that website or, if you hold your shares in CREST, via the CREST system. Please note that all proxy appointment forms should reach HGT's registrar, Computershare, by no later than 11.00 a.m. on 6 May 2022. If you hold your shares through a nominee service, please contact the nominee service provider about the process for giving voting instructions.

If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 11.00am on 6 May 2022 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.



Notice of Annual General Meeting continued

Recommendation

Full details of the above resolutions are contained in the Notice. The Directors consider that all of the resolutions to be proposed at the AGM are in the best interests of HGT and its members as a whole. The Directors unanimously recommend that Shareholders vote in favour of all of the resolutions.

Jim Strang
Chairman, HgCapital Trust plc
4 March 2022

Notice is hereby given that the Annual General Meeting of HgCapital Trust plc (HGT) will be held at 2 More London Riverside, London, SE1 2AP, on 10 May 2022 at 11.00 a.m. to transact the business set out in the resolutions below.

Resolutions 1 to 11 and 14 will be proposed as ordinary resolutions; this means that for each of those ordinary resolutions to be passed, more than half of the votes cast must be in favour. Resolutions 12 and 13 will be proposed as special resolutions; this means that, for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour.

Ordinary resolutions

1. To receive HGT's annual financial statements for the year ended 31 December 2021, together with the Directors' Report, the Strategic Report and the Auditor's Report on those financial statements.
2. To approve the Directors' Remuneration Report set out on pages 129 to 131 of HGT's Annual Report and Accounts for the financial year ended 31 December 2021.
3. To declare a final dividend of 5.0 pence per share in respect of the year ended 31 December 2021.
4. To re-elect Richard Brooman as a Director.
5. To re-elect Pilar Junco as a Director.
6. To re-elect Jim Strang as a Director.
7. To re-elect Guy Wakeley as a Director.
8. To re-elect Anne West as a Director.
9. To re-appoint Grant Thornton UK LLP as auditor of HGT, to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting at which financial statements are laid before HGT.
10. To authorise the Directors to determine the remuneration of the auditor.
11. THAT, in accordance with Section 551 of the Companies Act 2006 (the Act), the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of HGT to allot ordinary shares in HGT, up to a maximum aggregate nominal amount of £3,793,998.40 (being approximately 33.33% of the issued ordinary share capital of HGT at the date of this Notice), such authority (i) to replace any existing authorities in respect of ordinary shares of the Directors pursuant to Section 551 of the Act, which are hereby revoked and (ii) to expire at the conclusion of the next Annual General Meeting of HGT (unless previously renewed, varied or revoked by HGT in a general meeting), save that HGT may, before such expiry, make offers or agreements which would or might require ordinary shares to be allotted after such expiry and the Directors may allot ordinary shares in pursuance of such offers or agreements as if the authority conferred by this resolution had not expired.
14. THAT the revised and restated investment policy set out as an appendix to this Notice, a copy of which has been produced to the meeting and signed by the Chairman for the purposes of identification, be approved and is hereby adopted as the investment policy of the Company, to the exclusion of all previous investment policies of the Company.

Notice of Annual General Meeting continued

Special resolutions

12. THAT, subject to the passing of Resolution 11, and in accordance with Sections 570 and 573 of the Act, the Directors be and are hereby generally empowered to allot equity securities (as defined in Section 560(1) of the Act) for cash, pursuant to the authority conferred on the Directors by Resolution 12 and to sell ordinary shares from treasury for cash, as if Section 561 of the Act did not apply to any such allotment or sale, up to an aggregate nominal amount of £1,138,199.52 (being approximately 10% of the issued ordinary share capital of HGT at the date of this Notice), such power to expire at the conclusion of the next Annual General Meeting of HGT (unless previously renewed, varied or revoked by HGT in general meeting) save that HGT may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require ordinary shares to be allotted or sold from treasury after the expiry of such power and the Directors may allot or sell ordinary shares from treasury in pursuance of such an offer or agreement as if such power had not expired.
13. THAT, HGT be and is hereby generally and unconditionally authorised for the purpose of Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares in the capital of HGT, provided that:
- the maximum number of ordinary shares which may be purchased is 68,246,443 (representing approximately 14.99% of the issued ordinary share capital of HGT as at the date of this Notice);
 - the minimum price, exclusive of any expenses, which may be paid for each ordinary share is the nominal value of that ordinary share;
 - the maximum price, exclusive of any expenses, which may be paid for each ordinary share is an amount equal to the higher of:
 - 105% of the average of the mid-market values of the ordinary shares for the five business days before the purchase is made; and
 - the higher of the price of the last independent trade of an ordinary share and the highest current independent purchase bid for a share of HGT on the trading venues where the market purchases by HGT, pursuant to the authority conferred by this Resolution 13 will be carried out,

provided that all ordinary shares purchased pursuant to the said authority shall:

- be cancelled immediately upon completion of the purchase; or
- be held, sold or otherwise dealt with as treasury shares, in accordance with the provisions of the Act.

This authority shall expire at the conclusion of the next Annual General Meeting of HGT (unless previously revoked, varied, renewed or extended by HGT in general meeting) save that HGT may, before such expiry, enter into a contract to purchase shares which will or may be executed wholly or partly after the expiry of such authority.

By order of the Board
Link Company Matters Limited
Company Secretary
4 March 2022
Registered Office:
2 More London Riverside
London SE1 2AP



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Important notes

The following notes explain your general rights as a shareholder and your right to attend and vote at this Annual General Meeting or to appoint someone else to vote on your behalf.

1. To be entitled to attend and vote at the Annual General Meeting (and for the purposes of the determination by HGT of the votes they may cast), members must be registered in the Register of Members of HGT at 6.00pm on 6 May 2022 (or, in the event of any adjournment, 48 hours before the time of the adjourned meeting excluding non-working days). Changes to the Register of Members of HGT after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member, but must attend the Annual General Meeting to represent you. Details of how to appoint the Chairman of the Annual General Meeting or another person as your proxy, using the proxy form, are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Annual General Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 6pm on 6 May 2022 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.
3. To appoint more than one proxy, an additional proxy form(s) may be obtained by contacting HGT's registrars, Computershare, helpline on 0370 707 1037 or you may photocopy the proxy form. Please indicate in the box next to the proxy holder's name, the number of shares in relation to which they are authorised to act as your proxy. Please also indicate, by ticking the box provided, if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
4. In the case of joint holders, where more than one of the joint holders completes a proxy appointment, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in HGT's register of members, in respect of the joint holding (the first-named being the most senior).
5. A personalised form of proxy is enclosed with Shareholders' copies of this document. To be valid, it should be lodged with HGT's registrars, Computershare, The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to be received no later than 48 hours (excluding non-working days) before the time appointed for the Annual General Meeting or any adjourned meeting or, in the case of a poll taken subsequent to the date of the Annual General Meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.
6. A person authorised by a corporation is entitled to exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of HGT. On a vote on a resolution on a show of hands, each authorised person has the same voting rights as the corporation would be entitled to. On a vote on a resolution on a poll, if more than one authorised person purports to exercise a power in respect of the same share:
 - a. if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way; or
 - b. if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.
7. Any person receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a Nominated Person) should note that the provisions in notes 2 above concerning the appointment of a proxy or proxies to attend the Annual General Meeting in place of a member, do not apply to a Nominated Person, as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the Annual General Meeting.
8. Nominated persons should also remember that their main point of contact in terms of their investment in HGT remains the member who nominated the Nominated Person to enjoy information rights (or perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not HGT) regarding any changes or queries relating to the

Notice of Annual General Meeting continued

Nominated Person's personal details and interest in HGT (including any administrative matters). The only exception to this is where HGT expressly requests a response from a Nominated Person.

9. Appointment of a proxy will not preclude a member from subsequently attending and voting at the Annual General Meeting should the member subsequently decide to do so. A member can only appoint a proxy by using the procedures set out in these notes and the notes to the proxy card. The termination of the authority of a person to act as a proxy must be notified to HGT in writing. Amended instructions must be received by Computershare by the deadline for receipt of proxies. Should a member wish to appoint a proxy electronically, such proxy appointment must be registered electronically at www.investorcentre.co.uk/eproxy, so as to be received no later than 48 hours (excluding non-working days) before the time appointed for the Annual General Meeting or any adjourned meeting or, in the case of a poll taken subsequent to the date of the Annual General Meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed to take the poll. To vote electronically, you will be asked to provide the Control Number, Shareholder Reference Number (SRN) and PIN, details of which are contained in the personalised proxy card enclosed. This is the only acceptable means by which proxy instructions may be submitted electronically.
10. As at 4 March 2022 HGT's issued share capital consists of 455,279,808 ordinary shares, with none held in treasury. The total number of voting rights in HGT is therefore 455,279,808.
11. A copy of the Notice of Annual General Meeting and the information required by Section 311A of the Companies Act 2006 is included on HGT's website, www.hgcapitaltrust.com.
12. Section 319A of the Companies Act 2006 requires the Directors to answer any question raised at the Annual General Meeting which, relates to the business of the Annual General Meeting, although no answer need be given (a) if to do so would interfere unduly with the preparation of the Annual General Meeting or involve disclosure of confidential information; (b) if the answer has already been given on HGT's website; or (c) if it is undesirable in the best interests of HGT or the good order of the Annual General Meeting. However, as noted above, the 2021 Meeting will be run as a closed meeting and neither shareholders nor named proxies will be able to attend in person.
13. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require HGT to publish a statement on its website setting out any matter relating to (a) the audit of HGT's accounts (including the auditor's report and the conduct of the audit) which are to be laid before the Annual General Meeting; or (b) any circumstances connected with an auditor of HGT ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the Annual General Meeting. HGT cannot require the members requesting the publication to pay its expenses. Any statement required to be placed on the website must also be sent to HGT's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that HGT has been required to publish on its website.
14. Members satisfying the thresholds in section 338 of the Companies Act 2006 may require HGT to give, to members of HGT entitled to receive notice of the Annual General Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Annual General Meeting. A resolution may properly be moved at the Annual General Meeting unless (a) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or HGT's constitution or otherwise); (b) it is defamatory of any person; or it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by HGT no later than six weeks before the date of the Annual General Meeting.
15. Members satisfying the thresholds in section 338A of the Companies Act 2006 may request HGT to include in the business to be dealt with at the Annual General Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Annual General Meeting. A matter may properly be included in the business at the Annual General Meeting unless (a) it is defamatory of any person or (b) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by HGT no later than six weeks before the date of the Annual General Meeting.
16. You may not use any electronic address provided in either this Notice or any related documents (including the Form of Proxy) to communicate with HGT for any purposes other than those expressly stated.
17. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST manual, which is available to download from the Euroclear website (www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.



18. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the Issuer's agent (3RA50) by the latest time for receipt of proxy appointments specified in note 4 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
19. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.
20. HGT may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001.
21. The Annual Report incorporating this notice of Annual General Meeting, details of the number of shares in respect of which members are entitled to exercise voting rights at the Annual General Meeting as at 4 March 2022 (the business day prior to publication of this notice) and, if applicable, any members' statements, members' resolutions or members' matters of business received by HGT after the dates of this notice will be available on HGT's website: www.hgcapitaltrust.com.
22. None of the Directors has a contract of service with HGT. A copy of the terms and conditions of appointment of Directors is available for inspection at the registered office of HGT during usual business hours on any weekday (except weekends and public holidays).
23. Personal data provided by shareholders at or in relation to the Meeting will be processed in line with HGT's privacy policy.

Appendix

Updated investment policy

The policy of HGT is to invest, directly or indirectly, in a portfolio of unlisted software and tech-enabled services companies; where its Manager, Hg, believes that it can add value through increasing organic growth, generating operational improvements, driving margin expansion, reorganisation or acquisition – to achieve scale. HGT seeks to maximise its opportunities and reduce investment risk by holding a spread of businesses diversified by ~~end-market and geography~~ the end-markets these companies serve and geographies in which they operate.

Risk management

HGT has adopted formal policies to control risk arising through excessive leverage or concentration. ~~HGT's maximum exposure to unlisted investments is 100% of the gross assets of HGT from time to time.~~ On investment, no initial investment in a single business will exceed a maximum of 20% of gross assets. HGT may invest in other listed closed-ended investment funds, up to a maximum at the time of investment of 15% of gross assets. HGT's maximum exposure to unlisted investments is 100% of the gross assets of HGT from time to time.

Sectors and markets

As HGT's policy is to invest in businesses in which Hg can play an active role in supporting management, Hg invests primarily in companies whose operations are headquartered or ~~substantially based~~ which have substantial business operations and opportunities in Europe. These companies operate in a range of countries, but there is no policy of making allocations to specific countries or markets. Investments are predominantly ~~made across a range of sectors~~ in unlisted software and tech-enabled services companies where Hg believes that its skills can add value, ~~but there is no policy of making allocations to sectors~~ though these companies themselves serve a variety of end-markets and customer segments. HGT may, ~~from time to time~~, also invest directly in private equity funds managed by Hg where it is more economical and practical to do so.

Leverage

Each underlying investment is usually individually leveraged, but no more than its own cash flow can support, in order to enhance value creation; it is impractical to set a maximum for

such gearing across the portfolio as a whole. HGT commits to invest in new opportunities in order to maintain the proportion of gross assets which are invested at any time, but monitors such commitments carefully against projected cash flows. HGT has the power to borrow and to charge its assets as security. The articles restrict HGT's ability (without shareholders' approval) to borrow to no more than twice HGT's share capital and reserves, allowing for the deduction of debit balances on any reserves.

Hedging

Part of HGT's portfolio is located outside of the UK, predominantly in northern Europe or North America, with a further part in businesses which operate in US dollars. HGT may therefore hold investments valued in currencies other than sterling. From time to time, HGT may put in place hedging arrangements with the objective of protecting the sterling translation of a valuation in another currency. Derivatives are also used to protect the sterling value of the cost of investment made or proceeds from realising investments in other currencies, between the exchange of contracts and the completion of a transaction.

Commitment strategy

HGT employs a commitment strategy to ensure that its balance sheet is managed efficiently. The level of commitment is regularly reviewed by the Board and Hg.

Liquid funds

HGT maintains a level of liquidity to ensure, as far as can be forecast, that it can participate in all investments made by Hg throughout the investment-realisation cycle. At certain points in that cycle, HGT may hold substantial amounts of cash awaiting investment. HGT may invest its liquid funds in government or corporate debt securities, or in bank deposits, in each case with an investment grade rating, or in managed liquidity funds which hold investments of a similar quality. If there is surplus capital and conditions for new investment appear to be unfavourable, the Board will consider returning capital to shareholders, probably through the market purchase of shares. Any material change to HGT's investment objective and policy will be made only with the approval of shareholders in a general meeting.



Strategic report



Hg's review



Financial statements



Corporate governance



Board, management and administration

Directors

Jim Strang
(Chairman)
Richard Brooman
(Chairman of the Audit, Valuations and Risk Committee)
Peter Dunscombe
(Chairman of the Management Engagement Committee)
Pilar Junco
Guy Wakeley
Anne West
(Senior Independent Director)

Company secretary

Link Company Matters Limited
65 Gresham Street
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Telephone: 0207 954 9531

Registered office

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SE1 2AP

Registered number

01525583

Website

www.hgcapitaltrust.com

Investment manager

Hg Pooled Management Limited¹
2 More London Riverside
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SE1 2AP
Telephone: 020 8396 0930
www.hgcapital.com

Registrars and transfer office

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Bridgwater Road
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BS99 6ZZ
Telephone: 0370 707 1037
www.computershare.com/uk

Broker

Numis Securities Ltd¹
45 Gresham Street
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EC2V 7BF
Telephone: 020 7260 1000
www.numiscorp.com

Auditor

Grant Thornton UK LLP¹
30 Finsbury Square
London
EC2A 1AG
Telephone: 020 7383 5100
www.grantthornton.co.uk

Legal adviser

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16 Charlotte Square
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Telephone: 0131 225 4455
www.dicksonminto.com

Bank

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1 Princes Street
London
EC2R 8BP
Telephone: 020 7085 5000
www.rbsinternational.com

Administrator

Hg Pooled Management Limited¹
2 More London Riverside
London
SE1 2AP
Telephone: 020 8396 0930
www.hgcapital.com

Depositary

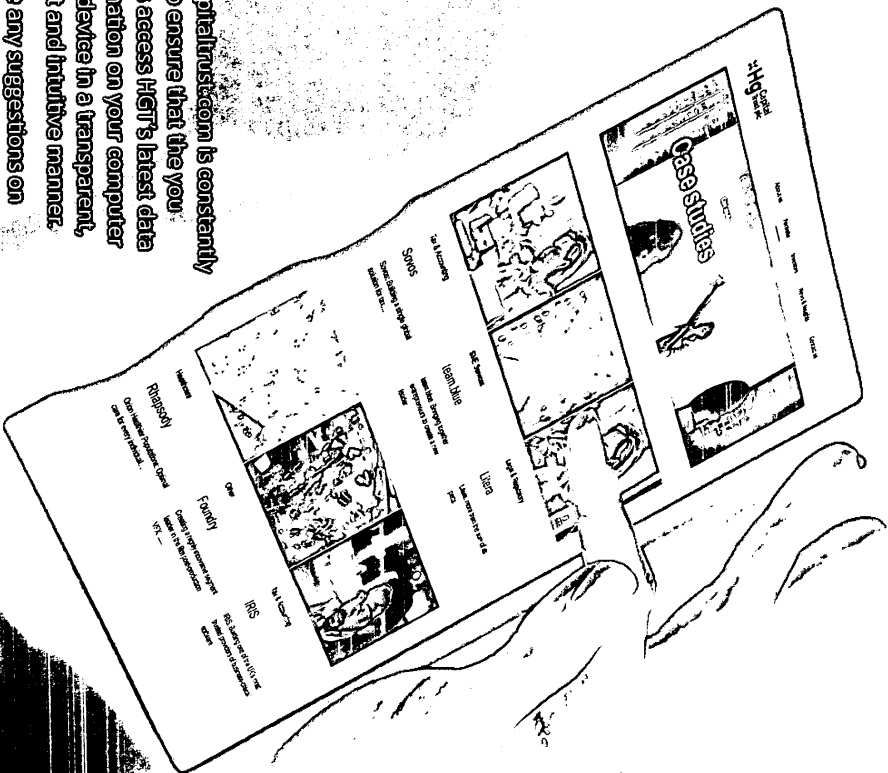
Apex Depositary (UK) Limited¹
6th Floor
140 London Wall
London
EC2Y 5DN
Telephone: 020 3697 5353
www.theapexgroup.com

AIC

Association of Investment Companies
www.theaic.co.uk
The AIC represents closed-ended investment companies. It helps its member companies through lobbying, media engagement, technical advice, training and events.
The AIC's website includes information about investments via investment companies, including investments in listed private equity companies.

¹ Authorised and regulated by the Financial Conduct Authority.





www.hgcapitaltrust.com is constantly updated to ensure that the you can always access HG's latest data and information on your computer or mobile device in a transparent, convenient and intuitive manner.

If you have any suggestions on improvements we can make to the site, please do get in touch at investorrelations@hgcapitaltrust.com



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