13 November 2024

NB PRIVATE EQUITY PARTNERS

CM day: 6 November fireworks

The key takeaways from NBPE's *6 November CM day,* in our view, were i) positive market indications, including exits and an increase in the correlation between operating company EBITDA growth and NAV growth, ii) NB's platform brings unique benefits: accessing deals, analysing investment opportunities, and GP relationships, (which have generated a big increase in opportunities presented to them, even when the overall market slowed), and iii) multiple levers for value creation mean that bottom-line return expectations are unchanged. How it will be delivered has evolved, with a greater focus on operational growth rather than multiple expansion/financial leverage.

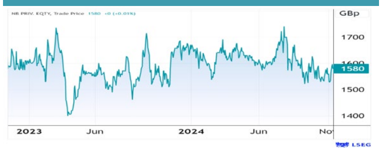
- **Agenda:** After the Chairman's introduction, there were presentations covering i) an update on the PE environment, ii) co-investments at NB: leveraging GP relationships, iii) PE outlook: US election and its impact on PE Markets and NBPE, and iv) NBPE portfolio review.
- **NBPE value proposition:** The Chair's closing comments highlighted i) access to 51 premier PE managers and in co-investments, the "holy grail" of PE investing, ii) an attractive returns track record, iii) leveraging NB's $115bn+ PE platform, iv) capital deployment control, v) global investing, and vi) fee efficiency.
- **Valuation:** The 23% discount is slightly lower than most direct peers (average 26%, exc. HGT), but it rose sharply in 2022, to well above historical levels (10%-15%). In this note, we review what may lead to a reversion to these levels. The discount appears absolutely and relatively anomalous with a resilient, conservative NAV.
- **Risks:** Sentiment to costs, the cycle, residual positions in highly rated listed companies following IPOs in 2020-21, the duration of the discount and valuation are the key issues for NBPE, as they are across the whole listed sector. In our view, they are sentiment issues, and do not reflect reality, as we see it. The benefits from the current strategy may not yet be fully appreciated.
- **Investment summary:** With 98% of the portfolio invested in direct equity, co-investments, NBPE is the most focused listed vehicle in the low-cost, attractive co-investment subsector of the market-beating PE sector. The company and GP selection have proved resilient in downturns, and consistent premiums on exit should give investors comfort in the NAV. Its portfolio is diversified by name, sector, GP, geography and size, but it has enough concentration for individual investments to add value. The discount is anomalous with long-term, market-beating returns.

Financial summary and valuation

Year-end Dec ($m)	2021	2022	2023	2024E	2025E
Interest and dividend income	6	5	7	13	13
Net fin. assets/liab. gains (FVTPL)	532	(76)	58	132	215
Total expenses	75	38	38	42	50
Net asset change from ops.	463	(109)	27	103	178
PE invest.	1,569	1,401	1,321	1,431	1,573
Net debt (incl. ZDP)	(46)	(66)	(120)	(52)	(55)
NAV per share ($)	31.65	28.38	28.07	29.56	32.45
NAV per share (£)	23.37	23.59	22.02	22.09	24.25
S/P prem./disc. (-) to NAV*	-21%	-33%	-24%	-28%	-35%
Dividend p/sh ($)	0.72	0.94	0.94	0.94	0.94
Yield	3.4%	4.9%	4.7%	4.4%	4.4%
Year-end exch. rate (£:$)	1.354	1.203	1.275	1.339	1.339

**2024-25E NAV to current s/p; Source: Hardman & Co Research*

Closed End Investments



Source: LSEG, 2024

Market data

EPIC/TKR	**NBPE/NBPU**
Price (£)	15.80/$20.50
12m high (£)	17.40/$22.50
12m low (£)	14.92/$18.22
Shares (m)	46.2
Mkt cap (£m)	724
NAV (Sep'24)	£20.40/$27.37
Disc. to £ NAV (%)	-23
Free float	100%
Ctry/Ccy of listing	UK - GBP/$
Market	FTSE 250, STMM

Description

NB Private Equity Partners (NBPE) leverages the platform of its manager, the PE division of Neuberger Berman (NB), and has built a portfolio of 82 direct investments diversified by manager, sector, geography and size. It focuses on investing in companies that benefit from secular tailwinds and/or lower cyclicality, with high barriers to entry, or the delivery of mission-critical products or services.

Company information

Chair	William Maltby
NEDs	Trudi Clark, Pawan Dhir, John Falla, Louisa Symington-Mills, Wilken Von Hodenberg
Key NB Mgrs	Peter von Lehe, Paul Daggett

+44 (0)20 3214 9002
www.nbprivateequitypartners.com

Key shareholders (31 Dec'23)

Quilter Cheviot	12.4%
Evelyn Partners	8.3%
Schroders	7.0%
Treasury shares	6.8%
New Jersey Div. of Inv.	5.3%
City of London IM (Aug'24)	5.0%

Diary

Mid-Nov	Oct factsheet

Analyst

Mark Thomas mt@hardmanandco.com

Discloser: the relevant analyst is a shareholder in NBPE

Disclaimer: This research has been paid for by the company. Please read the important disclaimers at the end of this document.

NBPE disclaimer

THE MATERIALS CONTAINED HEREIN ARE NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN WHOLE OR IN PART, TO U.S. PERSONS OR IN OR INTO THE UNITED STATES, AUSTRALIA, CANADA, JAPAN OR ANY OTHER JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF SUCH JURISDICTION.

The views expressed in this document are solely those of Hardman & Co and may not reflect the views of NBPE. None of the information contained in this report constitutes an offer to sell or invitation to purchase any securities of NBPE or any other entity and no such information is intended to form the basis of any contract of sale, investment decision or any decision to purchase any securities. The information contained in this report is subject to updating, revision and amendment. No reliance may be placed for any purpose whatsoever on the information or opinions contained in this report or on its completeness, accuracy or fairness. The contents of this report have not been verified or approved by any competent regulatory or supervisory authority.

The report is exclusively intended for persons who are not residents of the United States and who are not physically present in the United States. The information contained herein and on the pages that follow do not constitute an offer of securities for sale or a solicitation of an offer to purchase securities in the United States or in any jurisdiction or jurisdictions in which such offers or sales are unlawful. The securities referred to herein and on the pages that follow have not been nor will they be registered under the US Securities Act of 1933, as amended (the "Securities Act"), or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, resold, taken up, exercised, renounced, transferred, delivered or distributed, directly or indirectly, within the United States or to or for the account or benefit of U.S. Persons (as defined in Regulation S of the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Company will not be registered under the U.S. Investment Company Act of 1940, as amended, and investors will not be entitled to the benefits of that Act.

Subject to certain exceptions, the securities referred to herein and on the pages that follow may not be offered, sold, resold, taken up, exercised, renounced, transferred, delivered or distributed, directly or indirectly, in Australia, Canada, Japan or to any resident or citizen of Australia, Canada or Japan. The offer and sale of the securities referred to herein and on the pages that follow have not been and will not be registered under the applicable securities laws of Australia, Canada or Japan. Recipients of this information in any other jurisdiction should inform themselves about and observe any applicable legal requirements in their jurisdictions.

The distribution in the United Kingdom of the information on the pages that follow is restricted by law. Accordingly such information is directed only at (a) persons outside the United Kingdom to whom it is lawful to communicate it, or (b) persons having professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Financial Promotion Order"), or (c) high net worth companies, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2) of the Financial Promotion Order provided that in the case of persons falling into categories (b) or (c), the communication is only directed at persons who are also "qualified investors" as defined in section 86 of the Financial Services and Markets Act 2000 (each a "Relevant Person"). Any investment or investment activity to which the information in this report relates is available only to, and will be engaged in only with, such Relevant Persons.

NBPE is established as a closed-end investment company domiciled in Guernsey. NBPE is authorised by the Guernsey Financial Services Commission as an authorised closed-ended collective investment scheme under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended.

The information on the pages that follow may contain forward-looking statements. Any statement other than a statement of historical fact is a forward-looking statement. Actual results may differ materially from those expressed or implied by any forward-looking statement. Hardman & Co, Neuberger Berman nor any of its Agents undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on any forward-looking statement, which speaks only as of the date of its issuance.

Please read our full disclaimer, which is contained at the end of this report.

CM day key takeaways

In the sections below, we review the presentations made during the CM day. We set out the most important takeaways as we see them:

Hardman & Co view: the key macro takeaways are:

Strong long-term correlation between superior EBITDA growth and NAV/share price outperformance affected by short-term noise. Now at positive point of inflexion.

- We may be at a point of inflection when strong EBITDA growth leads to greater valuation increases. In our view, there is a very strong long-term correlation with EBITDA growth above listed markets, feeding NAV and share price outperformance in those markets. However, in the short term, there can be noise, not only around market valuations and GPs reflecting them, but also mix changes. *Inter alia*, these include new companies held at cost, and variable exit activity, affecting not only which companies' growth is included but also meaning that the NAV uplifts on sale vary. Market wide, there were well-above-average realisations into highly rated markets in 2020-21, This reduced the stock of businesses that were exit-able at attractive prices in the subsequent years (2022-23) in addition to market conditions creating a gap between sellers' and buyers' pricing expectations. The stock of business reaching maturity, and so at an exit-able stage, has been re-built and the pricing gap reduced. A more normal NAV benefit from uplift on exits may, therefore, be expected.

PE "story over" concerns should abate with lower funding costs and increased activity

- Falling cost of finance, which may imply that investor concerns regarding the PE story being over in a higher-rate environment will abate. Market activity has improved since the beginning of 2024, with improved outlook for near-term exits, which may also negate this sentiment.

Hardman & Co view: the key NB platform takeaways are:

Increased opportunities reviewed, in our view, proves the model

- The proof of the pudding that the NB model works comes from the rising numbers of opportunities reviewed. In our view, this strongly supports the view that NB is a partner of choice for GPs.

Multiple value-creation levers imply consistent returns can be delivered, even when some levers not as powerful

- The stable expected returns on new deals should negate investor concerns that the PE story is over, especially as, over time, the anticipated returns are actually delivered. The multiple levers for value creation mean that bottom line returns can be unchanged, even when some of the levers are less powerful than in the past.

GP selection will be key, as we expect greater dispersion in returns

- We also concur with previous management comments about the importance of manager selection in delivering operational performance.

In terms of the impact of the US election, NB's views are consistent with ours, and we believe consensus, opinions (notably, strong US tilt, Europe more affected than the UK, mix of export and imports, especially service vs. manufacturing, very important). What was of interest is the low sensitivity of NBPE companies to tariffs (81% of NAV in companies unaffected), reflecting the service-driven, often mission-critical nature of the portfolio.

Unsurprisingly, the portfolio review section was similar to the 25 September announced results. In our view, this highlights the key benefits of investing in NBPE, notably i) strong operating company performance, ii) tight asset selection with businesses with carefully managed leverage and a risk-averse bias, and iii) the balance sheet and liquidity benefits that come from being a co-investor.

CM day presentations

PE environment update

(Joana Rocha Scaff, Head of Europe Private Equity)

Short-term market challenging, but factors driving long-term PE and NBPE outperformance remain

- The macro environment is challenging, with modest growth, high interest rates, tight labour markets and political/regulatory uncertainties as well as the potential disruption from AI revolution. However, NB remains positive on the long-term outlook, with its focus on expanding sourcing funnels, high asset selectivity, partnerships with the best PE managers, long-term structural growth markets, and investments with multiple value-creation opportunities. Its model creates investment solutions for GPs, and prudent portfolio construction and diversification reflect sound risk management.

At point of inflexion where EBITDA growth likely to be more correlated than in recent past

- NB tracks the performance of 400+ funds and has 770+ active fund positions, including commitments to 125+ funds since 2023. It is noticeable that buyout funds have seen broadly flat valuations since the end of 2021, despite strong growth in EBITDA. A lot of sponsors have reduced carrying multiples, but there are early signs that we are now at a point of inflexion. Activity is focused on best-quality assets.
- While investment activity has slowed from recent-year record levels, NB expects slightly longer deployment back to historical levels.
    - Markets have become more discernible of quality. The investment process has been slower (and healthier) with greater focus on value-added options rather than macro trends alone. The best assets, with recurring revenue and structural growth, have continued to see investments.
    - The longer completion times have also been reflective of more negotiation, which is also a positive.
    - New transaction valuations have held broadly steady, as markets have been bifurcated. The subset of high-quality assets trading, generally, have done so at "full" prices.

Good access to debt finance, the cost of which is falling

- Debt markets are healthy, with strong private lending dry powder and activity as well as renewed lending appetite from banks. Margins have compressed significantly, which, along with the central banks rate cuts to date, have seen the cost of finance coming down. Good availability and lower pricing mean that financing is not a constraint on business activity.

After above-average exit activity in 2020-21, and resulting lower activity in 2022-23, exits now seeing improved outlook

- Following a record exit year in 2021, exit activity slowed in 2022-23. IPO exit routes were largely closed and follow-on activity very limited. The average exit value, as a percentage of opening stock, is down ca.2/3rds on peaks. The types of deals also changed, with minority stake sales and GP-led secondaries becoming more prevalent. Since the beginning of 2024, market activity has improved, with a better outlook for near-term exits. Falling rates and a more benign environment for exits mean that announced M&A volumes are rising, but there is a considerable overhang of realisations waiting to happen.

NBPE well-positioned

- NB co-investment is well-positioned to deploy capital in the current market, with increasing demand from PE managers keen for partners, as they hold assets for longer. There is increasing co-investment deal flow and a strong environment for mid-life opportunities.

Hardman & Co comment: In our view, the key macro takeaways are:

Strong long-term correlation between superior EBITDA growth and NAV/share price outperformance impacted by short-term noise. Now at positive point of inflexion.

- *We may be at a point of inflection when strong EBITDA growth leads to greater valuation increases. In our view, there is a very strong long-term correlation with EBITDA growth above listed markets, feeding NAV and share price outperformance in those markets. However, in the short term, there can be noise, not only around market valuations and GPs reflecting them, but also mix changes. Inter alia, these include new companies held at cost, and variable exit activity, affecting not only which companies' growth is included but also meaning that the NAV uplifts on sale vary. Market wide, there were well-above-average realisations into highly rated markets in 2020-21, This reduced the stock of businesses that were exit-able at attractive prices in the subsequent years (2022-23) in addition to market conditions creating a gap between sellers' and buyers' pricing expectations. The stock of business reaching maturity, and so at an exit-able stage, has been re-built and the pricing gap reduced. A more normal NAV benefit from uplift on exits may, therefore, be expected.*

PE "story over" concerns should abate with lower funding costs and increased activity

- *Falling cost of finance, which may imply that investor concerns over the PE story being over in a higher rate environment will abate. Market activity has improved since the beginning of 2024, with improved outlook for near-term exits, which may also negate this sentiment.*

NB co-investments platform overview

Pascal Casavecchia, Managing Director

- NB is an industry leader with $1,15bn in GP-centric strategies AUM (June 2024) and a large team. Strong primary relationships generate deal flow across the platform. NB i) leverages in-house knowledge and information, ii) has professionals located globally to enhance due diligence, iii) believes that lead sponsors view NB Private Markets as a solutions provider, with the ability to partner across capital structure, and iv) is a preferred partner among the GP network, as it is not viewed as a direct competitor. See our note, NB: adding value in attractive co-investment sector, published on 8 October 2024, for more details on how the manager adds value.

NB platform differentiated market intelligence and enhanced due diligence capabilities

- Taking the first point, the NB platform provides differentiated market intelligence and enhanced due diligence capabilities with i) its buy-side research analyst pool (reflecting the larger NB AUM of $509bn[1]) providing proprietary industry, company, and competitor, insights and valuation guidance, ii) its data science capabilities, which are focused on integrating "big data" into investment research processes to enhance due diligence, iii) the use of and access to third-party research, iv) NB Private Markets network, v) embedded ODD & ESG teams, and vi) access to expert networks.

[1] https://www.nb.com/en/global/who-we-are

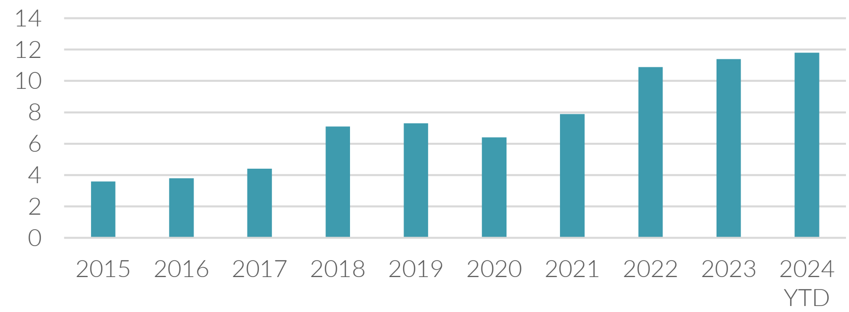
NB has expertise to execute potentially complex deals across whole spectrum of co-investment

- NBPE benefits from NB Private Markets' differentiated ability to invest across all types of co-investment deals. In our view, being able to handle complex opportunities in mid-life and co-underwritten/non-syndicated deals as well as traditional deals means NB can tap into the best opportunities at any time. We refer investors to the graph on page 7 of our October note, which highlighted that the proportion of mid-life deals had risen to nearly 60% in 2023-24 YTD (at the time of writing) from around a quarter in 2009-22, while the proportion of co-underwritten/non-syndicated and traditional deals have both fallen sharply.

NB originating 3x number of deals vs. 10 years ago and is well up on 2021, despite overall PE market nearly halving

- The evidence of NB's perceived value as a co-investment partner can be seen in the chart, below, which shows the opportunities originated per week. In 9M'24, 11.8 opportunities per week were reviewed, up 61% on pre-pandemic 2019 levels and nearly 3x the number seen 10 years ago. NB's scale and presence in the co-investment market means it can participate in all types of co-investment, most recently having been active in co-underwriting and mid-life deals. The high levels of activity seen in the past couple of years are in marked contrast to the PE market as a whole, which has seen a significant slowing in activity (2023 and 2024 YTD annualised PE capital invested just over half 2021 levels).

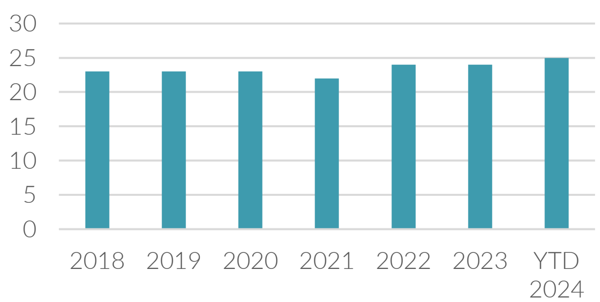
Average co-investment opportunities originated per week



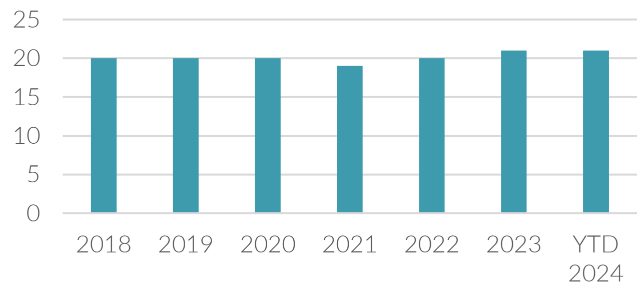
2024 YTD to end-September 2024; Source: NBPE CM day investor presentation, slide 21), Hardman & Co Research

Once again, NBPE highlighted that, despite all the market challenges, the expected return from new deals remains unchanged. As we have noted in previous notes, the way the return will be achieved has changed significantly (much more emphasis on operational improvements to businesses and much less on multiple expansion and financing benefits), but bottom-line returns are unchanged (see charts below).

Deal level IRR (%)



IRR net of fees (%)



2024 YTD to end-September 2024; Source: NBPE CM day investor presentation, slide 27, Hardman & Co Research

Increased opportunities reviewed, in our view, proves the model

Multiple value-creation levers allow for delivery of consistent returns, even when some levers not as powerful

GP selection will be key as we expect greater dispersion in returns

Hardman & Co comment: In our view, the key NB platform takeaways are:

- *The proof of the pudding that the NB model works comes from the rising numbers of opportunities reviewed. In our view, this strongly supports the view that NB is a partner of choice for GPs.*
- *The stable expected returns on new deals should negate investor concerns that the PE story is over, especially as, over time, the anticipated returns are actually delivered. The multiple levers for value creation mean that bottom line returns can be unchanged, even when some of the levers are less powerful than in the past.*
- *We also concur with previous management comments about the importance of manager selection in delivering operational performance.*

PE outlook: impact of US election

Peter Von Lehe, Managing Director, & Rebekah McMillan, Multi-Asset

- NB expects the impact on overall markets to be:
  - NB saw two reasons for the independent voters to swing: i) the economy; and ii) immigration. While the US has the strongest G7 growth, low unemployment, and falling interest rates, voter experience of inflation negated these positives.
  - Impacts will be sector-specific and driven by the actual policies on tariffs, taxes and regulation. The common theme is a strong pro-US tilt. Immediate market reactions reflect the risk on with a broad equity rally on reduced uncertainty, a stronger dollar on the pro-US tilt and higher crypto valuations on regulation. In the coming weeks, NB expects further outperformance by those facing lower regulatory burdens (financial, traditional energy, small cap) with relative underperformance from utility, real estate, healthcare, and renewable energy. It also expects a more balanced performance outside top tech names only.
  - Trump policies are likely to boost demand and restrict supply, which poses risks to inflation and, so, to rate cut expectations.
  - For the rest of the world, the impact of the election on the outlook is uncertain, but with a negative bias coming from potential deteriorations in international relations, and economic drags re trade and tariff policies. Most at risk appear to be China, Europe (Germany), Taiwan, and Mexico. Fixed income could be at risk from higher rates. The oil price and related equities may weaken on a "drill baby drill" approach seeing more US production.
- The impacts on PE/NBPE are expected to be as follows:
  - The tax cuts expiring next year are more likely to be renewed.

Inflation pressures drove voters

Tariffs very sector-specific impacts

Risk to inflation and, so, interest rates

Negative for rest of the world

NBPE potentially benefits from lower tax, less affected by antitrust issues than large PE deals, 81% of NAV in companies unaffected by tariffs, invested in companies with proven ability to manage higher inflation

- The impact on regulation/antitrust is less clear. Historically, the perception has been that the Republicans lowered regulatory burdens, only caring about antitrust issues if prices went up for consumers, but otherwise not bothering. However, the MAGA-wing Republicans' approach appears more inclined to intervene and the impact could be very dependent on which appointments Trump makes to key positions. In terms of the impact on PE, tougher antitrust could chill exits of large companies to trade buyers, although there is an offset where PE is the buyer, as it will face less competition. Overall, the mid-PE market is likely to be relatively less affected than larger deals.

- The President has considerable flexibility in imposing tariffs. With the US less reliant on trade, it will have less impact on them than other countries. The mix of what is sold to the US will be key. UK exports are more service-driven and so likely to be less affected than, say, Germany, which is more manufacturing-driven. Looking at NBPE specifically, 81% NAV completely unaffected by tariffs and only a low single-digit percentage of NAV seeing a meaningful impact. The mix reflects a lot of service- and intellectual-property-driven businesses and limited simple manufacturers.

- In terms of potentially higher inflation, NB noted that its GPs are nimble and, in the recent spike of inflation, significantly passed on cost increases. The model deals more quickly with challenges than other business (with management citing the response to COVID-19 as evidence of this).

Low sensitivity to tariffs most interesting new information

Hardman & Co comment: NB's views are consistent with our, and we believe, consensus opinions of the election impact (notably, strong US tilt, Europe more affected than the UK, mix of export and imports, especially service vs. manufacturing, very important). What was of interest is the low sensitivity of NBPE companies to tariffs (81% of NAV in companies unaffected).

NBPE portfolio review and update,

Paul Daggett, CFA, Managing Director & Peter von Lehe, Managing Director

Key points from portfolio update were continuation of those seen in 1H

The update on the portfolio reported many of the trends and themes seen in the first half and in 2023, and they were reviewed in detail on page 12 of our note, NB: adding value in attractive co-investment sector, published on 8 October 2024. In summary, some of the key points were:

- There are reasonably good realisations, and NBPE is now investing again. (previously slower historical exits led to slower investments as NBPE prioritised a strong balance sheet). In 2024, it is not only investing more but has also recently repaid the ZDPs.

- NBPE, typically, invests ca.$30m for each new investment (2%-3% of the portfolio). NBPE has a carefully constructed portfolio, built investment by investment from the bottom up and with good diversification (see portfolio section below).

- The key driver to long-term outperformance is continued positive underlying company operating performance. This has been delivered consistently both over time and helped by distribution of growth (ca.50% of the portfolio's fair value saw LTM revenue growth of over 10% and 60% of the portfolio's fair value saw LTM EBITDA growth of over 10%).

- The portfolio's weighted average EV/EBITDA and leverage multiples increased slightly from December 2023. However, looking at end-2021, there has been an approximate two turns drop in valuation multiple. As noted above, EBITDA growth has not fed NAV growth in the period, as the data sets in growth numbers are not the same multiple – three new companies at cost but not in growth numbers; five exits, some having other bases of valuations; and weighting change with valuation change. In addition, underlying EBITDA reported by GPs may include *pro forma* or other adjustments to LTM EBITDA in one or both of the periods, for the purposes of calculating a growth rate, and this is not always the same EBITDA used for valuation purposes. In our view, the long-term correlation between EBITDA growth and NAV growth is very strong.

- Top 30 NBPE portfolio companies have a healthy weighted average interest coverage ratio (2.6x vs. industry average of 1.4x, and these are before the impact of the recent US half point rate cut), minimal near-term debt maturities (4% by end-2026, 74% by 2028 or later) and the vast majority of debt is covenant-lite (80%).

- Sector reviews were shown on slides 47-51. In our view, the most interesting point was the evidence of NB's selectivity and how stock-specific drivers are important rather than sector influences. For example, "consumer" makes up 16% of the portfolio, but NBPE is not invested across the whole sector, having a bottom-up approach and investments made in specific companies. Sector-wide challenges may not apply. The business it is in reported as consumer, showing LTM of 14% revenue growth and 20% EBITDA growth. Investors, therefore, need to treat sector disclosures with caution.

- New investments show common themes of i) high-quality GP in area of expertise, ii) strong market positions, iii) barriers to entry, and iv) long-term secular growth.

- There is a high-quality portfolio, with multiple liquidity routes. Full and partial exits have yielded a 1.8x gross multiple YTD through September 2024. While quoted holdings have been a near-term headwind, the current portfolio of listed holdings has achieved a 2.6x gross MOIC to date. Listed companies are not held as policy but are the result of IPO, where the lead equity sponsor has yet to sell down in full. The risk of a material negative impact on NAV from listed holdings is lower, as they now represent a much smaller proportion of the portfolio (9% down from 20% at end-2021).

- Strong capital position, with liquidity of $269m, and it does not face the uncertainty of the timing of calls that investors in GP funds do.

- The management summary was… "while the last ~2 years have been slower, we remain confident in the portfolio and its positioning", driven by i) differentiated model, ii) highly experienced team, iii) robust underlying performance, and iv) well-positioned portfolio.

Hardman & Co comment: Unsurprisingly, the portfolio review section was similar to the 25 September announced results. In our view, these results highlight the key benefits of investing in NBPE, notably i) strong operating-company performance, ii) tight asset selection, with *carefully managed leverage and a risk-averse bias, and iii) the balance sheet and liquidity benefits of being a co-investor.*

Closing remarks

William Maltby, Chairman of NBPE & Luke Mason, Principal NB Private Equity

The concluding comments noted:

Buyback primary return of capital

- The dividend is the primary return of capital method, having returned $360m vs. $65m buybacks. The board carefully balances the latter against new investments and it is the latter that is key to driving shareholder returns.

Board's three pillars for shareholder value

- The board has three core pillars to driving long-term shareholder returns: i) long-term performance; ii) substantial investor relations effort; and iii) sound governance, including ESG.

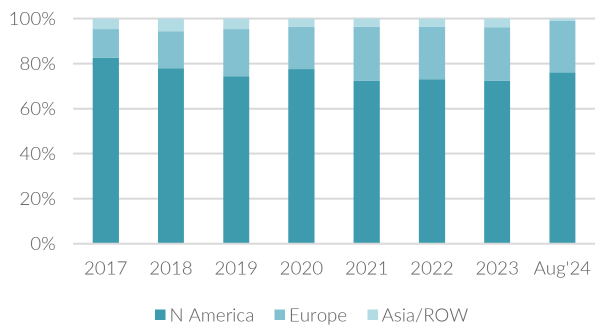
Multiple aspects to NBPE's value proposition, including attractive investment returns, the manager's unique platform, the benefits of being co-investor, being a global business with US bias and lower fees

- The NB value proposition is:
  - access to a portfolio of direct PE investments, made alongside 51 premier PE sponsors and in co-investments, the "holy grail" for PE investing;
  - attractive track record of returns;
  - leveraging the strength of Neuberger Berman's +$115bn PE business to source and execute investments;
  - the co-investment model allows NBPE to be in control of capital deployment, with "real time" new investment decisions and able to respond to market dynamics;
  - NB invests globally, with particular focus on the US market, the largest PE market in the world; and
  - fee efficiency with no second layer of fees.

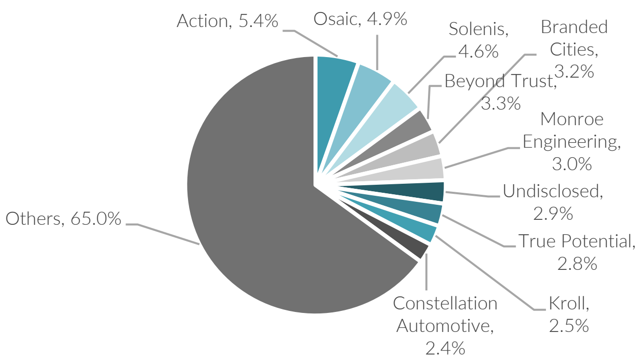
Portfolio summary (Sep'24)

The charts, below, show some of the trends in the portfolio. There has been a continuation of trends, rather than anything dramatic, which is not surprising, given the long-term nature of NBPE's investments.

Geographical mix of assets (% portfolio value)

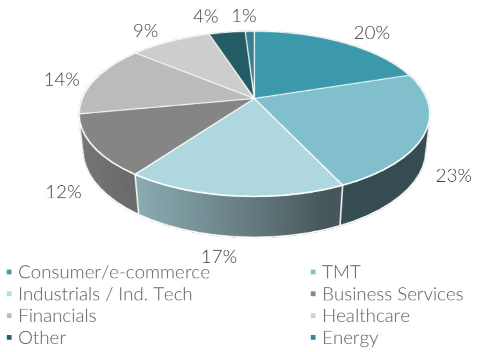


Largest holdings (% Fair Value)

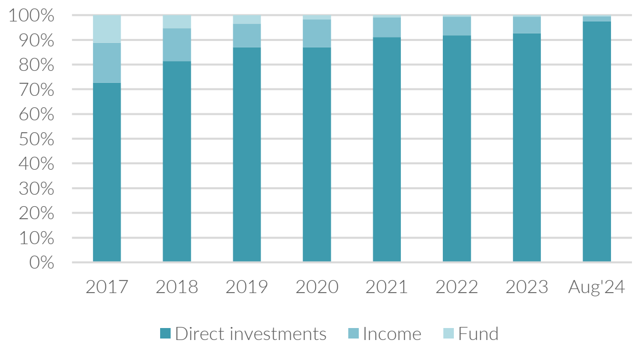


Source: NBPE Report and Accounts and September 2024 factsheet, Hardman & Co Research

Sectoral mix of investments (% portfolio value)

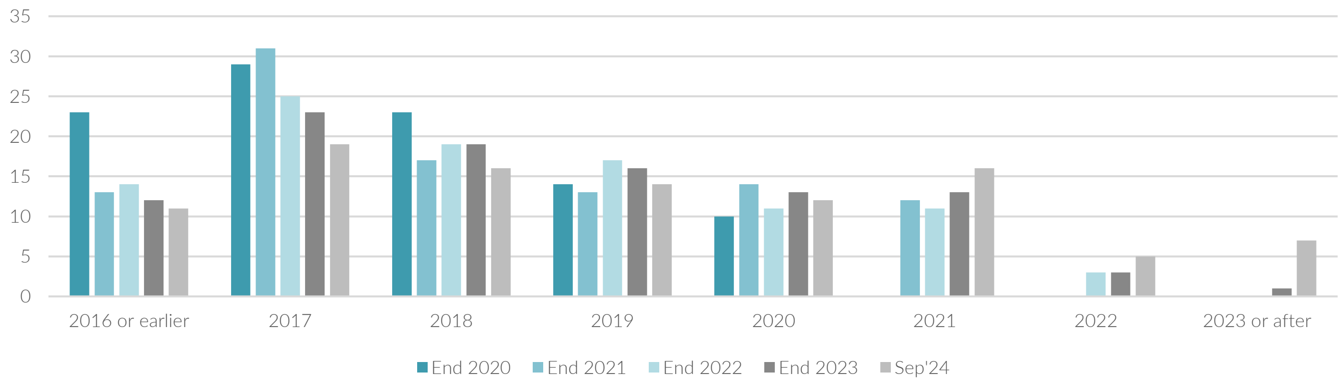


Mix by type of investment (% portfolio value)



Source: NBPE Report and Accounts and September2024 factsheet, Hardman & Co Research

Vintage of investments at each period-end (% portfolio value)



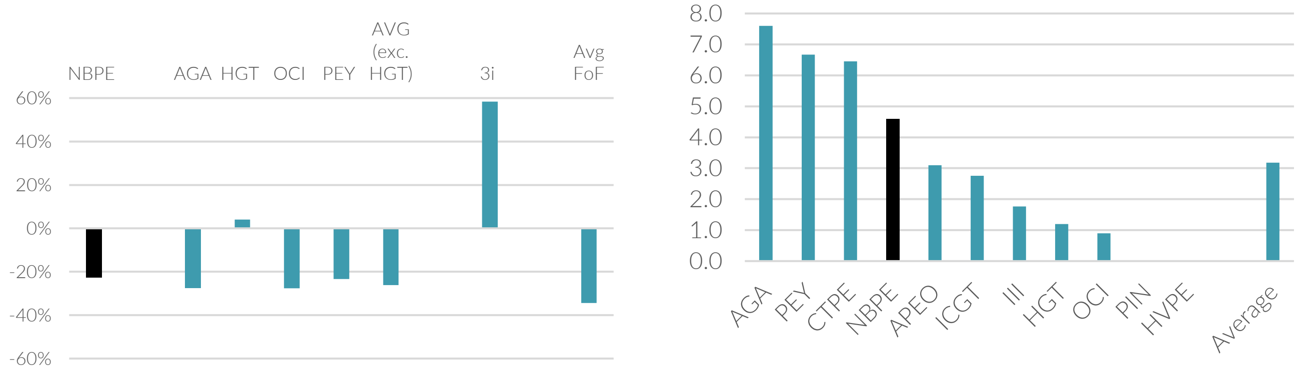
Source: NBPE Report and Accounts and September2024 factsheet, Hardman & Co Research

Valuation

Discount is below most direct investing PE names

As the chart below shows, NBPE's current reported discount to NAV (23%) is slightly below the average of the direct investing listed PE trusts, excluding HGT. Its dividend yield is appreciably above the sector average.

Current share price discount to latest NAV (LHS, %), and dividend yield (RHS, %) for narrow and wider peers



Source: Company websites, factsheets and presentations, Hardman & Co Research, priced at 12 November 2024

Sector-wide concerns about the validity of the current NAV and its resilience have been addressed in previous notes and appear to be more sentiment issues than reality. If NBPE were a trading company, we would use a GGM model to reflect the value added by management. Using this model, it should trade on a multiple appreciably above NAV, given returns are a long way above cost of capital and that it has grown strongly over the medium term.

What could lead to a rerating?

We reviewed in detail, in our initiation, our view that there are two possible elements to a rerating.

First element is sector rerating, which, arguably, has already started

The first element of a rerating would be a reversal of the 2022-1Q'23 increase in sector-wide discounts. This requires more confidence in NAV and economic resilience, driven by i) continued exit uplifts and returns, which could give investors this confidence, and ii) a risk-on rather than risk-off environment, which will help.

Second element is final 10%-15% of the discount to par. NBPE requires delivery of returns but may take more time.

At the end of 2018, the discount was 21%, falling to 16% at the end of 2019. This rose to 29% at the end of 2020 on COVID-19, before falling again, at end-2021, to 21%. The group's transition to being a co-investment vehicle has evolved (end-2017 nearly a third of PE investments were in income investments and funds, against just 7% at end-2023), so a migration from a fund-of-fund level of discounts (typically higher discounts) to a direct one (typically lower) has also been seen. Within this noise, and adjusting for the current business mix overall, we would characterise the trust as having a historical steady state discount of around 10%-15%. Given the returns in underlying companies driving market-beating investor returns, and the strong capital structure inherent in a co-investing vehicle, any discount appears to be a fundamental anomaly. In our view, eliminating it over the longer term is about delivery of returns, which, at some stage, is likely to be recognised by the market.

Financials

Our forecasts are unchanged:

Profit and loss								
Year-end Dec ($m)	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**
Interest and dividend income	17.4	12.5	9.5	5.7	4.5	7.1	13.0	13.0
Expenses								
Inv. mgt. and services	14.3	15.3	16.7	22.5	21.1	20.5	19.3	21.9
Carried interest	-	6.9	15.2	37.2	-		7.4	8.4
Finance costs								
Credit facility	4.5	8.5	6.3	4.1	6.0	8.9	13.0	13.0
ZDP shares	4.8	6.0	6.4	6.9	6.0	3.3	2.4	2.4
Administration and professional fees	3.6	3.7	3.5	4.3	4.5	4.9	5.2	5.6
Total expenses	27.3	40.4	48.1	75.1	37.7	37.6	42.4	50.0
Net investment income (loss)	**(9.9)**	**(27.9)**	**(38.6)**	**(69.3)**	**(33.1)**	**(30.5)**	(29.4)	(37.0)
Tax expense					(2.3)	(0.7)		
Net investment income (loss) after tax	**(9.9)**	**(27.9)**	**(38.6)**	**(69.3)**	**(35.4)**	**(31.3)**	(29.4)	(37.0)
Net realised gain (loss) on inv. and fx	64.4	33.8	90.2	212.4	53.4	82.5	66.1	71.6
Net change in unrealised loss	(7.8)	72.1	133.3	319.7	(127.1)	(24.1)	66.1	143.1
Net realised and unrealised gain (loss)	56.6	105.9	223.5	532.1	(73.7)	58.4	132.1	214.7
Net change in net assets from ops.	**46.6**	**78.0**	**184.9**	**462.7**	**(109.1)**	**27.1**	102.7	177.7
Non-controlling interest	-	(0.1)	(0.4)	(0.5)	0.1	(0.1)	(0.5)	(0.5)
Net change in net assets	46.6	77.9	184.6	462.2	(108.9)	27.1	102.2	177.2
Average no shares (m)	48.8	47.5	46.8	46.8	46.8	46.5	46.4	46.2
EPS ($)	0.95	1.64	3.95	9.88	(2.33)	0.58	2.20	3.83
DPS (p)	0.53	0.57	0.58	0.72	0.94	0.94	0.94	0.94

Source: NBPE, Report and Accounts, Hardman & Co Research

Appendix: Hardman & Co notes on NBPE

Hardman & Co has published the following reports on NBPE

- *Co-investments generating superior performance* (initiation, 16 June 2023).
- *1H'23 results summary: continued growth* (3 October 2023).
- *2023 CMD: value creation from growing companies* (23 October 2023).
- *Value creation in a higher-rate environment* (7 March 2024).
- *Wider operating company EBITDA margins in 2023* (13 May 2024).
- *NB: adding value in attractive co-investment sector* (8 October 2024).

Disclaimer

Hardman & Co provides professional independent research services and all information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. However, no guarantee, warranty or representation, express or implied, can be given by Hardman & Co as to the accuracy, adequacy or completeness of the information contained in this research and they are not responsible for any errors or omissions or results obtained from use of such information. Neither Hardman & Co, nor any affiliates, officers, directors or employees accept any liability or responsibility in respect of the information which is subject to change without notice and may only be correct at the stated date of their issue, except in the case of gross negligence, fraud or wilful misconduct. In no event will Hardman & Co, its affiliates or any such parties be liable to you for any direct, special, indirect, consequential, incidental damages or any other damages of any kind even if Hardman & Co has been advised of the possibility thereof.

This research has been prepared purely for information purposes, and nothing in this report should be construed as an offer, or the solicitation of an offer, to buy or sell any security, product, service or investment. The research reflects the objective views of the analyst(s) named on the front page and does not constitute investment advice. However, the companies or legal entities covered in this research may pay us a fixed fee in order for this research to be made available. A full list of companies or legal entities that have paid us for coverage within the past 12 months can be viewed at http://www.hardmanandco.com/legals/research-disclosures. Hardman may provide other investment banking services to the companies or legal entities mentioned in this report.

Hardman & Co has a personal dealing policy which restricts staff and consultants' dealing in shares, bonds or other related instruments of companies or legal entities which pay Hardman & Co for any services, including research. No Hardman & Co staff, consultants or officers are employed or engaged by the companies or legal entities covered by this document in any capacity other than through Hardman & Co.

Hardman & Co does not buy or sell shares, either for their own account or for other parties and neither do they undertake investment business. We may provide investment banking services to corporate clients. Hardman & Co does not make recommendations. Accordingly, they do not publish records of their past recommendations. Where a Fair Value price is given in a research note, such as a DCF or peer comparison, this is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. Hardman & Co may publish further notes on these securities, companies and legal entities but has no scheduled commitment and may cease to follow these securities, companies and legal entities without notice.

The information provided in this document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Hardman & Co or its affiliates to any registration requirement within such jurisdiction or country.

Some or all alternative investments may not be suitable for certain investors. Investments in small and mid-cap corporations and foreign entities are speculative and involve a high degree of risk. An investor could lose all or a substantial amount of his or her investment. Investments may be leveraged and performance may be volatile; they may have high fees and expenses that reduce returns. Securities or legal entities mentioned in this document may not be suitable or appropriate for all investors. Where this document refers to a particular tax treatment, the tax treatment will depend on each investor's particular circumstances and may be subject to future change. Each investor's particular needs, investment objectives and financial situation were not taken into account in the preparation of this document and the material contained herein. Each investor must make his or her own independent decisions and obtain their own independent advice regarding any information, projects, securities, tax treatment or financial instruments mentioned herein. The fact that Hardman & Co has made available through this document various information constitutes neither a recommendation to enter into a particular transaction nor a representation that any financial instrument is suitable or appropriate for you. Each investor should consider whether an investment strategy of the purchase or sale of any product or security is appropriate for them in the light of their investment needs, objectives and financial circumstances.

This document constitutes a 'financial promotion' for the purposes of section 21 Financial Services and Markets Act 2000 (United Kingdom) ('FSMA') and accordingly has been approved by Capital Markets Strategy Ltd which is authorised and regulated by the Financial Conduct Authority (FCA).

No part of this document may be reproduced, stored in a retrieval system or transmitted in any form or by any means, mechanical, photocopying, recording or otherwise, without prior permission from Hardman & Co. By accepting this document, the recipient agrees to be bound by the limitations set out in this notice. This notice shall be governed and construed in accordance with English law. Hardman Research Ltd, trading as Hardman & Co, is an appointed representative of Capital Markets Strategy Ltd and is authorised and regulated by the FCA under registration number 600843. Hardman Research Ltd is registered at Companies House with number 8256259.

(Disclaimer Version 8 – Effective from August 2018)

Status of Hardman & Co's research under MiFID II

Hardman & Co's research is paid for by the companies, legal entities and issuers about which we write and, as such, falls within the scope of 'acceptable minor non-monetary benefits', as defined in the Markets in Financial Instruments Directive.

The FCA Handbook (COBS 2.3A.19) states: 'An acceptable non-monetary benefit is one which:[…] (5) consists of: […] (b) written material from a third party that is commissioned and paid for by a corporate issuer or potential issuer to promote a new issuance by the company, or where the third party firm is contractually engaged and paid by the issuer to produce such material on an ongoing basis, provided that the relationship is clearly disclosed in the material and that the material is made available at the same time to any firms wishing to receive it, or to the general public.'

The fact that Hardman & Co is commissioned to write the research is disclosed in the disclaimer, and the research is widely available.

research@hardmanandco.com

9 Bonhill Street
London
EC2A 4DJ

www.hardmanandco.com