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Business

This investment trust has beaten global markets over the past decade – and it is on sale

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The private equity vehicle is home to one of the most generous capital return schemes on the market

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PRIVATE markets can be hard to access. Typically illiquid and opaque in nature, the defining investment under the “alternatives” banner has rewarded investors who have committed capital over the long term, offering a 14pc annualised total return since 2001 – double that of the FTSE All-Share's 7pc, according to recent data from the British Private Equity & Venture Capital Association (BVCA).

However, it cannot be denied that the past two years have been more challenging. Global uncertainties and macroeconomic conditions have weighed heavily on fundraising and realisation volumes, with private equity valuations under pressure as a result. But in the context of a more benign financing environment, we are seeing signs of a rebound in dealmaking, and the flywheel effect of increased exit activity is likely to be an important catalyst for the sector.

Not only are we seeing a turning point in market conditions and transactional activity, but we also note that an increasing proportion of the fastest-growing businesses in the world are private. According to a PwC report from the end of 2024, the combined valuation of the top 100 “unicorns” (privately held start-ups valued at over \$1bn (£780bn) has reached over \$2 trillion, with fintech, artificial intelligence, information technology and e-commerce standing as the key

HarbourVest Global Private Equity

BUY

An excellent option for investors wanting to participate in exciting growth stories such as Klarna and Stripe

sectors. It might feel like a contrarian call but we think the more adventurous investor should consider adding private equity exposure to capture this recovery, and to access the growth potential from these private companies.

Enter HarbourVest Global Private Equity (HVPE). Launched in December 2007, the investment trust offers global exposure to private companies through a fund-of-funds structure, leveraging the knowledge base of over 230 investment professionals who, in turn, provide access to 650 underlying private equity fund managers.

Over the past 10 years, HVPE has delivered a 13pc annualised net asset value (Nav) total return, outperforming the FTSE All World index by three percentage points per year. Currently trading on a 37pc discount, the trust offers an excellent entry point into the recovery in private equity, with a strong portfolio to boot. The portfolio is highly diversified across regions, industries and investment stage, with firms spread across buyout, venture, private credit, infrastructure and real assets. There is also a range of strategies (primary, secondary and direct co-investment) and vintage profiles (mature, growth, or investment phase).

It has a strong balance sheet, with cash, available credit and the projected next 12 months' realisations covering the next 36 months' estimated investments, and offers growth at a

HarbourVest Global Private Equity

Close: **£26.55**



Key numbers

- ◆ Market value: £2bn
- ◆ Year of listing: 2007
- ◆ Discount: 37pc
- ◆ Average discount over past year: 40pc
- ◆ Yield: N/A
- ◆ Most recent year's dividend: N/A
- ◆ Gearing: 7pc
- ◆ Annual charge: 1.79pc

reasonable price. An important factor for realising profits is the initial public offering (IPO) of its private holdings, and the firm has several significant candidates with the potential to go public over the next 12-18 months: Databricks, a global data, analytics and artificial intelligence company; Stripe, a financial services and payments firm; Airtable, which handles cloud-based databases; Discord, an instant messaging service with 200m global monthly active users; and Klarna, the payment processing fintech.

The trust has a strong track record of handling these sorts of realisations. Since the manager started tracking the data in 2012, the average boost to book value on exit has been a gross 52pc. Its more recent monthly updates and commentary point to a pick-up in M&A and IPO activity, which is consistent with the green shoots of recovery reported by other private equity trusts. In 2024, HVPE reported a 37pc year-on-year increase in known M&A

‘The portfolio is highly diversified across regions, industries and investment stage’

transactions and IPOs from the underlying portfolio and we see scope for the number of transactions to increase from here.

On the more predictable side of managing the trust, HVPE is poised to increase its share buyback activity, returning more capital to investors. Based on our analysis, if we assume that 16pc of current Nav is realised in 2025, this could equate to \$235m of potential buybacks to support further discount narrowing, which would be one of the most generous buyback policies in the private equity peer group. The closed-end investment trust structure offers an excellent solution for investors wanting to participate in these exciting growth stories, without the need to tie-up capital for multiple years.

Questor says: buy
Share price: £26.55
Ticker: HVPE

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