



Pantheon International

PIN demonstrates the key strengths of the trust structure...

Overview

Update
31 March 2025

Pantheon International (PIN) has been a stalwart member of the listed private equity trust sector for nearly 40 years and is a flagship strategy for Pantheon, a specialist manager focussed on private markets. PIN is steadily increasing the amount invested in companies directly rather than just through funds. The board is also taking an increasingly proactive stance to address the discount to NAV, ultimately seeking to make PIN appeal more to investors of today.

The overarching aim of the managers is to invest more of the portfolio into high-conviction ideas, as we note above, by increasing the directly invested portion, but also by being increasingly selective of private equity managers that the team partner with. The main differentiators to broad equity markets and listed private equity (LPE) peers are that the team aim to invest mostly in small- and mid-sized companies with strong, scalable growth opportunities within resilient, non-cyclical sectors. As discussed in the **Portfolio section**, risks are managed by maintaining low single-company exposure, especially when compared to LPE peers. Overall, the portfolio is exposed mainly to buyouts (73% of NAV) but also venture (4% of NAV) and growth (19% of NAV). Unequivocally this is a portfolio that is very different to those of the main listed equity indices, evidenced by its higher aggregate earnings growth over the last five years (see **Performance**).

PIN's gearing increased decisively and deliberately during the course of 2023. If PIN is able to continue its long-term NAV total return track record of 11.8% per annum (net of fees), then clearly gearing will be additive to shareholder returns.

Analyst's View

PIN's board was the first in the sector to implement a formulaic buyback programme, at the same time as a significant tender. PIN therefore demonstrates the key strengths of investment trusts, with a proactive and independent board looking to serve shareholders' best long-term interests. Under the bonnet, PIN's portfolio also offers a differentiated and successful strategy.

As we discuss in the **Performance section**, the long-term success of the strategy has rested on and will continue to depend on, strong underlying earnings growth from the portfolio. Over the five-year period to 30/06/2024, the portfolio's annualised EBITDA growth in the buyout portfolio has been 19% per annum, representing strong outperformance of the MSCI World's 8% growth. Revenue and earnings growth has moderated of late, but we think Pantheon's track record suggests there is potential for portfolio earnings growth to continue to outperform public markets.

The private equity sector has experienced a slow-down in activity, with a knock-on effect on realisations. PIN's recent interims highlighted that green shoots may be seen in the form of an impressive average uplift of 26% for realisations over the six months to 30/11/2024, which compares to the five-year average of 30%. With a mature portfolio, should exit conditions improve then there is clear potential for PIN to benefit. In this scenario, not only would this have a positive effect on NAV growth, but it would also give greater firepower for new investments and share buybacks (see **Discount section**) and the resulting implications for either enhancing the NAV or a narrowing of the discount.

Analysts:

William Heathcoat Amory

+44 (0)203 384 8795



Kepler Partners is not authorised to make recommendations to Retail Clients. This report is based on factual information only.

The material contained on this site is factual and provided for general informational purposes only. It is not an invitation or inducement to buy, sell or subscribe to any product described, nor is it a statement as to the suitability or otherwise of any investments for any person. The material on this site does not constitute a financial promotion within the meaning of the FCA rules or the financial promotions order. Persons wishing to invest in any of the securities discussed in the website should take their own independent advice with regard to the suitability of such investments and the tax consequences of such investment.

BULL

Experienced specialist manager, combined with proactive board focussed on shareholders

Impressive long-term track record of NAV growth

Discount to NAV remains wide

BEAR

Illiquid underlying assets, future buybacks dependent on realisations

Gearing can amplify the downside

No dividend



Portfolio

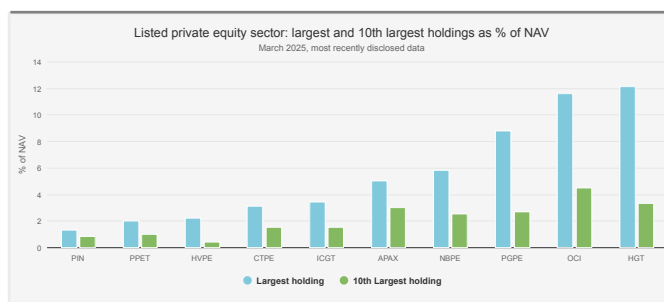
Pantheon International (PIN) has been a stalwart member of the listed private equity (LPE) trust sector for nearly 40 years, and with £2.3bn of net assets is a flagship strategy for Pantheon Ventures, a specialist private equity manager with over \$71bn in AuM in total. Over time, the board and manager have refined the proposition to adapt to investor needs and where they see the best opportunities within the private equity sector. Over the last decade, PIN has been increasingly focussing on direct investments (through co-investments, but also manager-led secondary deals), whilst concentrating its primary commitment strategy towards fewer, higher conviction managers. We drill into the portfolio in further detail below, but currently, 55% of the portfolio can be considered direct, a significant rise over the last ten years when the portfolio consisted entirely of funds.

PIN's board were the first of the listed peer group to announce a formulaic capital allocation policy funded from distributions. The 2023 tender offer and subsequent buybacks have seen PIN be the most enthusiastic of the LPE trusts in returning capital, with a total of c. £212m spent on buybacks and a tender so far, since 2022. As we discuss in the **Discount section**, the board has c. £2.5m of firepower left in its buyback pool out of the £15m allocated in the financial year to date, which will be further enhanced depending on the realisations achieved and the prevailing level of discount to NAV. With three new board members appointed this year, in the recently announced annual results, the board highlights the ongoing preparation of a 'strategic plan', with the ultimate aim of capturing the desire of increasingly sophisticated investors to invest in new asset classes and targeting those investors whose objectives align with PIN's.

Corporately, PIN therefore demonstrates one of the key strengths of an investment trust, with a proactive and independent board looking to serve shareholders' best

long-term interests. Under the bonnet, PIN's portfolio also offers a differentiated and successful strategy and one that continues to evolve. The overarching aim of the managers is to invest the portfolio into high-conviction ideas, as we note above, by increasing the directly invested portion, but also by being increasingly selective about which private equity managers the team partner with. As will be evident from the sector exposures we show further below, from the top-down, Pantheon Ventures look to invest in resilient, non-cyclical sectors that are benefiting from long-term trends, such as automation, digitalisation, and ageing demographics. At the same time, the team look to maintain low single-company exposure, with the maximum invested in any single company between 1 and 1.5% at the time of investment. We show how PIN compares to the peer group in the graph below. We think this is an important differentiator, one that illustrates PIN's more cautious attitude, and one that seeks to reduce specific risk.

Fig.1: Analysis Of LPE Sector Largest Holdings



Source: Kepler Partners, company factsheets

We show below the most recently announced top-ten individual company exposures, which include better-known companies such as Action, Visma, and Froneri. However, in contrast to many peers, the exposure to each is relatively small, with a typical direct investment expected to be below 1% of NAV at the point of investment. We also note that reflecting the desire to have a more concentrated portfolio and the changing dynamics in the

Top-Ten Investments

COMPANY	COUNTRY	SECTOR	TYPE	% OF PORTFOLIO
Kaseya	Switzerland	IT	Co-investment, fund secondary	1.3
Visma	Norway	IT	Primary, co-investment	1.2
Action	Netherlands	Consumer	Manager-led secondary	1.2
Smile Doctors	USA	Healthcare	Manager-led secondary	0.9
John Staurulakis	USA	Industrials	Manager-led secondary	0.9
Froneri	UK	Consumer	Manager-led secondary	0.9
MRO	USA	Healthcare	Primary, co-investment	0.8
Valantic	Germany	IT	Manager-led secondary	0.8
ShiftKey	USA	Healthcare	Manager-led secondary	0.8
Omni Eye Services	USA	Healthcare	Manager-led secondary	0.8

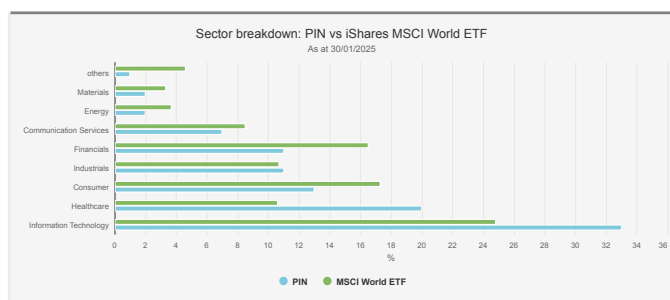
Source: Pantheon International



private equity industry, manager-led secondaries have become a significant component of the top-ten holdings. Individual exposure to specific PE managers is also managed, with the largest being to Insight Partners, with a weighting of 6.9% of NAV. The fundraising cycle is now more elongated, but the best quality managers are still seeing strong investor demand. Currently, Pantheon makes commitments to a selected number of managers, reflecting the wish to continue to focus on the portfolio. This focus is echoed, as we discuss in the **Gearing section**, in a strategic objective set by the board to run the trust in a more fully invested position than has been the case in the past.

Overall, the portfolio is exposed mainly to buyouts, with a specific emphasis on small- and mid-sized deals (which represent 47% of NAV). Complementing this growth bias, 4% is invested in venture and 19% in growth, meaning this is unequivocally a portfolio which gives exposure to niches and growth opportunities which are very different to those of the main listed equity indices. Within these opportunities, the main exposures are to the companies within technology, healthcare, and consumer staples, which we show below compared to MSCI World weights. Clearly, PIN gives a very different exposure, with considerably more exposure to IT and Healthcare, and significantly less to financials, energy, and mining. These very different exposures translate into PIN's underlying portfolio revenue and earnings growth having outperformed listed equities by quite some margin historically, which we look at in the **Performance section**.

Fig.2: Sector Exposures



Source: Pantheon International, BlackRock

PIN therefore offers a differentiated exposure with high alpha potential, not just compared to listed equities, but when compared to the other LPE trust portfolios too. The emphasis is clearly on higher growth opportunities, yet with the portfolio designed to minimise single-company or manager risk. Being mid- and small-cap within the private equity sector, these companies are well placed to attract attention from some of the large/mega-cap buyout houses who continue to have record 'dry powder' to invest.

That said, over the short term, the private equity sector as a whole has experienced something of a slow-down in activity, with a knock-on effect on realisations. PIN's recent interims highlighted that whilst there is no definitive sign of an end to this, green shoots may be seen in the form of

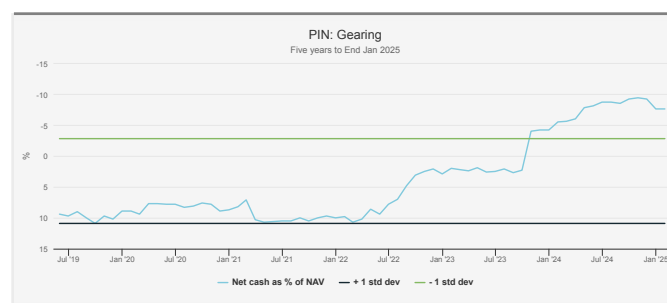
an impressive average uplift of 26% over prior valuations over the six months to 30/11/2024, which compares to the ten-year average of 30%. With a mature portfolio, which has an average life of investments of 5.4 years, should exit conditions improve then there is clear potential for PIN to benefit substantially. In this scenario, not only would this have a positive effect on NAV growth, but it would also give greater firepower to the board for new investments and share buybacks (see **Discount section**) and the resulting implications for either enhancing the NAV or a narrowing of the discount.

Gearing

As the graph below shows, PIN's gearing increased decisively and deliberately during the course of 2023. Historically, PIN had tended to have been run with a net cash position (i.e. ungeared). As part of the board's strategy to narrow the discount to NAV (discussed in more detail in the **Discount section**), the board conducted a tender offer which at a stroke meant that PIN became geared, which was part of the strategy employed by the board to make PIN's offering more attractive to shareholders. If PIN is able to continue its long-term NAV total return track record of 11.8% per annum (net of fees) through the consistent deployment of capital to attractive PE deals and share buybacks, then clearly gearing could be additive to shareholder returns.

PIN's gearing is provided by structural gearing (£121m of loan notes expiring in 2029, 2031, and 2034) with an average interest cost of 6.5%, and a £400m flexible revolving credit facility which has a floating interest rate. As of 31/01/2025, £88m of the revolving credit facility was drawn, meaning a net gearing of 7.6% of NAV. We calculate that the equivalent peer group average gearing (according to JPMorgan Cazenove) is 13.3% and note that across the sector, gearing has been rising as a result of investment and buyback activity against a backdrop of slower realisations. Adding cash of £31m to the undrawn loan facility, as of 31/01/2025, PIN's commitment cover is 4.2 times its outstanding fund commitments, which is very comfortable when compared to most other LPE trusts equivalent commitment cover figures.

Fig.3: Gearing



Source: Pantheon, Kepler Partners



Under PIN's Articles of Association, borrowings may not at any time exceed 100% of the Company's NAV. However, we understand that PIN does not expect its gearing to exceed 10% of NAV. We understand that the board's policy is to have a strong balance sheet to enable PIN to carry on investing even during periods of low distributions.

Performance

Over the long term, PIN has been a strong performer, delivering a compound annual NAV total return of 11.8% per annum since inception, with the share price only a little way behind this at 10.7% reflecting the current wide discount to NAV (see **Discount section**). This represents a significant 2.9% per annum NAV outperformance of the MSCI World index since inception and an even greater 4.2% outperformance of the FTSE All-Share Index. We observe in the table below that over the last five and ten years, PIN's NAV returns have been higher than the long-term average in absolute terms, but relative to the MSCI World (dominated by a small group of mega-cap technology companies), this has represented a modest underperformance.

Annualised Performance As At 31/01/2025

	1 YEAR %	3 YEARS %	5 YEARS %	10 YEARS %	SINCE INCEPTION %
NAV per share	7.3	7.3	13	12.6	11.8
Share price	2.9	0.4	5.7	9.6	10.7
FTSE All Share	17.1	7.9	6.6	6.5	7.6
MSCI World	25	12.9	14	13.2	8.9
vs FTSE All Share	-9.8	-0.6	6.4	6.1	4.2
vs MSCI World	-17.7	-5.6	-1	-0.6	2.9

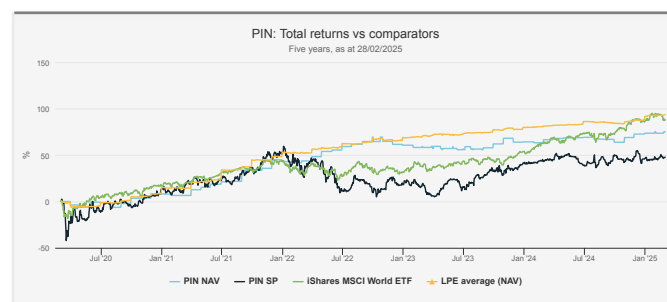
Source: Pantheon International

Past performance is not a reliable indicator of future results.

More recently, observable in the graph below, NAV returns have tapered off since 2022. In our view, this is a temporary and industry-wide phenomenon, a result of both the ferocious pace of deal activity and NAV growth in 2021, but also because of higher interest rates, both of which have led to a period of below-average deal activity. Deal activity is one of the key drivers of NAV returns, given the historic conservatism private equity managers have employed in valuing companies without a willing and confirmed buyer. As a result, it is usual to see announcements of realisations coming at a significant

premium to NAV. We note in the **Portfolio section** that one of the reasons for Pantheon's optimism on the prospects for 2025 is that uplifts on realisations achieved over the six months to 30/11/24 have averaged 26%, which is not far from PIN's ten-year average of 30%.

Fig.4: Five-Year Performance



Source: Morningstar, Kepler Partners, PIN NAV data to 31/01/2025, other data to 28/02/2025
Past performance is not a reliable indicator of future results.

The other, and perhaps more consistent driver of NAV returns is the underlying operating performance of investee companies. PIN provides aggregated portfolio metrics on the portfolio's revenue and earnings growth. Over the five-year period to 30/06/2024, the portfolio's annualised EBITDA growth in the buyout portfolio has been 19% per annum, representing a massive outperformance of the 8% growth in the MSCI World. Revenue and earnings growth has moderated of late but still represents a strong performance in absolute terms with revenue and EBITDA growth for PIN's buyout portfolio of 11% and 16% respectively. Clearly, with the exit environment remaining muted, as long as underlying revenues and earnings growth continue, then shareholders can remain hopeful of future NAV growth.

In terms of the immediate outlook, we believe that there are good reasons to hope that following a rather muted period, NAV performance will improve. There are several factors at play which help us justify this statement. Firstly, assuming the discount remains wide and the board continue to buy shares back, the portfolio's NAV will be mechanically enhanced by the accretion effect of buying a pound's worth of assets for, say, 70p. Secondly, the uptick in M&A and a return of animal spirits to markets is already showing in the statistics. For example, the net cash of £45m generated through distributions during the six months to 30/11/2024 was more than that generated during the whole of the financial year ending 31/05/2024. As we highlight in the **Portfolio section**, realisations made in the first half of the current financial year have been achieved at average uplifts of 26% over prior valuations, which compares to the five-year average of 30%. Finally, if the portfolio starts to deliver meaningful valuation growth, then the fact that PIN is geared (see **Gearing section**), will mean NAV returns will be enhanced if the portfolio return exceeds the cost of borrowings.



Dividend

PIN's main objective is capital growth and private equity investments are generally structured not to pay out income. Historically it has not earned enough income to pay dividends, being a characteristic of the asset class. Some trusts in the sector pay dividends from capital, and it is clear that the board of PIN see buybacks as the principal method of returning capital to shareholders, which at the current level is highly accretive (see [Discount section](#)).

Management

PIN is managed by Helen Steers MBE and Charlotte Morris. Both Helen and Charlotte are investment partners in the firm, and they are supported by a team with a specific responsibility for PIN as well as the wider Pantheon platform. Overall, the manager, Pantheon Ventures, manages c. \$71bn of discretionary assets and is headquartered in London, with a total of 13 locations in Europe, North and South America, and Asia. With over 131 investment professionals worldwide, Pantheon's database covers over 10,000 private equity managers. One of the key points about Pantheon as a business and its long-serving managers is that accessing opportunities with the best private equity managers is not easily replicated, as it involves long-established relationships between the various parties. Private equity managers want to know they are working with reliable partners that they can look to for capital, and Pantheon's long-term track record of being a reliable partner means it has access that few investors could easily replicate.

Helen joined Pantheon in 2004 and has 34 years of private equity experience. Helen is an investment partner at Pantheon and a member of Pantheon's International Investment Committee, European Investment Committee, and Global Co-Investment Committee. Prior to joining Pantheon, Helen held senior positions at Russell Investments in Paris and at the Caisse de dépôt et placement du Québec in Montréal. Helen is a past chair and member of the council (board) of the British Private Equity and Venture Capital Association (BVCA). She has also served as a board member of Invest Europe and is a co-founder of Level 20.

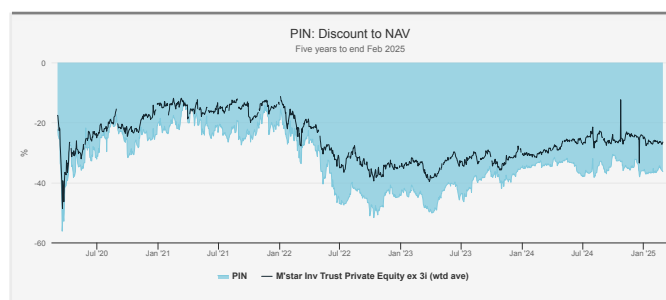
Charlotte is also an investment partner at Pantheon and is actively involved in and committed to the firm's private equity secondaries business. She has been instrumental in sourcing and executing investments for PIN over the past several years and her expertise in single-asset secondaries is particularly relevant as the company's portfolio tilts further towards direct company investments. Charlotte joined Pantheon in 2006 from Cdb Web Tech, an investment vehicle listed on the Milan Stock Exchange and spent 2.5 years working in Pantheon's San Francisco office.

She serves as a member of Pantheon's Global Secondaries Investment Committee, Investment Management Committee, and Sustainability Committee, and is engaged across Pantheon's transactional investment activities.

Discount

The graph below illustrates that over the last five years, PIN's discount to NAV has been persistent both in absolute terms, but also relative to the peer group. There is some evidence to suggest that single-manager, more narrowly focussed trusts trade at narrower discounts than those which are more broadly diversified. If this pattern were to continue, then the strategic direction for PIN's portfolio—which sees it increasingly concentrate the portfolio and employ leverage—could in itself mean that the discount to NAV narrows in relative terms. In absolute terms, discounts remain wide across the sector. In August 2023, PIN's board was the first in the LPE sector to announce its intention to implement a formulaic buyback programme, which came at the same time as a significant tender completed in October 2023. The graph below shows that this had an impact on the discount to NAV, but the sector average discount also narrowed. It is worth noting that the main purpose of the board's buyback policy is not to control the discount per se but to acknowledge that in purchasing shares at a discount, the net asset value is enhanced. The policy seeks to do this in such a way that the investment strategy or balance sheet is not compromised.

Fig.5: Discount To NAV



Source: Morningstar, Kepler Partners

PIN's capital allocation policy, which seeks to capture the value of investing in PIN's own portfolio at a discount to net asset value, has been very successful since it was implemented. For example, during the financial year to 31/05/2024, the NAV has been enhanced by 4.7% through buying shares back at a discount to NAV. In the first half of the current financial year, £12m of buybacks have been made at an average discount of 34%. Future capital available for buybacks, over which the board retains oversight and discretion, will be determined in a formulaic way, designed to give investors visibility on what to expect. The amount allocated to buybacks could vary from the formula depending on circumstances at the time, for



example, the board could choose to continue to buy shares back at narrower discounts than the formula covers. The key input for determining the quantum of buybacks is the adjusted net portfolio cashflow (aNPC). This is defined as:

- Distributions from investments PIN has received over the preceding 12 months; less
- Capital calls on undrawn commitments over the preceding 12 months;
- Ongoing charges including financing costs over the last 12 months; and
- Any cash outflows, for example, debt principal repayments, due in the next 6 months

The aNPC provides the basis for calculating how much capital will be spent on buybacks in a quarter using the matrix below.

Capital Allocation Matrix

DISCOUNT	ADJUSTED NET PORTFOLIO CASHFLOW (ANPC) ALLOCATED TO SHARE BUYBACKS
>50%	51% to 75%
30% to 49%	26% to 50%
20% to 29%	Up to 25%

Source: Pantheon

Buybacks and other returns of capital such as described above, are step two of the three-step strategy adopted by the board to address the discount to NAV. Step 1 was the one-off £200m buyback and tender, and step 3 is to proactively market PIN to appropriate investors. In the interims recently announced, the chairman stated that within step 3 momentum is building, and efforts centre on four key areas: proactive engagement; demonstrating relevance; stimulating demand; and putting shareholders first. Part of addressing these tasks has involved the recruitment of an additional three directors, but also an external marketing agency. We understand that a Strategic Sub-Committee has been set up and that planning work will have largely been put in place before the next AGM (October 2025). With investors becoming increasingly sophisticated and looking to invest in new asset classes, PIN's aim is to participate in this growth and to increase the size of its market share by targeting investors whose objectives align with those of the trust. We note that the directors and Pantheon Partners' ownership of the trust continues to increase with 6.2m shares held on 27 February 2025, representing a value at that date of £20m.

Charges

PIN's OCF at the half-year to 30/11/2024 was 1.35% (FYE 31/05/2024: 1.31%). The OCF compares favourably with the comparable peer group (ex 3i), which has a simple average

of c. 1.6%. That said, methodologies across the sector do vary, and this does not include any fees paid to underlying managers.

The management fee paid by PIN is tiered and consists of:

- 1.5% on the value of investment assets up to £150m.
- 1% on the value of investment assets in excess of £150m.
- a commitment fee of 0.5% on the aggregate amount committed (but unpaid) in respect of investments, up to a maximum amount equal to the total value of the investment assets.

PIN also has a performance fee, which consists of 5% of the amount by which the NAV each year exceeds 110% of a high watermark. The high watermark is the NAV taken at the time a performance fee was last paid, compounded annually at 10%. For the current financial year ending 31/05/2025, we calculate that the notional NAV above which a performance fee would be paid would be c. 617p. At the time of writing, the most recent NAV of 509p (as of 31/01/2025) would suggest it is unlikely a performance fee will be payable for the current year.

PIN's Reduction in Yield (RIY) figure, calculated in January 2025, is stated as 0% (zero). We note the regulation around KID RIYs is changing, and a consensus on how they should be calculated has not yet been formed.

ESG

ESG is an important topic for the team and is integrated into the investment process. In Pantheon's view, ESG topics are viewed as potential drivers of underlying company returns, but also as a way to better understand their potential risks.

Being both a direct co-investor and indirect LP owner of stakes in companies, in both cases the team's process involves analysis of the private equity managers they invest alongside, considering how those managers implement their own ESG policies and criteria, as well as analysis of the investee companies themselves if applicable. The team uses proprietary ESG scorecards adapted for different circumstances, so for example, a co-investment scorecard would look at the specific company and the private equity manager. The team observe that small- and medium-sized businesses may not collect and report on all the data that they could, and so the topic remains a work in progress.

Private equity investments usually involve a controlling stake, and therefore PIN's partner private equity managers have direct access to management, often sitting on boards, and have the ability to directly influence their approach to



ESG. Whilst large public equity fund managers will clearly have an influential voice in steering the companies they own, the private equity approach is a step up from this: as owners of the business rather than shareholders, private equity has greater power to execute changes, rather than call for them. Overall, PIN is not specifically an ESG product, but over time it is the aim that PIN's approach could have a combined effect of influencing improvements in ESG-related activities for individual companies and be a source of returns and risk-mitigation for shareholders.

The nature of PIN's portfolio means that Morningstar cannot provide standardised ESG ratings.



Disclaimer

This report has been issued by Kepler Partners LLP. **The analyst who has prepared this report is aware that Kepler Partners LLP has a relationship with the company covered in this report and/or a conflict of interest which may impair the objectivity of the research.**

Past performance is not a reliable indicator of future results. The value of investments can fall as well as rise and you may get back less than you invested when you decide to sell your investments. It is strongly recommended that if you are a private investor independent financial advice should be taken before making any investment or financial decision.

Kepler Partners is not authorised to make recommendations to retail clients. This report has been issued by Kepler Partners LLP, is based on factual information only, is solely for information purposes only and any views contained in it must not be construed as investment or tax advice or a recommendation to buy, sell or take any action in relation to any investment.

The information provided on this website 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 Kepler Partners LLP to any registration requirement within such jurisdiction or country. In particular, this website is exclusively for non-US Persons. Persons who access this information are required to inform themselves and to comply with any such restrictions.

The information contained in this website is not intended to constitute, and should not be construed as, investment advice. No representation or warranty, express or implied, is given by any person as to the accuracy or completeness of the information and no responsibility or liability is accepted for the accuracy or sufficiency of any of the information, for any errors, omissions or misstatements, negligent or otherwise. Any views and opinions, whilst given in good faith, are subject to change without notice.

This is not an official confirmation of terms and is not a recommendation, offer or solicitation to buy or sell or take any action in relation to any investment mentioned herein. Any prices or quotations contained herein are indicative only.

Kepler Partners LLP (including its partners, employees and representatives) or a connected person may have positions in or options on the securities detailed in this report, and may buy, sell or offer to purchase or sell such securities from time to time, but will at all times be subject to restrictions imposed by the firm's internal rules. A copy of the firm's Conflict of Interest policy is available on request.

PLEASE SEE ALSO OUR TERMS AND CONDITIONS

Kepler Partners LLP is authorised and regulated by the Financial Conduct Authority (FRN 480590), registered in England and Wales at 70 Conduit Street, London W1S 2GF with registered number OC334771.

