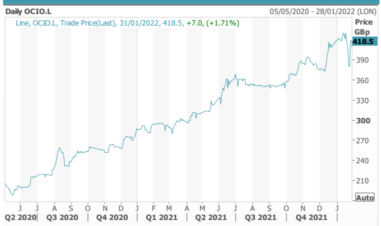
Closed End Investments



Source: Refinitiv

Market data

EPIC/TKR	**OCI**
Price (p)	**410**
12m High (p)	434
12m Low (p)	278
Shares (m)	178.6
Mkt Cap (£m)	732
NAV p/sh (Dec, p)	538
Discount to NAV	24%
Country of listing	UK
Market (UK)	Main Market SFS

Description

Oakley Capital Investments (OCI) has generated market-beating returns from its concentrated, three-sector-focused portfolio of private equity (PE) investments via Oakley Capital (Oakley) PE funds. Oakley has a proven model for sourcing investments, and an excellent track record of identifying resilient value opportunities and delivering superior returns.

Company information

Chair	Caroline Foulger
Ind. NEDs	R Lightowler, F Beck
NEDs	P Dubens, S Porter
Inv. Mgrs.	Oakley Capital
Contact	Steven Tredget
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Key shareholders

Peter Dubens/Directors	11%
Asset Value Investors	9%
Lombard Odier	8%
City of London IM, HL	6%
Sarasin	5%
Jon Wood & family, Fidelity	4%
Hawksmoor, II	3%

Diary

10 Mar	Full-year results

Analyst

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OAKLEY CAPITAL INVESTMENTS LTD

OCI's *trading statement* to end-Dec'21 was extremely positive, noting i) Net Asset Value (NAV) per share of 538p, ii) an annual total NAV return per share of 35%, iii) an annual total shareholder return (TSR) of 48%, iv) investments of £137m and share of proceeds of £121m, v) year-end cash of £163m, vi) outstanding commitments of £404m (post year-end, OCI announced an initial €400m/£336m commitment to Fund V), and vii) the buyback and cancellation of 2 million shares. During the year, 76% of the increase in the portfolio's value was driven by EBITDA growth and 24% by multiple expansion, including realisations. The largest contributions were from IU Group and TechInsights.

- **Proceeds (£121m):** Realisations totalled £38m (exit of ACE Education, at 2.1x gross MM, the partial sale of Daisy Group's stake in the digital wholesale solutions division and the repayment of debt by Daisy Group) and Refinancings totalled £83m (IU Group, Contabo and 7NXT).
- **Investments (£137m):** New investments were £106m – idealista, Dexters and ICP Education (Fund IV), and ECOMMERCE ONE, Seedtag and a reinvestment in ACE Education (Origin Fund). Follow-on investments were £31m – Windstar Medical (Fund IV), Grupo Primavera and Globe-Trotter (Fund III), and North Sails.
- **Valuation:** Against the end-Dec NAV, OCI trades at a 24% discount, despite its strong absolute, and peer and market-beating relative performance. OCI has delivered consistently, with especially robust performance through COVID-19, demonstrating its downside resilience. OCI yields 1.2%.
- **Risks:** While OCI's costs are slightly above-average, post-expense returns are still market-beating. Sentiment towards economic cycles may be adverse, even though downside protection has been proved repeatedly. OCI's portfolio is concentrated, and we believe its permanent capital is right for private assets.
- **Investment summary:** OCI provides investors with liquid access to the attractive PE market, enhanced by Oakley's incremental origination and active management skills. Oakley Funds focus on mid-market, tech-enabled European companies that operate in the technology, consumer and education sectors. Accounting and governance appear conservative. There are risks – primarily sentiment-driven – around costs and cyclicality, as well as the liquidity and valuation of the underlying private assets. We believe buying long-term, compounding growth is the key attraction, with any further closing of the discount to NAV an added bonus. The current 24% discount is less than one-year's average recent NAV total return.

Financial summary and valuation

Year-end Dec (£m)	2017	2018	2019	2020	2021E	2022E
Interest income	7,722	6,629	9,218	10,466	11,753	11,415
Realised gains	23,991	102,314	17,840	208,536	38,366	22,140
Unrealised gains	20,316	(23,877)	127,741	(133,086)	206,369	110,702
Total income	51,496	88,432	153,157	100,006	252,793	144,508
Costs	(6,571)	(6,434)	(17,888)	(7,620)	(4,000)	(4,000)
EPS (p)	22.0	40.0	66.3	47.9	139	79
NAV per share (£)	2.45	2.81	3.45	4.03	5.38	6.13
S/P discount to NAV*	-33%	-38%	-22%	-29%	-22%	-38%
Investments	420	470	661	505	857	1,046
DPS (p)	4.5	4.5	4.5	4.5	4.5	4.5

*Note: OCI's 2017 costs restated to include interest per 2018-19 treatment, *2017-20 actual NAV and share price, 2022 forecast NAV to current share price; Source: Hardman & Co Research*