Seizing the **opportunity**

Pantheon International Plc
Annual Report and Accounts 2023

Company No. 02147984

Providing easy access to a diverse range of exceptional companies all over the world.

This report contains terminology that may be unfamiliar to some readers. The Glossary on page 184 provides definitions for frequently used terms.

Contents

Retail investors advised by independent financial advisers

The Company currently conducts its affairs so that its shares can be recommended by independent financial advisers to retail private investors in accordance with the FCA's rules in relation to non-mainstream investment products.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in a UK-listed investment trust.

Strategic Report

About PIP

Making the private, public

A share in Pantheon International Plc provides access to a high-quality diversified portfolio of private companies around the world that would otherwise be inaccessible to most investors. Shares in PIP can be bought and sold as they would in any other publicly listed company.

As at 31 May 2023

£2.5bn Net asset value ("NAV")	+2.4% NAV per share growth in the year	+12.1% Average annual NAV growth since 1987 (net of fees)
£1.4bn Market capitalisation	-8.0% Share price change in the year	1.25%[1] Association of Investment Companies ("AIC") ongoing charges[1]

PIP

Pantheon International Plc ("PIP" or the "Company") is a FTSE 250 private equity investment trust, actively managed by Pantheon, one of the leading private markets investment managers globally.

PIP is overseen by an independent Board of Directors who come from a range of backgrounds.

APPOINTS

OVERSEES

Shareholders
Invest via London Stock Exchange

PIP

PIP Board

Pantheon

MANAGES

1 Including financing costs, PIP's total ongoing charges would be 1.50%. See page 183 of the Alternative Performance Measures section for calculations and disclosures.

About PIP

Seizing a compelling investment opportunity

We are revising our capital allocation policy:

- PIP is committing up to £200m to invest in its portfolio by acquiring its own shares during the financial year to 31 May 2024.
- Furthermore, the Board intends to extend PIP's capital allocation policy in the future to dedicate a proportion of the Company's net portfolio cash flow to share buybacks.
- Further details of the policy, which will be applied according to the levels of prevailing share price discount to NAV, will be announced in due course.

Capturing value for shareholders:

- At high discount levels, it is highly attractive for PIP to reinvest in its own shares.
- We know our portfolio well and have confidence in its valuation.
- We will continue to make new investments alongside buybacks.

Having the flexibility to do this:

- The share repurchase of up to £200m represents approximately 15% of PIP's year-end market capitalisation at current discount levels.
- At the end of the financial year end, PIP had £63m of cash and £500m of unused credit facilities.
- As PIP invests directly into new investments, the majority of which are to individual companies, we have the flexibility to manage PIP's cash position at relatively short notice.

Read more in the Chair's statement 20

About Pantheon

Managed by a leading, global private equity investor

Selecting, accessing and partnering with many of the best private equity managers globally with robust organisations, deep operational and sector expertise, and a proven investment strategy is key to achieving attractive returns.

$93.4bn[1] Assets under management (USD)	>1,000 Institutional investors globally	11 Offices around the world
c.10,000 Private equity managers in Pantheon's database	>585[1] Advisory board seats held	134[2] Investment professionals

Pantheon

Pantheon (the "Manager") provides clients with access to its global private equity platform.

Over more than 40 years, Pantheon has built up an extensive network of relationships with private equity managers across the world. Thanks to Pantheon's privileged access, PIP is able to co-invest directly in exciting private companies, participate in attractive single-asset secondary deals and invest in invitation-only funds.

DUBLIN 12

BERLIN 1

SEOUL 5

CHICAGO 7

NEW YORK 60

LONDON 315 people

TOKYO 5

SAN FRANCISCO 32

HONG KONG 13

BOGOTÁ 4

TEL AVIV[3] 1

15 years of UN PRI[4] membership, one of the first private equity signatories

Received 100% rating from UN PRI for private equity in 2021

Award-winning asset manager[5]

1 As at 31 March 2023.
2 As at 30 June 2023.
3 A location from which executives of the Pantheon Group perform client service activities but does not imply an office.
4 United Nations Principles for Responsible Investment.
5 See the Awards Methodologies & Disclosures section on Pantheon's website for details regarding the awards mentioned: www.pantheon.com.

Building a more concentrated portfolio, through a larger proportion of direct company investments

Over the past few years, we have focused on investing directly in private companies, rather than accessing them through funds alone, meaning that the concentration of the portfolio has increased.

As a result, over half of PIP's portfolio comprises carefully selected direct company investments, which are complemented by hard-to-access, oversubscribed funds.

Ten years ago, PIP only invested in companies via funds. Today, over half of the portfolio is invested directly into the companies themselves.

2013

PIP

100%

Funds

Companies

2023

PIP

Via direct co-investments and manager-led secondaries[1]

48%

52%

Funds

Companies

1 These typically involve single asset secondary transactions.

Why we have increased exposure to direct investments:

- We have more control over portfolio construction and deployment pace because we can select the individual deals.
- Investments benefit from a "double quality filter" as both the private equity manager and the company have passed through our stringent due diligence process.
- We can more easily review the private equity ("PE") manager's business plan and assess the company's prospects as well as any risks including those relating to environmental, social and governance ("ESG") issues.
- Co-investments are attractive economically, since they are typically free of management fees and carried interest.

Why we have reduced the number of companies in our portfolio:

- Stronger-performing individual assets have the potential to boost PIP's NAV over the long term.
- Improves transparency and more visibility over the underlying assets.
- All the benefits of increased concentration while mitigating risk with an appropriate level of diversification.

Concentration by Company and Manager

Number of managers[1]

28%

Decrease in number of managers comprising 80% of PIP's total exposure[1] since 2013

Number of companies[1]

42%

Decrease in number of companies comprising 80% of PIP's total exposure[1] since 2013

1 Number of managers and portfolio companies comprising 80% of PIP's total exposure. Exposure is equivalent to the sum of the NAV and undrawn commitments.

2 PIP's financial year changed from 30 June to 31 May in 2017.

We believe PIP's portfolio offers an attractive investment mix:

- In addition to direct investments, we invest in selected hard-to-access, "invitation only" funds with managers that are generally not available on the secondary market.
- Combination of younger and more mature assets means that PIP benefits from both the "value creation" and "harvest" phases of our investments.
- PIP's "all weather" portfolio tilts towards companies in resilient, high-growth sectors such as IT and healthcare that can perform well through economic cycles. These provide mission-critical services and often have recurring revenue models.
- PIP's exposure to the consumer sector is mainly in resilient consumer staples and services businesses, with limited exposure to companies that are sensitive to economic downturns.
- PIP's portfolio is weighted towards small/mid market buyouts, which offer more opportunities for value creation and multiple routes to exit. PIP has very little exposure to venture capital.

PIP's portfolio is weighted towards high-growth and resilient sectors[1]

Information technology	33%
Healthcare	19%
Consumer	14%
Financials	11%
Industrials	10%
Communication services	7%
Energy	3%
Materials	2%
Other	1%

Focus on small/mid buyout and growth

Small/mid buyout	45%
Large/mega buyout	26%
Growth	20%
Special situations[2]	6%
Venture	3%

1 The company sector chart is based upon underlying company valuations as at 31 March 2023, adjusted for calls and distributions to 31 May 2023. These account for 100% of PIP's overall portfolio value.

2 Special situations investments can include distressed debt, mezzanine, energy/utilities and turnarounds.

Proven **strength, resilience** and **fundamental value** in our portfolio

Over Pantheon's many years in the industry, we have developed a deep understanding of the valuation methodologies of our private equity managers, and track their accuracy by measuring realisations from the portfolio against the last full holding valuation.

Our portfolio valuations are based upon the most recent valuations that we receive regularly from our managers, which we challenge and corroborate.

Our Valuation Committee, which is independent of the investment and investor relations teams, is chaired by Pantheon's Chief Risk Officer and ensures robust governance, meaningful oversight and consistent application of policy.

A significant proportion of the underlying company and fund valuations are also reviewed as part of our annual independent audit.

The consistent uplifts that are achieved when companies in PIP's portfolio are sold provide evidence that the portfolio is accurately valued.

1. Continuous valuation inputs

- Annual and quarterly reports, financial statements and board meeting materials received from PE managers
- Assess and review accounting policies and valuation methodologies of private equity managers

2. Continuous monitoring

- Investment team review of companies, funds and private equity managers
- Risk assessment of investments
- Pre-investment due diligence
- Post-investment monitoring
- Feedback from participation on >585[1] advisory boards globally

Our robust valuation process

3. Monthly Valuation Committee

- Valuation Committee has ultimate responsibility for approving investment valuations which determine the fair value of investments
- Input from investment teams on potential valuation issues
- Use insight to verify/challenge private equity manager valuations
- Review and discuss accounting issues

4. Annual external audit

- Independent assessment of valuations and controls surrounding valuation process
- Pantheon ISAE 3402 report on controls independently audited by KPMG LLP
- The annual EY audit process involves substantive testing of the fair value of a sample of investment positions as at 31 May
- EY conducts a comparison of a sample of investment values reported in PIP's NAVs to their subsequently audited financial statements, with any differences above a certain threshold reported to the Audit Committee

1 As at 31 March 2023.

Embedded Value

Confidence in the valuations reported by our underlying private equity managers:

- Our managers use fair market valuation methodology, following international guidelines.
- Our managers typically value their portfolio companies conservatively; the consistent uplifts on exit provide evidence of this.
- Private equity managers have a long-term investment horizon and typically control their portfolio companies; they can time when to sell them and are not reliant on IPOs.
- PIP's portfolio is mostly composed of small and midmarket private businesses that operate in niche sectors where there may not be comparable listed companies.

Uplifts at exit demonstrate embedded value in PIP's portfolio

- The uplift on full exit compares the value received when a company is sold against the investment's carrying value 12 months prior to the transaction taking place.

+27%
weighted average uplift in the year to 31 May 2023

+31%
weighted average uplift since 2012

Realised multiples are well above holding cost multiples, which indicates conservative private equity manager valuations

- The unrealised portfolio is currently held at a multiple of 1.6 times cost.
- The average cost multiple on exit since PIP started tracking this metric in 2012 is 3.0x.
- PIP's portfolio has a track record of achieving a cost multiple at exit well above the current holding value.

1 The cost multiple of the existing portfolio refers to the sum of NAV and distributions of unrealised investments compared to the initial cost of investment.
2 Average cost multiple on exit realisations since 2012.

Most of the companies in PIP's portfolio are profitable:

- Our private equity managers have the expertise and ability to implement operational improvements and actively manage companies for growth.
- PIP's portfolio is tilted towards the IT and healthcare sectors, which are resilient and benefit from long term secular growth trends.
  - IT businesses provide mission-critical software and IT infrastructure.
  - Healthcare businesses provide essential healthcare products and services.
- PIP's loss ratio for all investments, realised and unrealised, made over the last 10 years is low at 2.2%[1].

See pages 9 and 34 for more information on the sectors that PIP is invested in.

Annualised Revenue and EBITDA (2018–2022)[2]

Revenue and EBITDA growth in PIP's buyout portfolio have continued to exceed the growth rates seen in companies that constitute the MSCI World index.

Why private equity can thrive in the current macroeconomic environment:

- Between 2002 and 2022, upper quartile PE managers outperformed the Dow Jones Industrial Average by 890 basis points during bull markets, while this widened to 1,940 basis points in bear markets[3].
- Private equity is not immune to the impact of rising interest rates but higher rates tend to result in a more favourable entry valuation environment and reduced competition in the private equity industry, both of which bode well for return generation. The best private equity managers will continue to focus on implementing effective value creation strategies in order to deliver the returns that their investors expect.

1 Loss ratio is the difference between the total value (NAV + distributions) and total cost of investments for deals marked below cost divided by the total cost of investments.

2 Source: Bloomberg. Five-year annualised figures are derived from underlying annual performance growth data shown on page 103.

3 Source: Capital IQ.

Long-term NAV **outperformance**

PIP is one of the longest established private equity companies listed on the London Stock Exchange and its NAV has consistently outperformed its public market benchmarks across different economic cycles.

We have achieved this by actively managing the portfolio and tilting it towards where we see the best opportunities.

We believe that PIP's portfolio is well-positioned to both withstand uncertainty and benefit from more favourable times.

PIP's objective is to maximise capital growth over the long term

PIP's long-term NAV outperformance

Annualised performance as at 31 May 2023

	1 yr	3 yrs	5 yrs	10 yrs	Since inception[1]
NAV per share (stated net of fees)	2.4%	17.1%	13.9%	13.2%	12.1%
Ordinary share price	-8.0%	9.6%	6.2%	9.9%	10.7%
FTSE All-Share, Total Return	0.4%	10.2%	2.9%	5.3%	7.4%
MSCI World, Total Return (Sterling)	4.3%	11.4%	9.9%	11.4%	8.3%

NAV per share vs. market performance

	1 yr	3 yrs	5 yrs	10 yrs	Since inception[1]
Versus FTSE All-Share, Total Return	+2.0%	+6.9%	+11.0%	+7.9%	+4.7%
Versus MSCI World, Total Return (Sterling)	-1.9%	+5.7%	+4.0%	+1.8%	+3.8%

Share price vs. market performance

	1 yr	3 yrs	5 yrs	10 yrs	Since inception[1]
Versus FTSE All-Share, Total Return	-8.4%	-0.6%	+3.3%	+4.6%	+3.3%
Versus MSCI World, Total Return (Sterling)	-12.3%	-1.8%	-3.7%	-1.5%	+2.4%

An enhanced approach **to responsible investing**

The Board of PIP recognises that a focus on environmental, social and governance ("ESG") is an important tool for risk mitigation and can lead to value creation across the investment portfolio.

Adherence to ESG principles has been incorporated in Pantheon's pre- and post-investment processes for many years and the Manager will continue to play an influential role in promoting ESG standards and diversity & inclusion in private equity.

The Directors of PIP have full oversight of ESG matters within PIP's portfolio and fully support Pantheon's longstanding commitment in this area.

Pantheon has deeply embedded ESG considerations into its investment processes, from the initial screening of opportunities, through due diligence and engagement and post-investment monitoring.

Pantheon's focus recently has been on enhancing its screening and due diligence on deals from an ESG perspective. Pantheon has introduced a new approach to ESG called TIES – which stands for Transparency, Integration, Engagement and Solutions – as this encapsulates the strong ties between Pantheon, the underlying private equity managers and the portfolio companies. As part of this, Pantheon recently developed a proprietary ESG due diligence scorecard, incorporating a range of topics including climate risk, reputational risk, diversity, equity and inclusion ("DEI") and biodiversity.

PIP's move towards a larger proportion of direct company investments provides the Manager with more control over ESG and enables Pantheon to undertake ESG due diligence on the company prior to investing.

Pantheon is committed to advocating for ESG practices across the private equity industry through its participation in a variety of industry initiatives and by using its position on over 585[1] advisory boards worldwide to promote high ESG standards on behalf of PIP among private equity managers and investee companies.

See pages 76 to 81 for more information.

Pantheon's enhanced ESG framework

Screening

ESG screening process applied to all investment opportunities

In Practice

Integrated into ESG due diligence scorecard

Due Diligence

ESG scorecard used to assess:

1. Private equity manager
2. Private equity fund
3. Single-company deal
4. Multi-company deal

In Practice

ESG due diligence scoreboard output included in investment committee memos

Monitoring/ Engagement

Monitoring:

1. Private equity manager data collection
2. Portfolio company data collection

Engagement:

1. Private equity manager: Targeted engagement based on scorecard
2. Industry: Advocate for ESG best practice through industry trade bodies

In Practice

Enhancing ESG data collection systems

Reporting

Focusing efforts on standardised ESG reporting templates to align with:

1. Sustainable Finance Disclosure Regulation metrics
2. ESG Data Convergence Initiative metrics
3. Task Force on Climate-Related Financial Disclosure requirements

Signatory of:

ESG committee member of:

ESG case study

AMBIANTA

Private equity fund	Ambienta IV	**Type**	Primary
Manager	Ambienta	**Commitment**	£14.9m
Geography	Europe		

Joining forces to invest in the low-carbon economy

Ambienta is a European private equity manager focused on investing in sustainability-driven businesses. The manager was founded in 2007 and has offices in Milan, London, Paris and Munich.

Pantheon has a long-standing relationship with Ambienta and holds three advisory board seats with the manager. PIP has previously co-invested alongside Ambienta in SF Filter, a distributor of mobile and industrial filters for after-market applications.

ESG credentials

- In 2020, Ambienta obtained Carbon Neutral certification for its commitment to Net Zero.
- Ambienta IV is classified as Article 9 under SFDR[1], meaning the fund has sustainable investment as its objective.
- The United Nations Principles for Responsible Investment has awarded Ambienta their top rating every year since 2017.
- Ambienta is committed to diversity and inclusion with 52% of hires in 2021 being female.
- Ambienta's "ESG in Action" programme monitors portfolio company progress against a range of ESG key performance indicators.
- The manager is an active member of Institutional Investors Group on Climate Change, a global investor body which focuses on climate change.
- Ambienta is a member of the Invest Europe Responsible Investment Roundtable.

Investment approach

Ambienta believes that sustainability is a mega-trend affecting all sectors in their own different ways. Ambienta IV will continue its investment strategy of targeting small- and medium-sized businesses in Europe whose products aid pollution control and resource efficiency in their respective sectors. The businesses will have scalable and profitable business models, growing international end-markets and differentiated market positions.

The manager typically looks for fast-growing businesses that lack the necessary capital, infrastructure or expertise, to sustain the next phase of growth. Ambienta aims to create value at the portfolio company level by focusing on:

- Strengthening the organisation through the implementation of stronger internal structures and processes;
- Identifying strategic and operational levers to enhance margins and long-term growth;
- Using buy & build strategies to consolidate a fragmented market;
- Growing the company's geographical footprint; and
- Using ESG as a value creation tool.

The development of a dedicated Sustainability & Strategy function, whose role is to understand the ways in which resource efficiency and pollution control shape industries, enables the manager to screen and select the very best investment opportunities. The function, which comprises eight full-time employees, has provided Ambienta with a large bank of knowledge and expertise, and is an integral part of their investment process.

Ambienta's unique approach to investing in businesses driven by sustainability has demonstrated that top decile financial returns can be combined with a measurable and favourable environmental impact.

Maiden investment from Ambienta IV

Ambienta recently completed its first investment from Ambienta IV into Previero, a designer and manufacturer of plastic recycling solutions. The business is set to play a key role in the transition towards the recycling of plastic; currently just 15% of plastic waste generated worldwide is recycled, due to a lack of infrastructure, while this is expected to need to double to meet corporate commitments and regulations.

Ambienta will support value creation opportunities in Previero through the provision of financial and managerial resources, as well as increased investment in both fixed and human capital.

1 Sustainable Finance Disclosure Regulation.

Seizing the opportunity

JOHN SINGER CBE
Chair

When invited to take over the PIP Chair, I was delighted to accept. I share PIP's values of openness and transparency, a team-based and non-egotistical spirit, and a genuine deep-seated drive to add value and provide shareholders with excellent returns.

NAV per share and share price performance

I strongly support the move away from a pure fund-of-funds to a portfolio with a majority of direct company investments, which will build successful returns for investors. Crucially, though, I believe that the listed private equity (LPE) sector has not kept up with the changing needs of its stakeholders and that there is a real opportunity now to do more to put shareholders' interests first.

My first tasks were to set up a review group of Board Directors and Pantheon executives to think afresh about PIP's capital allocation, and at the same time to engage with the Company's shareholders, to understand why they own LPE, and PIP in particular, and how the Company can best address their needs. One recurrent theme, both for the Board and investors, has been the persistent discount to net asset value (NAV) at which the Company's shares trade.

Whilst this is typical of the whole LPE sector, it presents a challenge, implying that the market does not believe the integrity of our NAVs, despite our long history of delivering significant uplifts to NAV when we realise our investments. The current discount, however, also represents an exciting opportunity that we intend to seize on behalf of shareholders.

Working with Pantheon, we are revising our capital allocation policy, which in the past has not taken sufficient account of the returns to be generated by reinvesting in PIP's portfolio when the discount is high. By using buybacks, we are effectively committing capital to a portfolio that we know well, and in whose asset value we have faith. At high discount levels, most obviously the current 40% for example, the resulting improvement to NAV per share is significant and immediate. In addition, in order to take advantage of the opportunities, especially those created by the current market dislocation, and for broader portfolio composition considerations, we will continue to make other investments alongside buybacks.

The Board has therefore decided upon three key initiatives:

Firstly, given the material discount at which the Company's shares are currently trading (42% at the time of writing), PIP intends to commit up to £200m during the current financial year to invest in its portfolio by acquiring its own shares in order to capture this value for shareholders.

Secondly, the Board intends to implement an extension to its capital allocation policy with effect from the next financial year. This policy will dedicate a proportion of the Company's net portfolio cash flow to share buybacks. The exact proportion will be determined by reference to the prevailing discount to NAV at which the Company's shares trade and will be reviewed periodically.

In this way, the wider the discount at which the Company's shares trade at any time, the more attractive the reinvestment opportunity will be and thus the greater the proportion of net realised cash flow channelled to share buybacks whilst also reinvesting to participate in the best private equity opportunities. Further details of the policy will be announced in due course.

In determining the level of £200m to be committed to repurchasing PIP shares, which represents approximately 15% of PIP's current market capitalisation, your Board has been very mindful, as you would expect, of the impact on our balance sheet, and in particular the likely headroom on our credit facilities at a time when portfolio distributions are at relatively low levels. We believe this to be a significant but nevertheless prudent amount for two reasons.

Firstly, at the end of June, PIP had £60m of net available cash and £500m of unused credit facilities. Secondly, since a majority of PIP's new investments are now made on a discretionary basis to individual co-investments and secondaries, it is possible to manage our cash position at relatively short notice by dialling those down if the outlook worsens, which would not be the case if the whole portfolio were committed to primary funds whose drawdowns are not within PIP's control.

> PIP intends to commit up to £200m during the current financial year to invest in its portfolio by acquiring its own shares in order to capture this value for shareholders.
>
> **JOHN SINGER CBE**
> Chair

> With effect from the next financial year, this policy will dedicate a proportion of the Company's net portfolio cash flow to share buybacks.
>
> **JOHN SINGER CBE**
> Chair

The third initiative is to redouble our marketing efforts to broaden the investor base for PIP in order to increase demand for PIP's shares. In seeking to do so we are mindful of the fact that when investment trusts were created in the late 1880s, their objective was to democratise investing through allowing smaller investors to diminish risk by spreading their investment over a number of stocks. We view this as being an important part of PIP's raison d'être today.

The best PE funds are "invitation-only", and attractive co-investment and secondary opportunities are obtained through close relationships with top quality PE managers. Also, PE managers invariably require a high minimum level of investment in their funds. So it is not possible for many investors to access these types of investments directly, nor to build up an appropriate degree of diversification to spread the risk. PIP offers immediate access to a global, well-diversified, high-quality portfolio of private companies for all types of investors, and is therefore an ideal vehicle through which both institutions and individual investors can achieve an appropriate allocation to private equity. Furthermore, since access is enabled through the purchase of shares traded on the stock market, liquidity is provided in an otherwise illiquid asset class.

Chair's Statement and Q&A with Shareholders

PIP is overseen by a talented and committed Board of which I have been a member since 2016 and have chaired since October 2022. The Board does not include anyone from our manager, Pantheon, and acts in a fully independent capacity, taking its responsibilities to shareholders as the prime reason for its existence, while at the same time working in a highly collegiate and goals-focused manner with Pantheon. Four of the seven Directors have deep experience of PE, and other expertise on the Board includes marketing, PR, audit, investment trusts and government relations.

I indicated in my last letter to shareholders that the Board had started a search for two new Non-Executive Directors (NED) and I am delighted to report that we have concluded that process. Zoe Clements was appointed as NED on 5 July 2023 and Rahul Welde on 25 July 2023. Zoe trained as an accountant, has a background in a variety of finance, private equity and investment roles and experience of serving on boards across a range of industries. Rahul is a marketing and digital professional who spent over 30 years in senior, international roles at Unilever and is on the board of a FTSE 100 company. The appointment of Zoe and Rahul to the Board is an enhancement to the complementary mix of expertise and experience of PIP's Directors, and strengthens our finance, marketing and audit skills as well as providing additional operational and strategic knowhow. I know that they will both make an important contribution to PIP.

The governance of PIP is the Board's key responsibility but of course its success also depends on the people managing PIP's portfolio. At the end of June 2023, Jie Gong, who has been an investment partner at Pantheon for nearly ten years, became a co-lead manager of the Company to work alongside Helen Steers. This represents a broadening of the senior resources dedicated to PIP as Jie brings her transactional background, co-investment expertise, credit market knowledge, ESG understanding and a global perspective through experience in North America, UK & Europe, and Asia Pacific.

> The third initiative is to redouble our marketing efforts to broaden the investor base for PIP in order to increase demand for PIP's shares.
>
> **JOHN SINGER CBE**
> Chair

> Past experience of the PE industry has shown that challenging economic times tend to coincide with the years when the capital invested goes on to show the strongest performance.
>
> **JOHN SINGER CBE**
> Chair

PIP benefits greatly from an experienced team looking after it on a day-to-day basis as well as from Pantheon's global platform, which includes 134 investment professionals around the world. The Pantheon team has decades of experience of investing highly selectively in PE funds and direct investments and has steered PIP successfully through multiple economic cycles. In my view, the collaborative culture of Pantheon, based on teamwork, is vital to harnessing the potential of PIP.

Both the Board's and the Manager's interests are closely aligned with PIP's shareholders, as the Board Directors collectively own 3.3m shares in the Company, valued at the time of writing at £8.7m, while 20 Partners of Pantheon collectively held a further 2.7m shares as at 1 July 2023, which were valued at £7.1m at the time of writing.

The expansion of senior resources dedicated to PIP also applies to the advisors and suppliers with whom we work closely. As PIP's NAV and its profile have increased, our stable of partner relationships has evolved over time to underpin this growth. J.P. Morgan Cazenove has been appointed as Joint Corporate Broker to work alongside Investec Bank plc whose team has already been supporting PIP for many years.

Outlook

We are in a challenging period for the world economy and equity markets, with geopolitical shifts and uncertainties, weakened global leadership, the war between Russia and Ukraine, inflation and the rise in interest rates. As a result, market sentiment is nervous and tending towards risk-off rather than the reverse.

Past experience of the PE industry has shown that challenging economic times tend to coincide with the years when the capital invested goes on to show the strongest performance. A general climate of caution means that competition for investments tends to be lower for those, like ourselves, with stronger portfolios and the capacity to invest. Investment multiples typically reset to lower entry levels, future projections of performance are less bullish, debt multiples are lower, and return expectations either rise or remain the same. In this environment, there is more upside than downside in projected investment returns, which is the opposite of what prevails when economic and market conditions are strong. These conditions are also favourable for our top-tier managers, who have superior track records, typically fewer problem investments and are able to raise funds when the climate for doing so is challenging and are then able to deploy those funds at attractive entry valuations.

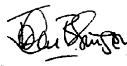
Historically, private equity has shown that it is able to produce market-beating returns and this is reflected in PIP's own NAV which has continued to significantly outperform the MSCI World and FTSE All-Share indices over the long term. The Company's NAV held up well during the financial year, growing modestly by 2.4%.

Your Board and I appreciate the shareholder support that we have received during the last year and the time that many of you have taken to meet us and express your views. We believe that PIP is well positioned at this point in the economic cycle and has all the necessary components to offer an attractive investment proposition to existing and new investors alike. We hope that shareholders will welcome and support the initiatives which the Board is now taking to seize the investment opportunity before us.

PIP's Strategic Report, set out on pages 3 to 54, has been approved by the Board and should be read in its entirety by shareholders.

JOHN SINGER CBE
Chair

2 August 2023



1 Figures are stated net of movements associated with the ALN share of the reference portfolio.

2 Taxes relate to withholding taxes on investment distributions.

3 PIP's valuation policy for private equity funds is based on the latest valuations reported by the managers of the funds in which PIP has holdings. In the case of PIP's valuation as at 31 May 2023, 8% of reported valuations are dated 31 May 2023, 78% are dated 31 March 2023, 4% are dated 31 December 2022 and 1% are dated 30 September 2022 or older.

NAV per share progression[3]

Issues Raised at Meetings with Shareholders:

I will now move on to address some specific issues that have come up in our conversations in more detail.

Why do we have confidence in the value of PIP's portfolio in today's markets?

As I mentioned, the discounts indicate that the market does not believe in the stated net asset values of listed PE vehicles, particularly when market sentiment is generally unfavourable.

Since PE valuations are based on the latest figures provided by our managers, which can be a month or two in arrears, one of the stated reasons is that, when markets decline, the valuations are overstated and will come down over time. Another reflects a concern that PE managers are too optimistic and do not bring their valuations down in line with the prevailing outlook. In a risk-off environment there is also a tendency for the higher perceived risk of PE, owing perhaps to leverage and the greater fragility of small companies, to lead to a greater sell-off than in other asset categories. In addition, PE vehicles recently have all been affected indiscriminately by the sharp decline in quoted technology valuations that took place during 2022.

> Your Board believes that now, as before, PIP's net asset value tends to be conservative rather than the reverse, even when the prevailing outlook has turned negative.
>
> **JOHN SINGER CBE**
> Chair

We understand these concerns but believe that they are not justified in our case by the facts and past experience. Firstly, the evidence shows that when our PE managers sell an investment, the average uplift over their latest prior valuation is substantial. Last year, this uplift was 27%, indicating that our valuations relative to market are conservative rather than overstated. Since 2012 our average uplift has been 31%. Secondly, good managers have no incentive to overvalue their investments, partly since their remuneration is not linked to those valuations, but also because they would rather surprise their investors on the upside than the downside. Thirdly, we believe that the risk of PIP's highly diversified portfolio, supported by highly experienced managers, is no greater than that of a diversified portfolio of public equities. Fourthly, through its close relationship with most of its managers built up over the years, supported by its presence on 585 advisory boards worldwide, Pantheon regularly probes the underlying valuation methodologies that they use. Finally, in the case of PIP, our exposure to venture capital investments of the kind that experienced a sharp pullback last year is only about 3% of the portfolio. Further details of the valuation methodologies used are set out on page 156 of this report.

Your Board therefore believes that now, as before, PIP's net asset value tends to be conservative rather than the reverse, even when the prevailing outlook has turned negative.

Why does your Board feel that the risk of PIP's diversified portfolio is no greater than that of an average portfolio of listed equities?

The PE model has a number of advantages over that of a publicly listed company. The PE fund managers with whom Pantheon works are led by experienced investment executives who are sector specialists and know the markets and the environment in which their companies operate extremely well. They are then complemented by a team of operating executives, all of whom have had proven experience of improving the performance of companies. Members of this operating team work with the management of their portfolio companies to improve operations in the areas where they are deemed to be weak. In the majority of their investments, particularly in buyouts which comprise over 70% of PIP's portfolio, the PE fund as shareholder owns a majority share of its portfolio companies and is therefore able to exert a considerable degree of influence, including the ability to change the CEO or other senior managers. PE fund executives know their portfolio companies well and, through close collaboration with their management teams, decisions can be taken quickly and problems addressed at short notice. Portfolio companies also have immediate access to capital, should this be required to take advantage of acquisition opportunities or support the business through times of unexpected difficulty.

Compared to publicly listed companies therefore, these factors mean that PE-backed companies typically have quicker decision-making capabilities, more resources to make acquisitions or access other cash needs at short notice, shareholders who understand their businesses and markets in detail, immediate access to resources to effect operating improvements, managers who are highly incentivised to grow their businesses, and the ability to be much more nimble.

Another important factor is the composition of PIP's portfolio and the likely resilience of its underlying companies in the face of a downturn. As mentioned, over 70% of PIP's portfolio is in buyout investments of well-established companies, many of which are mid-market businesses with attractive growth and margin profiles. Of the remainder, the vast majority is in smaller growth companies, mostly with strong market positions and defensive characteristics in attractive industry sectors. Only a small proportion are in loss-making businesses or in early-stage tech businesses, which can be highly volatile in both performance and valuation. Furthermore, PIP's portfolio businesses have been selected for investment by experienced sector-based investors in attractive market areas with long-term thematic growth drivers. The degree of leverage in most of PIP's portfolio companies is relatively modest and lower than that typically prevalent at the top end of the market, which is the source of much of the negative market commentary about leverage.

As shown on page 103 of this report, the average revenue and EBITDA growth of a large sample of PIP's buyout portfolio companies is significantly higher than that of a portfolio of listed companies. Since growth over time is the principal driver of investment value and a source of value resilience in difficult times, this also suggests that PIP's portfolio valuation is likely to be more resilient than a comparable public portfolio.

How is the rising interest rate environment affecting our portfolio companies and our management of PIP's balance sheet?

Since interest rates have risen sharply over the last year, shareholders are naturally concerned about the impact that this is having on PIP's portfolio companies as well as on the management of PIP's balance sheet.

We consider the impact on portfolio companies to be at two levels: firstly, the impact of rising interest rates on the cost of their debt, and secondly the fact that as interest rates rise, earnings multiples and therefore the valuations of businesses tend to decline.

The managers that PIP backs and the single-asset secondaries and co-investments in which PIP invests directly are focused primarily on growing businesses that are cash-generative and where the value creation comes from growth, operating improvements and acquisitions rather than leverage. The average debt multiple for our small-to-mid buyout investments, which constitute almost half the portfolio, was 4.2x compared to the industry average of 5.9x, while the growth and venture investments have very little or no leverage.

Furthermore, where companies do have leverage, a significant proportion of their debt is either at fixed rates or protected by interest rate swaps. So far we have seen little stress from the rise in interest rates in either our direct holdings or our fund investments, based on feedback from our managers.

In terms of valuations, while the multiples used by our managers have contracted when appropriate in line with market comparables, the underlying growth in much of the portfolio has compensated for that, which is why PIP's NAV has remained relatively static in spite of the decline in multiples since the beginning of 2022. This is why we are confident in the valuations provided to us by our managers and the NAV of PIP.

Turning to PIP's balance sheet, we monitor the outlook carefully, run stress test sets of projections and take a prudent view at all times. This has become particularly important recently, as we have seen the distribution rates decline to levels similar to those experienced in 2008 and 2009.

Read about the impact of interest rates on private equity in a conversation with Advent International 70

Over the last financial year the annualised distribution rate from the portfolio declined to 10% of NAV, resulting in distributions of £222.5m, while calls, which were also below average at 21% of commitments, led to a cash outflow of £154.8m. In these less favourable conditions, the portfolio nevertheless generated a net cash inflow of £67.6m, leaving £63m of available cash on the balance sheet at the year end. The cash position and our £500m of unused credit facilities has led us to feel comfortable about our decision to commit up to £200m to invest in our own portfolio by buying back PIP shares (subject to discount levels), even if the environment worsens to that which combines continuing low distribution levels with a step-up in calls.

How does the consideration of environmental, social and governance (ESG) factors go hand in hand with generating good financial returns?

How companies conduct their business and the impact that they have on the environment and the communities in which they operate is in the spotlight like never before, with investors now looking beyond simply making a financial return from the companies that they back.

Pantheon has incorporated ESG assessments into its investment process for many years and continues to develop its monitoring and due diligence capabilities in this area, not only in its direct secondary and co-investments but also through its managers. PE managers themselves are also increasingly aware of the importance investors attach to ESG, and the standard of assessment continues to rise. Pantheon has developed a scorecard approach to its assessments which it shares with its managers and uses as a tool for improvement.

Through these assessments, Pantheon has been able to see if and when implementing good ESG practices works against achieving good financial returns and is encouraged by the fact that this is rarely the case. Furthermore, a number of portfolio investments have been made based on the growth opportunities afforded by sustainability and impact. PIP's move to a majority of single-asset investments has made our measurement of ESG KPIs much easier, as we are now even closer to the companies in our portfolio.

Overall the Board is encouraged by the enhancements that Pantheon has made to its ESG approach and intends to strengthen the reporting it receives by nominating one of the Directors to spearhead our oversight in this area, which our Senior Independent Director has been doing on an interim basis.

Key Performance Indicators

Performance

- **Five-year cumulative total shareholder return**
- NAV per share growth
- Portfolio investment return

Liquidity

- Net portfolio cash flow
- Undrawn coverage ratio

WHAT THIS IS

Total shareholder return constitutes the return to investors, after taking into account share price movements (capital growth) and, if applicable, any dividends paid during the period.

The Board's strategy is to deliver returns for shareholders through the growth in NAV and not through the payment of dividends.

HOW PIP HAS PERFORMED

- PIP's ordinary shares had a closing price of 272.0p at the year end (31 May 2022: 295.5p). This was an 8% decline compared to the prior year.
- Disappointingly, along with the listed private equity sector, the share price discount to NAV has widened. The discount on PIP's shares was 41% as at the year end (31 May 2022: 35%). The median discount for listed private equity peers[1] as at the same date was 39% (May 2022: 34%).

LINK TO OUR STRATEGIC OBJECTIVES

- Maximise shareholder returns through long-term capital growth.
- Promote better market liquidity and narrow the discount by building demand for the Company's shares.

EXAMPLES OF RELATED FACTORS THAT WE MONITOR

- Rate of NAV growth relative to listed markets.
- Trading volumes for the Company's shares.
- Share price discount to NAV.

Five-year cumulative total shareholder return

Performance

Five-year cumulative total shareholder return

NAV per share growth[1]

Portfolio investment return

Liquidity

Net portfolio cash flow

Undrawn coverage ratio

1 Excludes valuation gains and/or cash flows associated with the ALN.

WHAT THIS IS

NAV per share reflects the attributable value of a shareholder's holding in PIP. The provision of consistent long-term NAV per share growth is central to our strategy.

NAV per share growth in any period is shown net of foreign exchange movements and all costs associated with running the Company.

The NAV is robustly calculated and the balance sheet is audited by PIP's auditors.

HOW PIP HAS PERFORMED

- NAV per share increased by 10.8p during the year to 462.4p (31 May 2022: 451.6p). This was an increase of 2.4% compared to the prior year.
- PIP's NAV per share underperformed the MSCI World by 1.9% over the financial year.

LINK TO OUR STRATEGIC OBJECTIVES

- Investing in high performing private companies alongside and through top tier private equity managers globally, to maximise long-term capital growth.
- Containing costs and risks by constructing a well-diversified portfolio in a cost-efficient manner.

EXAMPLES OF RELATED FACTORS THAT WE MONITOR

- Valuations provided by the underlying private equity managers.
- Fluctuations in currency exchange rates.
- Tax efficiency of investments.
- Effect of financing (cash drag) on performance.
- Ongoing charges relative to NAV growth and listed private equity peer group.

NAV per share growth during the year

Key Performance Indicators

Performance

- Five-year cumulative total shareholder return
- NAV per share growth
- **Portfolio investment return[1]**

Liquidity

- Net portfolio cash flow
- Undrawn coverage ratio

WHAT THIS IS

Portfolio investment return measures the total movement in the valuation of the underlying companies and funds comprising PIP's portfolio, expressed as a percentage of the opening portfolio value, before taking foreign exchange effects and other expenses into account.

HOW PIP HAS PERFORMED

- Modest increase in underlying portfolio valuation against a backdrop of market volatility.
- PIP's portfolio is actively managed and focuses on resilient, high-growth sectors.

LINK TO OUR STRATEGIC OBJECTIVES

- Maximise shareholder returns through long-term capital growth.

EXAMPLES OF RELATED FACTORS THAT WE MONITOR

- Performance relative to listed markets and listed private equity peer group.
- Valuations provided by the underlying private equity managers.

Portfolio investment return

Performance

Five-year cumulative total shareholder return

NAV per share growth

Portfolio investment return

Liquidity

Net portfolio cash flow[1]

Undrawn coverage ratio

Read more on PIP's historic net portfolio cash flow here 86

WHAT THIS IS

Net portfolio cash flow is equal to distributions less capital calls to finance investments, and reflects the Company's capacity to finance calls from existing investment commitments.

PIP manages its maturity profile through a mix of primaries, secondaries and co-investments to ensure that its portfolio remains cash-generative at the same time as maximising the potential for growth.

HOW PIP HAS PERFORMED

- PIP's portfolio generated £223m (31 May 2022: £419m) of distributions versus £155m of calls (31 May 2022: £187m).
- In addition, the Company made new commitments of £441m (31 May 2022: £496m) during the year, £190m of which was drawn at the time of purchase (31 May 2022: £160m).
- At 31 May 2023, PIP's portfolio had a weighted average age of 4.8 years[2] (31 May 2022: 4.9 years).

LINK TO OUR STRATEGIC OBJECTIVES

- Maximise long-term capital growth through ongoing portfolio renewal while controlling financing risk.

EXAMPLES OF RELATED FACTORS THAT WE MONITOR

- Relationship between outstanding commitments and NAV.
- Portfolio maturity and distribution rates by vintage.
- Commitment rate to new investment opportunities.

Net portfolio cash flow

1 Excludes valuation gains and/or cash flows associated with the ALN.
2 Excludes the portion of the reference portfolio attributable to the ALN.

Key Performance Indicators

Performance

- Five-year cumulative total shareholder return
- NAV per share growth
- Portfolio investment return

Liquidity

- Net portfolio cash flow
- **Undrawn coverage ratio[1]**

WHAT THIS IS

The undrawn coverage ratio is the ratio of available financing and 10% of private equity assets to undrawn commitments. The undrawn coverage ratio is an indicator of the Company's ability to meet outstanding commitments, even in the event of a market downturn.

HOW PIP HAS PERFORMED

- The current level of commitments is consistent with PIP's conservative approach to balance sheet management.
- In line with historical experience, the Company expects undrawn commitments to be funded over a period of several years.

LINK TO OUR STRATEGIC OBJECTIVES

- Flexibility in portfolio construction, allowing the Company to select a mix of manager-led secondaries, co-investments and primary, and vary investment pace, to achieve long-term capital growth.

EXAMPLES OF RELATED FACTORS THAT WE MONITOR

- Relative weighting of primary, secondary and co-investments in the portfolio.
- Level of undrawn commitments relative to gross assets.
- Trend in distribution rates.
- Ability to access debt markets on favourable terms.

Undrawn coverage ratio

Building a resilient portfolio that can deliver long-term outperformance

INVESTMENT TYPE
Focus on maturity profile and potential to boost performance

INVESTMENT STAGE
Focus on mid-market and growth

SECTOR AND GEOGRAPHIC EXPOSURE
Global with a focus on high-growth and niche areas

The Board regularly reviews PIP's overall investment strategy and it has formed part of Board discussions throughout the year.

Through the ongoing dialogue between the Board and the Manager, Pantheon, the Manager reports to the Board on progress and highlights any obstacles or changes in market conditions which may affect the Company's ability to achieve its strategic goals. In cases where this may occur, the Manager will propose solutions for which it will seek the support of the Board. Equally, the Board maintains the flexibility to propose amendments to the strategy as it deems necessary.

In addition, the Board reviews individual investments that exceed exposure limits, which are set at appropriate levels to reflect a diversified approach. At times, the Manager may make recommendations to the Board and seek approval for certain investments that fall outside of any limits expressed in the agreed strategic approach, but which Pantheon believes to be a good investment opportunity for PIP. The Board maintains its independence at all times and robustly challenges such recommendations to ensure that they are in the best interests of shareholders. The Manager also reports to the Board on PIP's marketing and investor relations activities, considering new initiatives that could help to increase PIP's profile, and to reach potential new shareholders in the Company.

Culture and Purpose

It is a requirement for all companies to set out their culture and purpose. The Company's defined purpose is relatively simple: it is to deliver our investment strategy led by a Board that promotes strong governance and a long-term investment approach that actively considers the interests of all stakeholders.

The Directors agree that establishing and maintaining a healthy corporate culture within the Board and in its interaction with the Manager, shareholders and other stakeholders will support the delivery of its purpose, values and strategy. The Board seeks to promote a culture of openness and integrity through ongoing dialogue and engagement with its service providers, principally the Manager.

INVESTMENT TYPE

Focus on maturity profile and potential to boost performance

Primaries, manager-led secondaries and co-investments all have attractive characteristics, as highlighted in the Business Model on pages 35 to 41. PIP's transparent and direct investment approach gives it the flexibility to take advantage of prevailing market conditions and to maximise control over the Company's financing risk, including its ability to generate positive cash flows.

As the weighting towards co-investments has been increased over time, the three different investment types have intentionally taken on more equal weightings. These weightings do not represent hard caps; however, the Board and the Manager believe that this is the optimal mix to benefit from the cash generated by the more mature assets in PIP's portfolio while rejuvenating the portfolio with the younger vintages offered by primaries and co-investments. In addition, we have been steering PIP's secondary investment strategy towards manager-led secondaries which form a fast-growing part of the secondary market and are attractive for several reasons as highlighted on page 96. These investments also provide younger vintages to the portfolio.

Investment type[1]

Primaries	34%
Co-investments	33%
Manager-led secondaries	19%
Fund secondaries	14%

With an increased weighting towards co-investments and manager-led secondaries, we expect the number of underlying managers and portfolio companies to which the Company is exposed to continue to reduce over time. As a result, the potential for the Company's overall NAV to be driven by the performance of individual assets should be increased while maintaining the benefits of a portfolio that is well diversified by type, stage, geography and sector.

The Board believes that there are several benefits to this investment approach: risk is effectively managed through diversification while the improved transparency of PIP's underlying portfolio, and increased investment flexibility, should create a clearer link between the strongest performing companies in the portfolio and the potential to boost NAV growth in the future. Also, Pantheon can remain highly selective and disciplined when assessing deal flow, while at the same time reducing the risk of PIP being excluded from exciting opportunities due to investment constraints.

1 Fund investment type is based upon underlying fund valuations and account for 100% of PIP's overall portfolio value. The charts exclude the portion of the reference portfolio attributable to the Asset Linked Note.

INVESTMENT STAGE

Focus on mid-market and growth

PIP's portfolio is diversified by stage. While the Company's strategy is to maintain a healthy mix of all stages, Pantheon and PIP favour the buyout segments, with a particular focus on the small and mid-market. The small/mid-market offers distinct characteristics, when compared with large deals, such as:

- More attractively priced assets which tend to have lower levels of leverage than the broader market average;
- Greater visibility of the value drivers and the levers to pull to improve operational efficiency to better drive growth, both organically and through buy-and-build strategies; and
- More routes to exit including strategic acquisitions, sales to other private equity managers or initial public offerings ("IPOs"). In PIP's case, it should be noted that the majority of exits have consistently been to strategic buyers and other private equity managers, with IPOs accounting for just 3% of exits during the year to 31 May 2023.

Stage[1]

Small/mid buyout	45%
Large/mega buyout	26%
Growth	20%
Special situations[2]	6%
Venture	3%

Venture accounts for a very small proportion of PIP's portfolio and any investment activity by PIP in early stage venture funds is focused on investing with top-tier venture managers, mainly through primary fund investments, who are able to identify innovative opportunities with the potential to generate significant outperformance.

While special situations include assets with unique characteristics which can offer potential for outperformance, it is the Board's intention that special situations investments will only be a small minority of the overall portfolio.

1 Stage chart is based upon underlying fund valuations and accounts for 100% of PIP's overall portfolio value. The chart excludes the portion of the reference portfolio attributable to the Asset Linked Note.

2 Special situations investments can include distressed debt, mezzanine, energy/utilities and turnarounds.

Our Strategy

SECTOR AND GEOGRAPHIC EXPOSURE

Global with a focus on high-growth and niche areas

The Board is committed to offering investors a global portfolio with investments in North America, Europe, Asia and Emerging Markets. It takes an active approach towards the weightings of those geographies in response to market conditions but supports the majority of the Company's capital being invested in the USA and Europe where the private equity markets are well established.

The Board relies on Pantheon's investment teams located around the world that can take advantage of proprietary information flows and access to opportunities through their extensive networks of relationships.

It is Pantheon's objective to identify managers globally that are able to take a thematic approach and focus on high-growth sectors, many of which may not be fully represented by the public markets. In addition, Pantheon has a deliberate strategy of targeting sectors experiencing dislocation, as well as niches where underlying growth is less correlated to GDP growth. Recent examples of this have been within the Information Technology and Healthcare sectors. For more information on the sectors in which PIP is invested, see pages 74 and 75.

The Board believes that its oversight of the Manager's activities, while at the same time allowing Pantheon the flexibility that it needs to make the appropriate investment decisions on the Company's behalf, ensures that PIP is able to deliver on its strategic objectives for shareholders over the long term.

Company sectors[1]

Information technology	33%
Healthcare	19%
Consumer	14%
Financials	11%
Industrials	10%
Communication services	7%
Energy	3%
Materials	2%
Other	1%

Region[2]

USA	54%
Europe	28%
Asia and EM[3]	10%
Global	8%

1 The company sector chart is based upon underlying company valuations as at 31 March 2023, adjusted for calls and distributions to 31 May 2023. These account for 100% of PIP's overall portfolio value.
2 Region is based upon underlying fund valuations and accounts for 100% of PIP's overall portfolio value. The chart excludes the portion of the reference portfolio attributable to the Asset Linked Note.
3 EM is Emerging Markets.

We aim to deliver **consistent returns** over the long term

Our investment process

Investment opportunities in companies and complementary funds are originated via Pantheon's extensive and well-established platform.

We invest with many of the best private equity managers who are able to identify and create value in their portfolio companies.

Cash generated from the sale of those companies is returned to PIP and redeployed into new investment opportunities.

What we do

PIP invests directly in private companies worldwide through co-investments alongside selected private equity managers and through manager-led opportunities, as well as in complementary private equity funds.

- An investment in PIP offers shareholders exposure to a growing private market of over US$5.2tn[1] globally where the best private equity opportunities might otherwise be inaccessible to shareholders.

We aim to deliver attractive and consistent returns to shareholders over the long term, and at relatively low risk. The Board remains committed to its policy of maximising capital growth and therefore, as in previous years, is not proposing the payment of a dividend.

1 Source: Preqin. As at 31 December 2022.

Why we do it

Through Pantheon, we have an opportunity to invest with and alongside many of the best private equity managers globally based on the trust and experience built up over the 40 years that Pantheon has been making investments.

- It is our aim to bring the attractive credentials of private equity and its track record of outperforming public markets to a wider set of investors.

It is our mission to generate sustainably high investment returns through an actively managed, institutional grade portfolio of private companies and funds built by investing with the best managers globally.

How we do it

PIP's Manager, Pantheon, has a well-established platform built on three strategic pillars of investment: primary, secondary and co-investments, with each offering their own merits.

We believe that by combining the three ways of accessing private equity investments, we are able to:

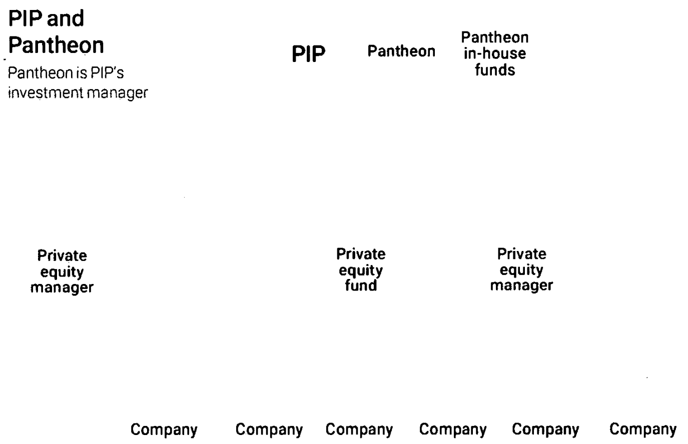
- Build and maintain a well-balanced portfolio in a combination that we monitor and manage with the aim of maximising capital growth;
- Manage the maturity profile of the assets so that PIP's portfolio remains naturally cash-generative on a sustainable basis; and
- Ensure that the vehicle remains as cost-effective as possible for our shareholders by reducing any potential drag on returns.

We have full control over portfolio construction

PIP has the opportunity to participate in all of the private equity investments sourced for it by Pantheon.

This means that:

- We have control of investment strategy, overseen by the fully independent Board.
- We have the flexibility to tilt the portfolio towards where we see the best fit for our long-term objectives.
- We can accept or decline deals without being "tied in" to other Pantheon fund strategies.
- We can control PIP's investment pacing according to its financial resources at the time.
- We have the flexibility to vary the size of its commitments as appropriate and in line with any adjustments to its investment strategy.
- We avoid the additional costs that can occur when investing via intermediate vehicles.



PIP invests alongside private equity managers directly into companies via co-investments and manager-led secondaries

PIP invests in private equity funds managed by many of the best private equity managers globally

Our investment strategies:

Direct company investments

52% of PIP's portfolio[1]

Co-investments

Manager-led Secondaries

We invest in a company directly, alongside a private equity manager.

- Direct investment in individual companies which have attractive growth characteristics and have effectively passed through a "double quality filter", alongside PIP's leading private equity managers.
- This boosts the performance potential because of asset selection, and there are typically very low or no fees, making it a cost-effective way of capitalising on the high value added by PIP's selected managers.
- Co-investments are through invitation only and are therefore not accessible to most investors.

Funds

48% of PIP's portfolio[1]

Primaries

Fund Secondaries

1 As at 31 May 2023.

Our Business Model

Our investment strategies:

Direct company investments

52% of PIP's portfolio[1]

Co-investments

Manager-led Secondaries

Funds

48% of PIP's portfolio[1]

Primaries

Fund Secondaries

We invest in a company directly, alongside a private equity manager, that the manager has already owned for a period of time and therefore knows well.

- We partner with high-quality private equity managers to acquire, as single transactions, their most attractive portfolio companies via a continuation fund.
- Allows the private equity manager to hold onto a prized asset, which they believe has potential for further growth, when the fund in which it is held comes to the end of its life.

1 As at 31 May 2023.

Our investment strategies:

Direct company investments

52% of PIP's portfolio[1]

Co-investments

Manager-led Secondaries

Funds

48% of PIP's portfolio[1]

Primaries

Fund Secondaries

We invest in a new private equity fund when it is established.

- Captures exposure to top-tier, well-recognised managers as well as to smaller niche funds that are generally hard to access.
- Targets leading managers predominantly in the USA and Europe, with a focus on funds which are unlikely to become available in the secondary market.

1 As at 31 May 2023.

Our Business Model

Our investment strategies:

Direct company investments

52% of PIP's portfolio[1]

Co-investments

Manager-led Secondaries

Funds

48% of PIP's portfolio[1]

Primaries

Fund Secondaries

We purchase the interests of an investor in a fund or funds typically late into, or after, the investment period.

- Targets favoured companies and funds at a stage when the underlying assets' performance is visible and the funds are realising investments, returning cash to PIP more quickly.
- One of the advantages of investing in secondaries is that earlier fees will have been borne by the seller so total expenses are lower.

1 As at 31 May 2023.

What sets us apart

Proven track record and focus on risk management

For 36 years, PIP has been able to adapt quickly and effectively to changing market conditions. This flexible and proactive approach means that PIP is well placed to continue to deliver on its long-term strategic objectives. PIP's NAV has outperformed its public market benchmark indices over multiple periods and since the Company's inception in 1987.

We pay close attention to the management of risk. PIP provides a carefully constructed and appropriately diversified portfolio for investors with a particular emphasis on well-established companies in the buyout stage. This is supported by a prudently managed balance sheet which has the strength to continue to meet its outstanding commitments, even in more difficult economic times. See page 43 for more information on the balance sheet.

A global portfolio

Just over half of PIP's portfolio is invested in the USA, which is the deepest, most developed private equity market in the world and is often inaccessible to many investors in other regions. The next largest proportion of the portfolio is invested in Europe, with an emphasis on Northern Europe, while the remaining exposure is to faster-growing economies such as Asia.

The presence of Pantheon's teams in its 11 offices around the world means that they are on the ground locally, working with their extensive networks of relationships with private equity managers and taking advantage of proprietary information flows and access to opportunities. These relationships enable Pantheon to source and respond quickly to the best deal flow in those regions. In addition, through its participation on over 585[1] advisory boards globally, Pantheon actively engages with its private equity managers on portfolio monitoring issues on a continuous basis.

1 As at 31 March 2023.

Culture & Diversity

Pantheon has a strong culture of openness and inclusive teamwork, and encourages the exchange of ideas. PIP is supported by 455 people around the world including a large team of 134 investment professionals[2]. PIP also benefits from a dedicated and experienced team that looks after it on a day-to-day basis. In keeping with its collaborative culture, Pantheon avoids investments in private equity managers with "star" individuals which would give rise to a higher degree of key person risk.

From day one, Pantheon has understood that a diverse workforce creates a more productive environment. Each year, Pantheon publishes statistics documenting its global staff breakdowns according to gender identity, ethnic diversity, LGBTQ+ and disability profiles. The firm has consistently exceeded industry averages for gender diversity. Pantheon also supports a number of inclusion and diversity initiatives and organisations around the world. See page 81 for more information.

2 As at 30 June 2023.

Investment Policy

Our investment policy is to maximise capital growth with a carefully managed risk profile.

The Company's policy is to make unquoted investments. It does so by subscribing to investments in new private equity funds ("Primary Investment"), buying secondary interests in existing private equity funds ("Secondary Investment"), and acquiring direct holdings in unquoted companies ("Co-investments"), usually either where a vendor is seeking to sell a combined portfolio of fund interests and direct holdings or where there is a private equity manager, well known to the Company's Manager, investing on substantially the same terms.

The Company may, from time to time, hold quoted investments as a consequence of such investments being distributed to the Company from its fund investments as the result of an investment in an unquoted company becoming quoted. In addition, the Company may invest in private equity funds which are quoted. The Company will not otherwise normally invest in quoted securities, although it reserves the right to do so should this be deemed to be in the interests of the Company.

The Company may invest in any type of financial instrument, including equity and non-equity shares, debt securities, subscription and conversion rights and options in relation to such shares and securities, and interests in partnerships and limited partnerships and other forms of collective investment schemes. Investments in funds and companies may be made either directly or indirectly, through one or more holding, special purpose or investment vehicles in which one or more co-investors may also have an interest.

The Company employs a policy of over-commitment. This means that the Company may commit more than its available uninvested assets to investments in private equity funds on the basis that such commitments can be met from anticipated future cash flows to the Company and through the use of borrowings and capital raisings where necessary.

The Company's policy is to adopt a global investment approach. The Company's strategy is to mitigate investment risk through diversification of its underlying portfolio by geography, sector and investment stage. Since the Company's assets are invested globally on the basis, primarily, of the merits of individual investment opportunities, the Company does not adopt maximum or minimum exposures to specific geographic regions, industry sectors or the investment stage of underlying investments.

In addition, the Company adopts the following limitations for the purpose of diversifying investment risk:

- No holding in a company will represent more than 15% by value of the Company's investments at the time of investment (in accordance with the requirement for approval as an investment trust which applied to the Company in relation to its accounting periods ended on and before 30 June 2012).
- The aggregate of all the amounts invested by the Company (including commitments to or in respect of) in funds managed by a single management group may not, in consequence of any such investment being made, form more than 20% of the aggregate of the most recently determined gross asset value of the Company and the Company's aggregate outstanding commitments in respect of investments at the time such investment is made.
- The Company will invest no more than 15% of its total assets in other UK-listed closed-ended investment funds (including UK-listed investment trusts).

The Company may invest in funds and other vehicles established and managed or advised by Pantheon or any Pantheon affiliate. In determining the diversification of its portfolio and applying the Manager's diversification requirement referred to above, the Company looks through vehicles established and managed or advised by Pantheon or any Pantheon affiliate.

The Company may enter into derivatives transactions for the purposes of efficient portfolio management and hedging (for example, hedging interest rate, currency or market exposures).

Surplus cash of the Company may be invested in fixed interest securities, bank deposits or other similar securities.

The Company may borrow to make investments and typically uses its borrowing facilities to manage its cash flows flexibly, enabling the Company to make investments as and when suitable opportunities arise, and to meet calls in relation to existing investments without having to retain significant cash balances for such purposes. Under the Company's Articles of Association, the Company's borrowings may not at any time exceed 100% of the Company's NAV. Typically, the Company does not expect its gearing to exceed 30% of gross assets. However, gearing may exceed this in the event that, for example, the Company's future cash flows alter.

The Company may invest in private equity funds, unquoted companies or special purpose or investment holding vehicles which are geared by loan facilities that rank ahead of the Company's investment. The Company does not adopt restrictions on the extent to which it is exposed to gearing in funds or companies in which it invests.

Financing Our Undrawn Commitments

Prudent balance sheet management supports PIP's long-term investment strategy.

We manage PIP to ensure that it has enough liquidity to finance its undrawn commitments, which represent capital committed to funds but yet to be drawn by the private equity managers, as well as to take advantage of new investment opportunities. A critical part of this exercise is ensuring that the undrawn commitments do not become excessive relative to PIP's private equity portfolio and available financing. We achieve this by managing PIP's investment pacing as well as constructing its portfolio so that it has the right balance of exposure to primaries, manager-led secondaries and co-investments.

Managing our financing cover

PIP's undrawn commitments were £857m as at 31 May 2023 (31 May 2022: £755m). Of the £857m undrawn commitments as at the period end, £48m relate to funds that are more than 13 years old and therefore outside their investment periods. Generally, when a fund is past its investment period, it cannot make any new investments and only draws capital to fund follow-on investments or to pay expenses. As a result, the rate of capital calls by these funds tends to slow dramatically.

Undrawn commitments by vintage[1]

2023	15%
2022	35%
2021	17%
2020	4%
2019	6%
2018	4%
2017	2%
2014–2016	7%
2010–2013	3%
2009 and earlier	7%

As at 31 May 2023, PIP had net available cash[2] balances of £63m (31 May 2022: £227m). In addition to these cash balances, PIP also has access to a wholly undrawn £500m multi-currency revolving credit facility agreement ("loan facility") that expires in July 2027. Using exchange rates at 31 May 2023, the loan facility amounted to a sterling equivalent of £491m.

Therefore, the Company had £554m of available financing as at the period end (31 May 2022: £528m) which, along with the value of the private equity portfolio, provides comfortable cover of 3.7 times (31 May 2022: 4.0 times) relative to undrawn commitments for funds within their investment periods.

Another important measure is the undrawn coverage ratio, which is the ratio of available financing and 10% of private equity assets to undrawn commitments. The undrawn coverage ratio is a key indicator of the Company's ability to meet outstanding commitments, even in the event of a market downturn, and was 98% as at 31 May 2023 (31 May 2022: 108%)[3].

Coverage ratios

1 Includes undrawn commitments attributable to the reference portfolio related to the ALN.

2 The available cash and loan figure excludes the current portion payable under the Asset Linked Note, which amounted to £1.2m as at 31 May 2023.

3 Excludes outstanding commitments relating to funds outside their investment period (>13 years old), amounting to £48.2m as at 31 May 2023 (31 May 2022: £57.1m).

Risk Management and Principal Risks

The Company is exposed to a variety of risks and uncertainties. The Board, through delegation to the Audit Committee, has undertaken a robust assessment and review of the principal risks facing PIP, together with a review of any new and emerging risks that may have arisen during the year to 31 May 2023, including those that would threaten its business model, future performance, solvency or liquidity. A summary of the risk management and internal control processes can be found in the Statement on Corporate Governance on pages 128 to 134.

Investment and strategy risk

Type and description of risk	Potential impact	Risk mitigation	Outcome for the year
Investment performance The Manager selects the investments for the Company's portfolio. The origination, investment selection and management capabilities of both the Manager and third-party managers are key to the performance of the Company.	– Performance not comparable to benchmark/ industry average. Consistently poor performance may lead to a fall in the quoted share price and impact share price discount to NAV.	– The Manager has a long track record of investing alongside private equity managers with experience of navigating economic cycles. Diversification by geography, stage, vintage and sector, helps to mitigate the effect of public market movements on the Company's performance.	**Stable during the year** – PIP continues to adopt a diversified approach to portfolio construction. – In historical periods of significant public market volatility, private equity market valuations have typically been less affected than public equity market valuations. – Portfolio investment return of 3.5% in the year to 31 May 2023.
Market factors Inflation, interest rates and equity market performance can affect portfolio investment returns.	– Impact of general economic conditions on underlying fund and company valuations, exit opportunities and the availability of credit. – Higher risk of market volatility, price shocks or a significant market correction.	– As part of its investment due diligence process, Pantheon assesses the approach of its managers to company illiquidity and macroeconomic factors as well as projected exit outcomes.	**Rising during the year** – Resilient performance of the portfolio despite a challenging macro environment.
Valuations In valuing its investments in private equity funds and unquoted companies and publishing its NAV, the Company relies to a significant extent on the accuracy of financial and other information provided by third party managers.	– Potential for inconsistency in the valuation methods adopted by third party managers and for valuations to be misstated.	– The valuation of investments is based on periodically audited valuations that are provided by the underlying private equity managers. – Pantheon carries out a formal valuation process involving monthly reviews of valuations, the verification of audit reports and a review of any potential adjustments required to ensure reasonable valuations in accordance to fair market value principles under Generally Accepted Accounting Principles ("GAAP"). – Pantheon's Valuation Committee, which is independent of the investment and investor relations teams, and comprised of senior team members, has ultimate responsibility for approving valuations, ensuring that there are robust governance, oversight and process frameworks in place, guaranteeing compliance with standards and consistent application of policy.	**Stable during the year** – No material misstatements concerning the valuations provided by underlying private equity managers and the existence of investments during the year.

Investment and strategy risk

Type and description of risk	Potential impact	Risk mitigation	Outcome for the year
Level of discount A decline in the popularity of the private equity sector has contributed to a reduction in demanc for the Company's shares.	– Market sentiment on the listed private equity sector can affect the Company's share price and widen discounts relative to NAV, causing shareholder dissatisfaction.	– Regular review of the level of discount or premium relative to the sector. – Consideration of ways in which share price performance may be enhanced including the effectiveness of marketing and policies such as share buybacks. – The Board regularly discusses the shareholder register with the Manager so as to monitor buying/selling activity and to identify potential new investors. – The Manager and the Company's broker are in regular contact with existing shareholders and prospective new investors.	**Rising during the year** – Private equity continues to outperform public markets over the long term and has proved to be an attractive asset class through various cycles. – However, in line with the sector, the Company's share price discount to NAV has widened during the year. – PIP is committing up to £200m to share buybacks during the financial year to 31 May 2024. The Board intends to dedicate a proportion of the Company's net portfolio cash flow to future share buybacks.
Vehicle financing Availability, level and cost of credit for the Company.	– Potential impact on performance and liquidity, especially in the event of a market downturn.	– PIP's Articles of Association and investment policy impose limits on the amount of gearing that the Company can take on. – The periodic review of principal covenants for the loan facility ensures that the Company complies with loan to value and liquidity ratios. – The Board conducts regular reviews of the balance sheet and long-term cash flow projections, including downside scenarios that reflect the potential effects of significant declines in NAV performance, adverse changes in call/distribution rates and restrained liquidity sourcing in a distressed environment.	**Stable during the year** – Cash flow forecasts under normal and stress conditions were reviewed with the Board. Downside scenario modelling indicates that the Company has the available financing in place to meet investment commitments, even in an environment characterised by large NAV declines and a material reduction in distribution activity. – There was no gearing at the Company level as at the end of the financial year.
Lookthrough gearing Availability, level and cost of debt for underlying funds and portfolio companies.	– Rising interest rates can impact the profitability and valuation of underlying portfolio companies. – A deterioration in credit availability can potentially reduce investment activity.	– As part of its investment process, the Manager undertakes a detailed assessment of the impact of debt at the underlying fund level and underlying company level on the risk-return profile of a specific investment.	**Rising during the year** – Whilst debt multiples in PIP's buyout portfolio remain at reasonable levels as at year end, the collapse of SVB, created a shock to the credit markets, reducing the availability of credit and increasing the cost of debt.

Risk Management and Principal Risks

Investment and strategy risk

Type and description of risk	Potential impact	Risk mitigation	Outcome for the year
Liquidity management Insufficient liquid resources to meet outstanding commitments to private equity funds.	– The Company has outstanding commitments that may be drawn down at any time in excess of total liquidity to private equity funds. The ability to fund this difference is dependent on receiving cash proceeds from investments (the timing of which are unpredictable) and the availability of financing facilities.	– PIP has a mature portfolio that is naturally cash generative. – In the event that cash balances and cash distributions are insufficient to cover capital calls, PIP has the ability to draw funds from a credit facility. – Pantheon manages the Company so that undrawn commitments remain at an acceptable level relative to its portfolio assets and available financing. – The Board conducts a comprehensive review of the Company's cash flow forecasts under different scenarios on a regular basis.	**Stable during the year** – PIP has access to a £491m loan facility that expires in July 2027. Together with PIP's net available cash balances of £63m, total available financing as at 31 May 2023 stood at £554m. Total available financing, along with the private equity portfolio, was greater than outstanding commitments by a factor of 3.7 times.
Investment rate Lack of suitable investment opportunities to meet strategic objectives.	– Change in risk profile as a result of manager, fund or company exposures that are materially different from the Company's intended strategy.	– Pantheon has put in place a dedicated investment management process designed to achieve the intended investment strategy agreed with the Board. – The Board regularly reviews investment and financial reports to monitor the effectiveness of the Manager's investment processes.	**Stable during the year** – During the year, PIP has invested within strategic limits for vintage year, geography and stage allocations, as well as within concentration limits for individual managers, funds and companies.
Foreign exchange risk PIP has continued to expand its geographic diversity by making investments in different countries. Accordingly, a significant majority of PIP's investments are denominated in US dollars, euros and currencies other than sterling.	– Unhedged foreign exchange rate movements could impact NAV total returns.	– The Manager monitors underlying foreign currency exposure and together with the Board, reviews hedging strategies available to the Company. – As part of its investment process, the Manager takes currency denominations into account when assessing the risk/return profile of a specific investment. – The multi-currency credit facility is a natural hedge for currency fluctuations relating to outstanding commitments.	**Stable during the year** – There was no material change in the Company's exposure to foreign exchange currency risk in the year. – Foreign exchange had a negative impact on NAV performance during the year. Despite this, it remains appropriate for the Company not to hedge its foreign exchange exposure.

Operational risk

Type and description of risk	Potential impact	Risk mitigation	Outcome for the year
Tax Status Changes in the Company's tax status or in tax legislation and practice.	– Failure to understand tax risks when investing or divesting could lead to tax exposure or financial loss.	– Pantheon's investment process incorporates an assessment of tax. – The Manager reviews the appropriateness of an investment's legal structure to minimise the potential tax impact on the Company.	**Stable during the year** – Taxes had a minimal effect on overall NAV performance in the year.
Service Providers The Company is dependent on third parties for the provision of services and systems, especially those of the Manager, the Administrator and the Depositary.	– Business disruption should the services of Pantheon and other third-party suppliers cease to be available to the Company. – A failure of the Manager to retain or recruit appropriately qualified personnel may have a material adverse effect on the Company's overall performance.	– The Board keeps the services of the Manager and third-party suppliers under continuous review. – The Management Agreement is subject to a notice period of two years, giving the Board adequate time to make alternative arrangements in the event that the services of Pantheon cease to be available. – The Manager regularly updates the Board on team developments and succession planning. – The Board performs an ongoing review of the Investment Manager's performance in addition to a formal annual review.	**Stable during the year** – The Board has approved the continuing appointment of the Manager and other service providers following an assessment of their respective performance during the year. – Pantheon operates a hybrid working model and is confident of being able to continue to meet PIP's needs through this model.
Cyber Security High dependency on effective information technology systems to support key business functions and the safeguarding of sensitive information.	– Significant disruption to information technology systems, including from a potential cyber attack, may result in financial losses, the inability to perform business-critical functions, loss or theft of confidential data, regulatory censure, legal liability and reputational damage.	– Pantheon has a comprehensive set of policies, standards and procedures related to information technology and cybersecurity. – Ongoing investment and training to improve the reliability and resilience of Pantheon's information technology processes and systems.	**Rising during the year** – Pantheon's systems, processes and technologies have been thoroughly tested and are fully operational. – An imposter website was identified during the period, which used PIP's branding and marketing material in relation to a fictitious cryptocurrency investment. This was removed, but appeared under a new name. The Manager is pursuing the removal of this website and monitoring the occurrence of other similar websites. – Pantheon has identified an expert vendor who can provide the service of identifying new fraudulent sites and facilitate the subsequent take-down once discovered.

Risk Management and Principal Risks

Operational risk

Type and description of risk	Potential impact	Risk mitigation	Outcome for the year
Global geopolitical risks Political and macro-economic factors including the Russia–Ukraine war and the resulting economic uncertainty may affect the Company.	– Market and currency volatility may affect returns. – Geopolitical undercurrents may disrupt long-term investment and capital allocation decision-making.	– Pantheon continuously monitors geopolitical developments and societal issues relevant to its business.	**Stable to rising during the year** – Pantheon's established Risk, Legal and Tax functions have ensured compliance with local laws and regulations. – An assessment of geopolitical risk is embedded in Pantheon's investment process. – PIP's exposure to high risk countries is minimal. PIP's de minimis legacy exposure to Russian assets were reduced to zero during the financial year.
ESG and climate change The risk that the Company or the Manager fails to respond appropriately to the increasing global focus on Environmental, Social and Governance issues.	– The Company is exposed to the impact of a mismanagement or failure to recognise potential ESG issues at portfolio company level, industry level, service provider, and Board level, which could damage the reputation and standing of the Company and ultimately affect its investment performance.	– The Manager has a responsible approach when making investments on behalf of PIP. Adherence to sound ESG principles has been an integral part of Pantheon's pre- and post-investment processes for several years. Pantheon continues to play an influential role in promoting ESG standards and Diversity & Inclusion in private equity.	**Stable during the year** – Pantheon has an established in-house ESG committee comprising senior individuals from its investment, risk, legal and investor relations teams. – The Board of PIP has full oversight of ESG matters in PIP's portfolio.

s172(1) Statement

The Directors' overarching duty is to act in good faith and in a way that is the most likely to promote the success of PIP, as set out in Section 172 of the Companies Act 2006.

In doing so, the Directors must take into consideration the interests of the various stakeholders of the Company, the impact PIP has on the community and the environment, take a long-term view on the consequences of the decisions they make, as well as aim to maintain a reputation for high standards of business conduct and fair treatment between the members of the Company.

Fulfilling this duty supports PIP in achieving its investment strategy and helps to ensure that all decisions are made in a responsible and sustainable way. In accordance with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, the Company explains how the Directors have discharged their duties under Section 172 below.

To ensure that the Directors are aware of and understand their duties, they are provided with pertinent information when they first join the Board and receive regular and ongoing updates and training on relevant matters. They also have continued access to the advice and services of the Company Secretary and, when deemed necessary, the Directors can seek independent professional advice.

The Schedule of Matters Reserved for the Board, as well as the terms of reference of its Committees, are reviewed on an annual basis and further describe Directors' responsibilities and obligations, and include any statutory and regulatory duties. The Audit Committee has responsibility for the ongoing review of PIP's risk management systems and internal controls and, to the extent that they are applicable, risks related to the matters set out in Section 172 are included on PIP's risk register and are subject to regular review and monitoring.

Decision-making

The importance of stakeholder considerations, in particular in the context of decision-making, is taken into account at every Board meeting. All discussions involve careful consideration of the longer-term consequences of any decisions and their implications for stakeholders. Further information on the role of the Board in safeguarding stakeholder interests and monitoring ongoing investment activity can be found on pages 26 to 34 of the Strategic Report.

Stakeholders

The Board seeks to understand the needs and priorities of PIP's stakeholders and these are taken into account during all its discussions and as part of its decision-making. During the period under review, the Board has continued to discuss and monitor which parties should be considered as stakeholders of the Company and has again concluded that, as PIP is an externally managed investment company and does not have any employees or customers, its key stakeholders comprise its shareholders, the Investment Manager, General Partners, portfolio companies and service providers. The section below discusses why these stakeholders are considered of importance to the Company, and the actions taken to ensure that their interests are taken into account.

s172(1) Statement

Importance	Board engagement
Shareholders Continued shareholder support and engagement is critical to the Company and the delivery of its long-term strategy. Further details on what PIP offers to its investors can be found on pages 3 to 17 of the Strategic Report.	The Board is committed to maintaining open channels of communication and to engage with shareholders in a meaningful manner in order to gain an understanding of their views. These include: – **AGM:** The Company welcomes and encourages attendance and participation of shareholders at the AGM. Shareholders have the opportunity to meet the Directors and Investment Manager, Pantheon, and to address questions to them directly. Pantheon attends the AGM and gives a presentation on PIP's performance and the future outlook. The Company values any feedback and questions that it may receive from shareholders ahead of and during the AGM and will take action or make changes, as and when appropriate; – **Publications:** The Annual Report and Half-Year results are made available on PIP's website (www.piplc.com) and shareholders are notified when the Annual Reports are available. These reports provide shareholders with a clear understanding of PIP's business model, strategy, portfolio and financial position. This information is supplemented by a monthly newsletter, which is available on the website and the publication of which is announced via the London Stock Exchange. In addition, a quarterly "PIP News and Views" update is circulated by the Manager to institutional investors and analysts which provides a round-up of news, research and views, and highlights key points of interest relating to PIP. Feedback and/or questions that the Company receives from shareholders help the Company to evolve its reporting, aiming to render the reports and updates transparent and understandable; – **Shareholder meetings:** As PIP is an investment trust, shareholder meetings often take the form of meeting with the Investment Manager. Shareholders are able to meet with Pantheon throughout the year and the Manager provides information on the Company. Feedback from meetings between the Investment Manager and shareholders is shared with the Board. The Chair, the Senior Independent Director, the Chair of the Audit Committee and other members of the Board are available to meet with shareholders to understand their views on governance and PIP's performance should they wish to do so. With assistance from the Manager, the Chair seeks meetings with shareholders who might wish to meet with him and a significant number of meetings has been held with shareholders throughout the year to 31 May 2023 and since the year end; – **Shareholder concerns:** In the event that shareholders wish to raise issues or concerns with the Directors, they are welcome to do so at any time by writing to the Chair at the registered office. Other members of the Board are also available to shareholders if they have concerns that have not been addressed through the normal channels; and – **Investor Relations updates:** At almost every Board meeting, the Directors receive updates from the Company's broker on the share trading activity and share price performance, as well as an update from Pantheon's Head of Investor Relations & Communications for PIP on specific shareholder feedback. Any pertinent feedback is taken into account when Directors discuss the investment strategy. The willingness of the shareholders to maintain their holdings over the long term is another way for the Board to gauge how PIP is meeting its objectives.

Importance	Board engagement
The Manager Holding the Company's shares offers investors a liquid investment vehicle through which they can obtain exposure to PIP's diversified portfolio of private equity investment opportunities and Pantheon's relationships with its private equity managers (General Partners or "GPs"). The Manager's performance is critical for PIP to successfully deliver its investment strategy and meet its objective to provide shareholders with attractive and consistent returns over the long term. Further details of PIP's investment approach can be found on pages 31 to 41 of the Strategic Report.	Maintaining a close and constructive working relationship with the Manager is crucial as the Board and the Manager both aim to achieve consistent, long-term returns in line with PIP's investment strategy. The Board is in regular contact with the Manager to receive updates on investment activity. Important components in the collaboration with the Manager, representative of the Company's culture are: – Encouraging an open discussion with the Manager, allowing time and space for original and innovative thinking; – Recognising that the interests of shareholders and the Manager are, for the most part, well aligned, adopting a tone of constructive challenge, balanced with robust negotiation of the Manager's terms of engagement if those interests should not be fully aligned; – The regular review of underlying strategic and investment objectives; – Drawing on Directors' individual experience and knowledge to support and challenge the Manager in its monitoring of portfolio companies and engagement with its GPs; and – The Directors' willingness to use their experience to support and challenge the Manager in the sound long-term development of its business and resources, recognising that the long-term health of the Manager's business is in the interests of shareholders in the Company.
GPs/portfolio companies PIP's investment strategy is focused on backing managers that create sustainable value in the underlying portfolio companies. The Manager has extensive private equity networks and relationships with private equity managers globally, which gives the Company increased access to the best investment opportunities.	The relationship with Pantheon is fundamental to ensuring PIP meets its purpose. Day-to-day engagement with GPs is undertaken by Pantheon. Details of how Pantheon carries out portfolio management, as well as information on how GPs consistently transform companies to create long-term value, can be found in the Manager's Review on pages 55 to 115. The Board receives updates at each scheduled Board meeting from the Manager on specific investments, including regular valuation reports and detailed portfolio and returns analyses. Pantheon's engagement with GPs and due diligence of portfolio companies through the investment process and its investment strategies can be found in the Strategic Report on pages 3 to 13 and pages 35 to 41 and in the Manager's Review.
The Administrator, the Company Secretary, the Registrar, the Depositary and the Broker In order to function as an investment trust with a premium listing on the London Stock Exchange, PIP relies on a diverse range of reputable advisers for support in meeting all relevant obligations.	The Board maintains regular contact with its key external providers and receives regular reports from them, both through the Board and committee meetings, as well as outside of the regular meeting cycle. Their advice, as well as their needs and views, are routinely taken into account. The Board (through the Management Engagement Committee) formally assesses the performance, fees and continuing appointment of key service providers annually to ensure that they continue to function at an acceptable level and are appropriately remunerated to deliver the expected level of service. The Audit Committee reviews and evaluates the financial reporting control environments in place at each service provider.
The Environment and society The Board continues to increase emphasis on the importance of ESG factors in its investment deliberations. The Board and the Manager are fully committed to managing the business and its investment strategy responsibly.	The Board receives regular updates on Pantheon's ESG strategy and provides feedback on their approach, which in turn can lead to changes in its investment approach. Full details on the Manager's ESG practices, including examples of interaction with GPs, can be found on pages 16 to 19 and 76 to 81.

s172(1) Statement

Importance	Board engagement
Revolving credit facility providers Availability of funding is crucial to PIP's ability to take advantage of investment opportunities as they arise as well as being able to meet future unfunded commitments.	The Company aims to demonstrate to its facility syndicate that it is a well-managed business, capable of consistently delivering long-term returns. Regular dialogue between the Manager and the syndicate is crucial to supporting PIP's relationship with its lenders.
Regulators PIP can only operate as an investment trust if it conducts its affairs in compliance with such status. Interaction with regulators such as the Financial Conduct Authority ("FCA") and Financial Reporting Council ("FRC"), who have a legitimate interest in how the Company operates in the market and treats its shareholders, and industry bodies such as the Association of Investment Companies ("AIC"), remains an area of Board focus.	The Company regularly considers how it meets various regulatory and statutory obligations and how any governance decisions it makes can have an impact on its stakeholders, both in the shorter and in the longer term. The Board receives reports from the Manager and Auditor on their respective regulatory compliance and any inspections or reviews that are commissioned by regulatory bodies.

The mechanisms for engaging with the stakeholders are kept under review by the Directors and will be discussed on a regular basis at Board meetings to ensure that they remain effective. Examples of the Board's principal decisions during the year, how the Board fulfilled its duties under section 172, and the related engagement activities, are set out below:

Principal decision	Long-term impact	Stakeholder considerations and engagement
Capital allocation	The Board continually explores how to optimise the investment trust structure for the asset class in order to maximise benefits to shareholders. This includes discussion of the capital allocation policy with Pantheon and considering buying back the Company's shares when this is likely to outperform new investments due to the prevailing discount to NAV.	Funds were made available for share buybacks during the year and 7.6 million shares were bought back. As discussed in the Chair's Statement on page 20, during the year and following the year end, the Board has extensively discussed the options available to address the prevailing level of discount, taking shareholder feedback into account. As a result, the Board has settled upon the three key initiatives set out on page 21.
Direct shareholder feedback	Communication with shareholders is given a high priority by the Board and the Manager, and all Directors are available to enter into dialogue with shareholders.	Following his appointment the Chair offered to meet with major shareholders. During the year and following year end, he met with a significant number of shareholders who accepted this invitation. Further details on the matters raised at meetings with shareholders and the Company's response are set out on pages 23 to 25. Pantheon and the Board also hosted a capital markets event during the year. This provided an opportunity for dialogue between the Board and shareholders, as well a chance to update shareholders on the Company and its investment activities. During the year, the Board also complied with a direct request from a major shareholder to publish a link to Pantheon's Modern Slavery Statement on the Company's website.

Principal decision	Long-term impact	Stakeholder considerations and engagement
Board succession planning	Effective succession planning, leading to the refreshment of the Board and its diversity is necessary for PIP's long-term success.	The Nomination Committee is responsible for Board recruitment and conducts a continuous and proactive process of planning and assessment, taking into account the Company's strategic priorities and the main trends and factors affecting PIP's long-term success and future viability. As at the year end, the Board consisted of five Directors: three male and two female. Following the resignation of Ms Sakovska and Sir Laurie Magnus CBE's retirement during the year and as part of ongoing succession planning, the Nomination Committee reviewed the balance of skills and diversity on the Board as well as the Diversity Policy, and following a search process recommended two candidates who were appointed to the Board following the year end. The search requirements included a preference for candidates with a strong background in private equity, marketing and governance, as well as ethnic and gender diversity. The appointments of the two new Directors have increased both the ethnic and gender diversity of the Board and brought this in line with the three targets set in the Listing Rules. For further information see pages 129 and 130. During the year, following the conclusion of PIP's Annual General Meeting (the "AGM") in October 2022, Sir Laurie Magnus CBE retired as a Director of the Company and John Singer CBE assumed the role of Chair.
Marketing initiatives	Various marketing initiatives have been agreed with the Board during the period to increase the attractiveness of PIP to new and existing investors and improve the liquidity of the stock.	Marketing initiatives undertaken include the appointment of a new PR agency during the financial year as well as a programme of digital marketing and events targeting both institutional and retail investors.

Viability Statement

Pursuant to provision 31 of the UK Corporate Governance Code 2018, and the AIC Code of Corporate Governance, the Board has assessed the viability of the Company over a three-year period from 31 May 2023. It has chosen this period as it falls within the Board's strategic planning horizon.

The Company invests in a portfolio of private equity assets that is diversified by geography, sector, stage, manager and vintage; it does so via both fund investments and by co-investing directly into companies alongside selected private equity managers. The Company invests significantly in the private equity secondaries market as this allows the Company to maintain a more mature portfolio profile that is naturally cash-generative in any particular year.

The Company seeks to maximise long-term capital growth by investing with top-tier private equity managers that are focused on generating outperformance against the broader private equity market. As an investment trust, the Company's permanent capital structure is well suited to investing in private equity, a long-term asset class. The Company's Manager has a long-standing culture that emphasises collaboration and accountability, facilitating open dialogue with underlying private equity managers that help the Company to anticipate market conditions and maintain a conservative approach to balance sheet management. The resilience of the Company, positioning of the portfolio and durability of the private equity market are detailed on pages 56 to 59.

In making this statement, the Directors have reviewed the reports of the Investment Manager in relation to the resilience of the Company, taking account of its current position, the principal risks facing it in a low case scenario which considers the potential further impact of the ongoing geopolitical uncertainties as a result of the Russia-Ukraine conflict including the disruption to the global supply chain and increases in the cost of living as result of this conflict, persistent inflation, interest rate rises and the impact of climate change on PIP's portfolio, the effectiveness of any mitigating actions and the Company's risk appetite. The assessment also considers the impact of share buybacks in the period and the impact of an "automatic" share buyback programme, the amount of which will be determined by net portfolio inflows and the prevailing level of discount.

As part of the assessment this also included a combined reverse stress test that analyses the factors that would have to simultaneously occur for the Company to be forced into a wind-down scenario where the Company's business model would no longer remain viable. These circumstances include a significant peak in the outstanding commitments called within a 12-month period, combined with a significant decline in the portfolio valuations and distributions. Overall, the reverse stress tests are sufficiently improbable as to provide a low likely risk of impact to the Company's viability and medium-term resilience.

Commitments to new funds are controlled relative to the Company's assets, and the Company's available liquid financial resources are managed to maintain a reasonable expectation of being able to finance the calls, which arise from such commitments, out of internally generated cash flow. The Company also has the ability to control capital allocation to co-investments and direct investments as a way of bringing in any immediate measures to ensure that the Company can cope with the liquidity implications of a worsening environment. In addition, the Company has put in place a revolving credit facility to ensure that it is able to finance such calls in the event that distributions received from investments in the period are insufficient to finance calls. The Board reviews the Company's financing arrangements at least quarterly to ensure that the Company is in a strong position to finance all outstanding commitments on existing investments as well as being able to finance new investments.

In reviewing the Company's viability, the Board has considered the Company's position with reference to its investment trust structure, its business model, its business objectives, the principal risks and uncertainties as detailed on pages 44 to 48 of this report and its present and expected financial position. In addition, the Board has also considered the Company's conservative approach to Balance Sheet management, which allows it to take advantage of significant investment opportunities, and the appropriateness of the Company's current investment objectives in the prevailing investment market and environment.

The Board regularly reviews the prospects for the Company's portfolio and the opportunities for new investment under a range of potential scenarios to ensure it can expect to be able to continue to finance its activities for the medium-term future. Based on its review, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over a three year period ending on 31 May 2026.

On behalf of the Board

JOHN SINGER CBE

2 August 2023

Manager's Review

Taking advantage of market dislocation

Helen Steers and Jie Gong, Partners at Pantheon and co-managers of PIP, discuss how the private equity industry and PIP have navigated the ongoing global economic uncertainty and their expectations for the year ahead.

Financing portfolio companies with Advent International 70

HELEN STEERS AND JIE GONG
Partners at Pantheon and co-managers of PIP

How would you describe the current environment for private equity?

The first six months of this year have been an extension of much of last year, in terms of continued concerns about inflation, interest rate rises and geopolitical turbulence. We have also witnessed some localised bank crises earlier this year although they were reasonably well contained.

However, compared with this time last year, we believe we are closer to a point of stabilisation. Inflation has shown signs of moderation in most developed economies, with the exception of the UK, and economists believe inflationary pressures are beginning to wane.

As a result, the pace of interest rate increases has slowed, and market observers are anticipating a peak for interest rates in the coming months.

On the other hand, the global economy is not out of the woods yet. The fundamental macro issues have not gone away and sticky inflation is likely to make the job of central banks more difficult in the future.

While public markets have rebounded this year, the recovery has been led by a narrow band of large US-based tech companies, and it has not been broad-based. The IPO market has cracked open slightly in the USA but it is nowhere near back to normal.

Uncertainty is the biggest deterrent for deal making, because deal underwriting and pricing need a stable near-term outlook, otherwise a "wait and see" approach prevails. The largest exit route for private equity-backed companies is corporate M&A, but in general strategic buyers have remained on the sidelines with deal activity continuing to be subdued. Sales of small and mid-sized private equity-backed companies to larger private equity funds have also been dampened, for similar reasons. As a result, the volume of private equity exits has declined and distribution rates have been low. Combined with a reduction in fundraising activity, the result has been a slowdown in new deal investment activity.

According to Bain & Co[1], buyout deals (which comprised the bulk of the private equity deal volume) amounted to US$202bn during the first half of 2023, down 58% year-on-year. In the first half of 2023, buyout realisations fell 65% year-on-year to US$131bn.

What does this mean for PIP, especially in the single-asset secondaries and co-investment strategies which PIP has increasingly shifted towards?

Private equity has historically outperformed public markets, and this outperformance is more pronounced in downturns. Research shows that between 2002 and 2022, upper quartile PE managers outperformed the Dow Jones Industrial Average by 890 basis points during bull markets, while this widened to 1,940 basis points in bear markets[2]. Vintage years like those of today have the advantage of a more favourable deployment environment both in terms of valuation and in terms of limiting competition, and therefore make good entry points for new investment.

This advantage applies across the board in all private equity strategies, but is especially the case for manager-led secondaries investments, because of the additional boost to the supply of such deals as a solution for the slower pace of private equity exits.

Manager-led secondaries are when the private equity managers themselves instigate deals in order to provide liquidity options for the investors in their funds. They can consist of either multi-asset portfolios or single-asset secondaries. Single-asset secondaries are attractive to investors like PIP because they are often "trophy" companies that the PE manager believes have significant runway for additional value uplift from a lengthened period of ownership by the same manager.

When successful, and with the correct alignment of interest between existing investors, the private equity manager, company management and the new investors, these types of transaction tend to have an attractive risk/return profile and can be of significant value to all parties involved.

This type of secondaries transaction accounted for 48%[3] of all secondary transactions in 2022, with the remainder being traditional fund sales.

See page 96 for more information on manager-led secondaries.

Not all manager-led deals are created equal. With an increasingly large volume of deals entering the secondary market, much of it driven by liquidity generation needs, it relies on us to be extremely selective on asset quality, manager quality, as well as the alignment of interest between the manager and new investors.

The last point cannot be emphasised enough since it is a critical part of our investment structuring and deal underwriting decision. In addition, manager-led secondaries require significant expertise and resources to evaluate, and are frequently sourced on a proprietary basis through deep manager relationships.

Pantheon has a long track record in the secondaries market and our dedicated and experienced team gives us global scale and reach. The information advantage from knowledge of specific assets in the portfolio over a long time period gives us the opportunity to play a leading role in the structuring of the manager-led deals.

In our opinion, the supply and demand dynamics in the manager-led secondary market has created an unusually favourable buying opportunity, which we are leaning into, on a highly selective basis, and underwriting outsized investment returns.

Evolution of the manager-led secondary market[4]

1 Bain & Co, Stuck in Place: Private Equity Midyear Report 2023.
2 Source: Capital IQ as at 30 October 2022. ThomsonOne PE Buyout and Growth funds Index as at Q2 2022. Bull markets are defined as 2004–2006 and 2010–2019 and 2021. Bear markets are defined as 2002–2003; 2007–2009, 2020 and year to 30 October 2022.
3 Source: Greenhill, Global Secondary Market Review, February 2023.
4 Source: Jefferies, H1 2023 Global Secondary Market Review.

Our Market

Our co-investment flow during the Company's reporting period has remained robust. Even though there have been asset disposals resulting from stressed sellers from time to time at depressed pricing, the entry valuation on high quality assets in attractive and resilient sectors have generally held up without much downward adjustment. In addition, there have been more frequent follow-on investments in existing deals as companies pursue sizeable bolt-on acquisitions to consolidate fragmented markets, or for synergistic product or geographical expansion.

Sourced from the managers that we have backed on a primary basis, and typically without any fee or carried interest charged, co-investments are economically very advantageous as an investment strategy.

In addition, all our co-investment opportunities pass through a "double quality filter", since each opportunity has first been evaluated by a private equity manager, who themselves have passed our rigorous manager selection hurdles. The opportunity is then subjected to our own detailed due diligence process, carried out by our dedicated co-investment team, who will confirm amongst other things that the deal is a good fit for the manager.

We both sit on Pantheon's Global Co-investment Committee and Helen sits on the International Investment Committee, therefore we have the advantage of reviewing all the direct deals that are being sourced via Pantheon's platform. We seek a distinct set of characteristics for assets as set out in the graphic below, and in addition place strong emphasis on pricing discipline. This leads to high selectivity: for reference, the typical approval rate in terms of number of deals – from pre-qualified deals entering into pipeline for our review to those completed – is between 10-15%. In 2022, that number was 12%.

Entry valuation has been the biggest reason for a deal to be screened out at the stage that it is brought to the investment committee, and this has been the case for many years.

What we look for when assessing deals:

Portfolio positioning

High quality businesses	Non-cyclical industries	Critical or highly differentiated services
Recurring revenue	Modest leverage	Key global themes

A notable recent development is the excitement about generative artificial intelligence ("generative AI"), billed by some as the catalyst for the next industrial revolution. What is your take on its risks and opportunities in relation to private equity?

Generative AI is arguably the most important technological evolution and disruptor of our time, which has not only dominated the public discourse this year but has been adopted already in a number of ways by enterprises for productivity and efficiency gains. We have seen its application in some portfolio companies, for example in customer interactions through chatbots based on predictive language models, or content generation in graphics for entertainment. The speed of adoption has been extremely fast compared with prior major disruptive technology. The intelligent use of technology is an important component we consider when we evaluate managers, and likewise a company's technology adoption and the risk of technology displacement are essential topics when we assess direct company investment evaluation. Given that we prefer asset-light, higher margin, less labour-intensive businesses, and are aware of not only the challenges, but also the opportunities presented by technology, we believe PIP is well positioned to benefit from generative AI applications.

PIP has a very little venture exposure at just 3% of NAV[5], therefore the direct exposure to generative AI technology is limited, however we expect a wider spectrum of applications to come out of this area as significant tools for better productivity and efficiency are developed in the coming years. It is a topic that we exchange notes on regularly with our managers.

Speaking of technology, the biggest industry sector in PIP's portfolio is information technology, of which the largest sub-sector is IT software. Considering the magnitude of the software sector sell-off in public markets since 2022, do the current marks of these investments accurately reflect the current valuation?

The short answer to the question is yes, that the current marks are consistent with public market comparables.

The software positions in the PIP portfolio were almost all profitable businesses at entry and have performed well in terms of their revenue and earnings growth. The appropriate publicly listed comparables for them are the profitable listed software businesses, which represents only 40% of the overall listed software companies universe.

A few points to note: first, there is significant divergence in the pattern of sell-off between the profitable versus the unprofitable software businesses, as the aggressive rate hike in 2022 severely affected the valuation of unprofitable companies while there was a "flight to safety" to the profitable ones. Second, given the prevalence of unprofitable businesses in the overall sector (approximately 60% of the listed companies in the sector are unprofitable), using the sector comparables instead of the profitable subset would be a rather misguided proxy. Third, it is all about selection – in this case, the discipline of focusing on profitable, growing businesses.

Finally, what are your expectations for the year ahead?

With macroeconomic uncertainty extending into the second half of this year, we expect continued bumpiness in the external environment. However, the best private equity managers are able to take advantage of market disruption and capitalise on opportunities to add value to their existing portfolio companies, as well as seeking exciting new investments. PIP has been constructed to provide investors with an "all-weather" portfolio, which is reflected in the choice of sectors, with a weighting towards defensive and resilient areas, in the buyout-heavy composition of the portfolio, in the sensible level of portfolio diversification and the ability to flex investment pacing through the majority tilt towards direct company investments.

The quality of the underlying companies, and the managers that PIP has selected, the experience in navigating challenging economic periods and the ability to effect change will all stand PIP in good stead to traverse this environment.

PIP is one of the longest established PE investment trusts listed on the London Stock Exchange and for 36 years, Pantheon has successfully steered it through multiple macroeconomic cycles and events while generating average NAV growth (net of all fees) of more than 12% per annum. While not complacent, we are confident that PIP has the necessary credentials to continue to achieve its aim of outperforming the public market benchmarks over the long term.

5 As at 31 May 2023.

Portfolio As at 31 May 2023

Since its inception, PIP has been able to generate excellent returns while at the same time structuring its portfolio to minimise the risks typically associated with private equity investments. Our established portfolio of assets has been carefully selected, based on the strengths of our appointed private equity managers, actively monitored and diversified to reduce specific timing, regional and sector risks; and managed to maximise growth and liquidity over time.

Type and region

Maturity and stage

Flexible approach to portfolio construction increases potential for outperformance.

Investment type[1]

Primaries	34%
Co-investments	33%
Manager-led secondaries	19%
Fund secondaries	14%

Weighted towards the more developed private equity markets in the USA and Europe, while Asia and EM provide access to faster-growing economies.

Region[1]

USA	54%
Europe	28%
Asia and EM[2]	10%
Global[3]	8%

1 Investment type and region charts are based upon underlying fund and company valuations. The charts exclude the portion of the reference portfolio attributable to the ALN.
2 EM is Emerging Markets.
3 Global category contains funds with no target allocation to any particular region equal to or exceeding 60%.

Since its inception, PIP has been able to generate excellent returns while at the same time structuring its portfolio to minimise the risks typically associated with private equity investments. Our established portfolio of assets has been carefully selected, based on the strengths of our appointed private equity managers, actively monitored and diversified to reduce specific timing, regional and sector risks; and managed to maximise growth and liquidity over time.

Type and region

Maturity and stage

Well-diversified with an emphasis on the buyout stages.

Stage[1]

Small/mid buyout	45%
Large/mega buyout	26%
Growth	20%
Special situations	6%
Venture	3%

PIP's portfolio has a weighted average age of 4.8 years.

Maturity[1]

2021 and later	30%
2020	7%
2019	13%
2018	13%
2017	11%
2016	9%
2015	7%
2014	3%
2011–2013	5%
2010 and earlier	2%

1 Fund stage and maturity charts are based upon underlying fund and company valuations. The charts exclude the portion of the reference portfolio attributable to the ALN.

New Commitments case study

OPT CONNECT

GP	Graham Partners	**Type**	Manager-led secondary
Sector	Information Technology	**Commitment**	£12.4m
Geography	USA	**Stage**	Small/mid buyout

Capturing value from the Internet of Things

OptConnect is a provider of wireless internet connectivity solutions for unattended equipment such as kiosks, smart vending, digital signage and ATMs. It enables a reliable Internet of Things ("IoT") connection to provide a cost-effective and dependable platform for customers.

OPT CONNECT

Investment rationale

- OptConnect has a resilient business model with predictable recurring revenues, healthy margins and a strong market position.
- The company's total addressable market is projected to grow at an annual rate of 15% to 2025.
- The growth of the IoT market is likely to result in an increasing number of devices requiring wireless connections to the internet.
- Graham Partners originally invested in the company in 2017 and has focused on growing the business through new product innovation, expansion into new markets as well as the completion of an add-on acquisition.
- The manager has grown the number of installed products from 80,000 in 2017 to over 480,000, representing an annual growth rate of 43%.

Active management and value creation

Graham Partners is a specialist in the technology sector, with a particular focus on industrial technology. The manager sees a number of routes to further value creation including accretive M&A, increased operating leverage and earnings growth.

Performance

PIP's portfolio value has increased modestly over the period. Access to top-performing managers and a tilt towards resilient and high-growth sectors has helped PIP to withstand the current macroeconomic environment.

PIP's portfolio generated returns of 3.5% during the year.[1]

Private equity portfolio movements

- Valuation movement by type
- Valuation movement by stage
- Valuation movement by region

1 Excluding returns attributable to the ALN share of the portfolio.
2 Amount drawn down at the time of commitment.

PIP's portfolio value has increased modestly over the period. Access to top-performing managers and a tilt towards resilient and high-growth sectors has helped PIP to withstand the current macroeconomic environment.

Resilient portfolio performance despite the current challenging macroeconomic environment.

Manager-led secondaries were the highest performing segment of the portfolio, having been revalued after previously being held at cost.

Private equity portfolio movements

Valuation movement by type[1]

Valuation movement by stage

Valuation movement by region

1 Portfolio returns include income, exclude gains and losses from foreign exchange movements, and look through underlying vehicle structures to the underlying funds. Portfolio returns exclude returns generated by the portion of the reference portfolio attributable to the ALN, and are calculated by dividing valuation gains by opening portfolio values.

Performance

PIP's portfolio value has increased modestly over the period. Access to top-performing managers and a tilt towards resilient and high-growth sectors has helped PIP to withstand the current macroeconomic environment.

Private equity portfolio movements

Valuation movement by type

Valuation movement by stage[1]

Valuation movement by region

Valuation gains in the buyout and special situations stages offset valuation losses in the venture and growth segments of the portfolio.

1 Portfolio returns include income, exclude gains and losses from foreign exchange movements, and look through underlying vehicle structures to the underlying funds. Portfolio returns exclude returns generated by the portion of the reference portfolio attributable to the ALN, and are calculated by dividing valuation gains by opening portfolio values.

PIP's portfolio value has increased modestly over the period. Access to top-performing managers and a tilt towards resilient and high-growth sectors has helped PIP to withstand the current macroeconomic environment.

Private equity portfolio movements

Valuation movement by type

Valuation movement by stage

Valuation movement by region[1]

PIP's portfolio is weighted towards investments in the USA and Europe, which generated positive returns during the period.

1 Portfolio returns include income, exclude gains and losses from foreign exchange movements, and look through underlying vehicle structures to the underlying funds. Portfolio returns exclude returns generated by the portion of the reference portfolio attributable to the ALN, and are calculated by dividing valuation gains by opening portfolio values.

Distributions case study

INTERACTIVE INVESTOR

Proceeds	£3.1m	**Sector**	Financials
Manager	J. C. Flowers ("JCF")	**Stage**	Small/mid buyout
Geography	Europe	**Vintage**	2017
Type	Fund Secondary	**Exit type**	Strategic buyer

Wealth management made easy

Interactive Investor is the second largest direct-to-consumer online wealth management platform in the UK. It operates an investment and trading platform that provides retail investors with financial information, tools and a trading environment in which they can make investment decisions. This award-winning platform puts customers in control of their financial futures.

INTERACTIVE INVESTOR

Investment rationale

The acquisition provided access to a high-growth direct investment market, a scalable business platform that could be expanded rapidly through acquisitions and a combined technological platform that meets clients' financial needs at different stages of their lives. The business model has stable and high recurring revenues based on a flat-fee monthly subscription model. J. C. Flowers acquired the company from a very motivated seller, with a plan to:

(i) consolidate existing customers across business units (a cross-selling opportunity); and

(ii) implement a data/technology transformation (combined with improved pricing/brand management strategy).

Our relationship

Pantheon has been an investor in J. C. Flowers' funds since 2016 via multiple secondary transactions.

Active management and value creation

- Under JCF's ownership, interactive investor had a strong track record of acquiring and integrating complementary platforms. Interactive investor completed the acquisitions of TD Direct Investing in 2017, Alliance Trust Savings in 2019, and Share plc in 2020. The latest acquisition was the EQi book of customers, which completed in June 2021.
- In addition, the company was able to execute on their technology transformation initiative, making operations more efficient and driving a market leading user experience. Together, these all translated into high growth via the business's scalable infrastructure and brand leadership, which JCF helped to cultivate.
- From June 2017 to May 2023, J.C. Flowers grew interactive investor's assets under administration from approximately c. £21bn to £55bn through a suitable mix of organic growth and strategic M&A. This was the equivalent to an annualised growth rate of c.17% over the six year holding period.

Exit

Interactive Investor was acquired by abrdn plc, a UK-based asset manager, in May 2023.

How higher interest rates are affecting private equity

Jie Gong, Partner at Pantheon and co-manager of PIP, speaks to Giles Reaney, who is responsible for leading new acquisition financings and capital markets activities for Advent International's portfolio companies in the EMEA region.

GILES REANEY
Managing Director

Advent International (Advent) is an important partner for PIP, accounting for 2.4% of PIP's total private equity asset value as at 31 May 2023. Advent is one of the most well-established and experienced private equity managers in the world, having invested over $70bn in more than 400 private equity investments across the globe since 1984. The firm has a team of over 290 investment professionals, including a dedicated capital markets team that arranges debt financing for Advent's portfolio companies.

Given the current focus on conditions in the financing environment, Pantheon sought feedback and comments from Advent on the impact of rising interest rates on the credit market and on private equity portfolios generally.

Thank you for taking the time to speak with us, Giles. We are living in interesting times with the double-whammy of inflation and rising interest rates. How has this combination affected Advent's portfolio?

What has been unusual about this interest rate hike cycle is the rapidity and aggressiveness of the increases. Our portfolio saw some margin squeezes last year, however the companies' pricing adjustments have caught up and their cost containment has yielded results As a result, in general the margin situation has improved over the last six months.

The rate increase has not been a major issue. It is common practice in our industry to use hedging tools such as interest rate swaps. At Advent, we have that in place for approximately 60% of the assets. There are other derivative tools at our disposal too. The unhedged assets are often those with low levels of debt and/or those that are close to exit.

At Advent, we are in the business of selecting high-quality companies to own and to which we add value. An important consideration at selection is whether a given company is sufficiently differentiated to command pricing power. In inflationary times, this type of business can pass on inflationary costs to customers, through price adjustments, or upselling, or cross-selling, all of which are well within the private equity toolkit.

For our portfolio, we have found that appetite towards lending to IT/software businesses and aerospace & defence has remained strong. Healthcare is another sector that has been consistently preferred when it comes to debt financing. High quality companies in all of these sectors have predictable revenue outlook, stable businesses, and rich cashflows, which are all qualities that the lenders favour.

As we are not out of the woods on inflation, and while the interest rate increase is in its late innings, there is likely still more to come. Looking beyond Advent at the broader private equity industry, how would this period be likely to go down in history?

In the last decade, quantitative easing and super low interest rates drove a lot of liquidity to our industry, funding new entrants; and financing many lesser quality investments that may have been completed only because of the excessive liquidity resulting in cheap debt.

There is a wide dispersion of performance in private equity, between different managers and different transactions. I think some of the lesser quality deals completed in the last decade would really struggle under the pressure of increased inflation and a higher burden of debt. In contrast, higher quality businesses are able to go through a more challenging period and come out stronger and even grow in scale through industry consolidation or a decrease in competitive intensity as some firms fall out of the market. The current environment will prove to be the acid test of the quality of different private equity managers. Selectivity, expertise and a risk management mindset make all the difference.

The era of zero-interest rates is likely to be squarely behind us. The reduction in excess liquidity instils selection and pricing discipline and reduces competition, all good things for our industry.

The key to alpha generation in private equity lies in asset selection and value creation through active ownership during the holding period. Yes, the base rate will be higher than in the last decade, but the capital supply/demand dynamics for deal entry will become better, since the market will be less crowded, in other words less noisy. Because of these two factors, I don't believe that private equity outperformance during the next decade should diminish compared with the prior level, just because of the rate increases.

> The rate increase has not been a major issue. It is common practice in our industry to use hedging tools such as interest rate swaps.
>
> **GILES REANEY**
> Managing Director of Advent International

A Conversation with Advent International

Going back to the topic of financing, how have the financing environment and commercial terms evolved in the last several years?

In the last decade, the overall financing environment was buoyant because of the abundant supply of money.

When the COVID-19 pandemic hit in early 2020, the global credit market froze for a short period of time. Central banks reacted promptly and flooded the market with liquidity, which gave a boost to the already abundant liquidity available.

As inflationary fears seeped into the market at the beginning of 2022, the credit market cooled somewhat. Then the Russian invasion of Ukraine in February last year compounded the inflationary fears because of the impact on energy supply. The central banks started an aggressive set of interest rate increases. The credit market found it difficult to price deals with increased macro and geopolitical uncertainties, and as a result the borrowing cost base and borrowing margins accelerated quite a lot last year.

More recently, sentiment has improved as the end point of the rate increase is closer. Also banks wrote off their losses at the end of last year, and have been more active this year compared with the majority of 2022 and private credit players have increased activity as volatility subsided. Consequently, the credit spread has narrowed quite a bit. It is currently only about 50-75 basis points higher than during the pre- rate hike period.

You may have seen the headlines recently about some very large financings completed, which suggests renewed strength on the financing front.

In the traditional bank syndicated market (the vast majority of the lending market), covenant-lite remains the standard while that market's accessibility responds to the market volatility. For example, it was closed for a month here and a month there during the height of volatility through Q2-Q4 last year. In the private credit lending market (the minority component of the lending market), there was an increased use of financial covenants (leverage covenants) during June to December last year, and more recently covenant-lite has made a comeback.

US Leveraged Finance Volume[1]

European Leveraged Finance Volume[2]

1 Source: Bloomberg, S&P LCD News & Research, AMG Data Services. Data as at 30 June 2023.
2 Source: Citi, LCD, Bloomberg.

US Maturity Profile[3]

European Maturity Profile[3]

With a crystal ball, how do you see the borrowing terms going forward?

My personal estimate is interest rates will probably peak in Q3 and be held at those levels until at Q2 2024, after which time the rates are expected to come down. However, you will not see a cascade of money coming into the market upon stabilisation of inflation and interest rates.

The inflation target could well be higher than the 2% level going forward. My take is that steady state inflation is likely to be around 3% in the USA and probably slightly lower at 2.5% for Europe.

Interest rates will come down from current levels but it is unlikely for base rates to go back down to the ultra-low levels of the past decade as I don't believe that quantitative easing will come back for some time.

At Advent, we focus closely on the dynamics of the debt markets and how our portfolio companies might be impacted. We want to make sure that we are putting in place the appropriate capital structures in our companies so that they are well-equipped for both favourable and more difficult macroeconomic times.

3 Source: Citi, LCD, Bloomberg. Data as at 30 June 2023.

Sectors in Focus

In focus:

Information Technology

Information Technology continues to attract substantial levels of private equity investment, driven by the trend towards greater digitalisation and automation of the global economy. PIP's exposure to this important sector is heavily weighted towards enterprise software.

PIP invests in software companies that are high growth, capital-light and scalable, and typically employ subscription models that provide predictable revenue streams and cash flows.

Total exposure to the sector | **Largest subsector exposure**

PIP

33%

Application software	System software	IT services	Others
19%	6%	4%	4%

MSCI World[1]

22%

Technology hardware	Semi-conductors	System software	Application software	Others
6%	5%	5%	3%	3%

Five largest companies

3.7% of PIP's NAV in these five companies

KASEYA	ASURION	VALANTIC	RECORDED FUTURE	ANAPLAN
Provider of IT management and monitoring software services	Mobile phone insurance company	Digital consulting and software company	Cybersecurity software company	Developer of a cloud-based modelling and planning platform

12.5% of the MSCI World in these five companies

APPLE	MICROSOFT	NVIDIA	BROADCOM	ASML
Designer and manufacturer of consumer electronics	Developer of computer software systems and applications	Leading manufacturer of graphic processing units	Manufacturer of semi-conductors	Manufacturer of chip-making equipment

1 As at 26 July 2023.

In focus:

Healthcare

The demand for high quality healthcare has never been greater. In partnership with an array of specialist healthcare sector managers, PIP invests in asset-light, highly defensive companies that aim to improve access to in-demand healthcare services and provide industry professionals with solutions that allow them to focus their efforts on patient care.

Total exposure to the sector | **Largest subsector exposure**

PIP

Total exposure	Healthcare services	Healthcare technology	Pharma-ceuticals	Healthcare equipment	Others
19%	6%	4%	2%	2%	5%

MSCI World[1]

Total exposure	Pharmaceuticals	Healthcare equipment	Healthcare services	Biotech	Other
13%	5%	2%	2%	2%	2%

Five largest companies

3.7% of PIP's NAV in these five companies

LIFEPOINT HEALTH	EVERSANA	OMNI EYE SERVICES	SHIFTKEY	RLDATIX
Healthcare provider	Commercial services platform for the life sciences sector	Specialist eye treatment provider	Healthcare recruitment platform	Developer of cloud-based patient safety and risk management software

3.1% of the MSCI World in these five companies

JOHNSON & JOHNSON	LILLY	MERCK	UNITED HEALTH GROUP	NOVO NORDISK
Manufacturer of healthcare products	Pharmaceutical company	Pharmaceutical company	Provider of medical care benefits	Pharmaceutical company

1 As at 26 July 2023.

A Conversation with Pantheon's Global Head of ESG

Embedding material ESG considerations throughout our processes and procedures supports our wider mission to invest responsibly on behalf of our clients, such as PIP, with a focus on managing risks and creating value over the long term.

EIMEAR PALMER
Partner and Global Head of ESG

Eimear Palmer, Pantheon Partner and Global Head of ESG, discusses Pantheon's enhanced approach to environmental, social and governance ("ESG") and how PIP benefits from it.

You have been working in private equity-focused ESG roles for more than 10 years. How have attitudes towards ESG changed over that time?

Enormously! The focus and attention on ESG by a range of stakeholders has turned it from a "nice to have" to now being at a point where demonstrating a robust approach to ESG is often imperative for investors.

Whereas perhaps several years ago consideration of ESG matters was desirable, it is now a prerequisite for many of our investors. It's recognised by both our managers and their portfolio companies as an important lever of risk mitigation and value creation. Operating more sustainably enables portfolio companies to become more resilient through improved efficiencies, greater innovation and reduced costs, which result in companies strengthening their positioning and reputation in the market. As a result of their actions, companies are able to gain investor confidence and it reduces regulatory uncertainty by ensuring that their businesses are well-positioned and more prepared for ESG- and climate-related regulation and compliance. In short, it makes good business sense.

We continue to see European private equity managers leading the way in driving the ESG agenda with managers in the USA and Asia increasingly recognising that the decisions they make can have a tangible impact on their stakeholders and the communities in which they operate. A growing number of Asian investors in particular are focusing more and more on climate commitments and understanding the carbon footprint of their portfolios.

You mentioned regulatory uncertainty. Perhaps one of the major shifts in recent years has been the changing landscape for measuring and reporting ESG data. How have private equity managers responded to this?

Private equity managers are navigating a highly political and complex regulatory environment in which the rules and priorities differ by jurisdiction and can often be contradictory. In the USA, they can even vary from state to state. In many cases, the regulations were not designed with private markets in mind.

In Europe in particular, the focus has been on labelling financial products and disclosing ESG data. For the private equity industry, data collection is challenging since it is extremely difficult for small- and medium-sized businesses with little in-house ESG expertise or systems to collect, measure and analyse ESG data. For managers and funds in scope, the very specific portfolio company metrics cover KPIs ranging from carbon emissions to hazardous waste ratios, and these KPIs apply to every company in a portfolio regardless of sector or size. In many cases, companies do not produce the information for any other purpose apart from responding to the request from their investors. This creates significant burden for both portfolio companies and private equity managers and we expect it will take years to close the data gap.

In the European Union at least, we believe that we will begin to see progress with the introduction of the Corporate Sustainability Reporting Directive requiring mid-market portfolio companies to report ESG data. We are also hopeful that the upcoming European Commission review of the ESG regulatory framework planned for the second half of 2023 will result in a less onerous and more tailored approach to ESG data disclosures.

At Pantheon, as a global business, we recognise the challenges that our investors face across multiple jurisdictions and are supportive of ESG data standardisation and the ambition to improve transparency of ESG performance across the industry. Pantheon is a signatory to the ESG Data Convergence Initiative ("EDCI") which is a global initiative focused on collating performance-based, comparable ESG metrics. Over 300 private equity managers have now signed up and 60%[1] of PIP's primary private equity managers have indicated that they would be prepared to disclose portfolio company information using the EDCI template, so the signs are encouraging.

Turning to the challenges being faced by the global economy, what role can private equity play in addressing these?

The private equity sector is well-placed to make a positive contribution to stimulating growth through the creation and support of jobs. The most recently available statistics show that in Europe, private equity-backed companies employed 10.5 million people at the end of 2021, representing 4.5% of the entire workforce[2] and an increase of 6.5% from the end of 2020. In the UK alone, private equity-backed companies employed two million people in 2021, representing 6% of all UK jobs, and these businesses contributed 5% of total UK GDP[3]. It is the same story in the USA where 12 million people are employed by PE-backed businesses[4]. This is positive, not just for the people employed by those companies, but also for those impacted through supply chains and the customers who value the products and services offered by them.

What also matters of course is how private equity managers behave towards the businesses that they own. For years, private equity has been extremely successful at incorporating robust governance structures. Managers typically invest in portfolio companies alongside the existing management teams and they work closely together to grow the business over the long term. Company management, the private equity manager and their investors all exit the business at the same time, meaning that there is a real alignment of interest. There are direct lines of communication between the private equity managers and the executive teams so they are able to adopt a much more proactive, collaborative approach and respond quickly to any issues that may arise.

Finally, private equity managers are alert to the investment opportunities arising from the need to provide solutions to enable the green transition, decarbonisation and to harness the benefits of a circular economy. There are examples of these types of companies in PIP's portfolio and case studies for some of them can be found on the Company's website. Pantheon has a longstanding relationship with Ambienta, which focuses on investing in sustainability-driven businesses, and during the period, PIP invested in Ambienta's fund IV which will target small- and medium-sized companies in Europe whose products aid pollution control and resource efficiency in their respective sectors. See the case study on page 18.

You joined Pantheon a year ago. What have been your first impressions?

Firstly, I have been hugely impressed by how cross-functional ESG is at Pantheon. It touches every part of the business from the investment teams through to operations and risk. It is truly a team effort.

Of course, the consideration of ESG factors has been a part of how Pantheon does business for many years. Back in 2007,

1 Source: Pantheon's annual survey of its underlying private equity managers. The results are based on a 76% response rate from the primary private equity managers in PIP's portfolio.

2 Source: Invest Europe, Private Equity at Work, April 2023.

3 Source: BVCA Digest, January 2023.

4 Source: American Investment Council, Homepage – American Investment Council.

A Conversation with Pantheon's Global Head of ESG

we were one of the first private equity signatories to the United Nations-backed Principles for Responsible Investment ("UNPRI"). The six Principles of the UNPRI underpin our ESG strategy and we have consistently achieved high scores in their annual assessments. Pantheon's strong history of engagement across the industry on ESG matters reflects my own belief in the importance of collaboration in this area.

I co-founded the UK network of Initiative Climat International ("iCI") in 2020 and, when I joined Pantheon, worked with Jie Gong, co-manager of PIP to lead the launch of the Asia-Pacific chapter. iCI is the largest climate-focused private market initiative with over 230 signatories, including Pantheon, that seeks to improve the industry's understanding and management of the risks and opportunities associated with climate change. I co-chair the iCI Regulatory working group and we are also a member of the iCI Net Zero working group. In addition, our positions on the BVCA Responsible Investment Roundtable and on the ESG Committees of both Invest Europe and the Hong Kong Private Equity and Venture Capital Association, combined with our seats on over 585[5] advisory boards, provide us with numerous opportunities to collaborate with our peers and drive ESG best practice across the industry.

Within Pantheon we have a formal ESG governance structure in place. I sit on Pantheon's International Investment Committee which means that I can exert real influence in terms of how ESG is factored into the investment decision-making for all deals that are considered by Pantheon for investment on behalf of PIP. In addition, I chair our well-established ESG committee which comprises representatives from our key investment strategies, operations, investor relations, marketing and legal & compliance teams. The Committee is responsible for overseeing and monitoring our ESG programme across core projects relating to ESG strategy, integration, regulation and data. Each project has a designated sponsor from the Committee to support the necessary monitoring, delivery and leadership.

I am pleased to report that Pantheon's efforts received external endorsement when we won the "LP – Co-investor" category at the inaugural Real Deals ESG Awards 2022.

I should also mention that the PIP Board is extremely engaged on the topic of ESG. We have commenced an annual ESG training session for the Directors and they receive regular updates on Pantheon's ESG strategy and our progress against the goals that we have set for ourselves. We also report on any ESG-related issues that we might have identified in PIP's portfolio and, importantly, what our managers have done to resolve them.

The six Principles of the UNPRI underpin our ESG strategy

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

What initiatives have you been working on since you joined Pantheon and why?

Embedding material ESG considerations throughout our processes and procedures supports our wider mission to invest responsibly on behalf of our clients, such as PIP, with a focus on managing risks and creating value over the long term.

ESG factors have been integrated into our pre- and post-investment processes for years but our focus recently has been on enhancing how we screen and carry out due diligence on deals from an ESG perspective. We have introduced a new approach to ESG called TIES – which stands for Transparency, Integration, Engagement and Solutions – as this encapsulates the strong ties between us, our private equity managers and our portfolio companies.

We believe that greater transparency leads to more insight which in turn will lead to more thoughtful decision-making.

5 As at 31 March 2023.

Our approach is based around four key aspects:

Transparency

Integration

Pantheon TIES

Engagement

Solutions

Integration refers to our approach to integrating ESG across the investment life cycle from screening, due diligence, monitoring and reporting. As mentioned, we engage extensively through our industry participation and advisory board seats and TIES will help to enhance this further. And finally, Solutions is about providing clarity to our investors around key concepts, such as "impact" and "sustainable", and understanding the investment solutions that can be developed to support the transition to a more sustainable economy; this will allow us to explore an even greater range of investment opportunities for PIP and the role that they can play in its diversified portfolio. With increasing investor demand for impact investments, we are starting to see some of our mainstream European managers launch impact strategies, which are particularly focused on climate transition. It's important to note that these impact strategies do not compromise on market-leading returns, so the impact achieved and financial return generated are highly correlated. PIP is alert to the opportunities that are emerging from this growing trend of top tier managers expanding their remit to incorporate impact funds and in the previous financial year, for example, PIP committed £17.8m to the Apax Global Impact fund.

This year, we have developed and launched our proprietary ESG scorecards as part of our enhancements to our new ESG framework. The scorecards will help systematically integrate ESG into the due diligence process, providing more insight into the potential material ESG considerations for each investment opportunity. The scorecard utilises various industry data sources and leading ESG indicators to assess private equity managers, funds and portfolio companies throughout the due diligence process. They will also enable us to benchmark our PE managers' ESG performance, monitor progress and improve our ESG reporting thus providing more transparency to our clients on the ESG performance of their investments.

Pantheon has developed our own ESG scorecards to provide a comprehensive view of each investment

ESG Due Diligence scorecards

Private equity manager rating
- ESG integration
- Reputation
- Climate
- Diversity, Equity & Inclusion
- Biodiversity

Fund rating
- Track record
- ESG commitments
- Climate
- ESG reporting

Company & transaction rating
- Industry sector
- Reputation
- Climate
- Country
- Biodiversity
- ESG maturity
- SDG[6] alignment

Tell us more about the scorecards – what are they and what do they aim to achieve?

Pantheon has developed four ESG scorecards which are tailored according to the type of prospective investment opportunity: Manager, Fund, Single-asset and Multi-asset. The output of each scorecard is an ESG rating (Leading to Emerging) which is based on our assessment of many ESG considerations.

For example, when assessing a co-investment opportunity, the investment team completes both a manager scorecard and a single-asset scorecard. The single-asset scorecard assesses each portfolio company through a dual scoring system covering inherent sector risk and a company risk rating based on specific criteria as outlined in the graphic (above).

The manager scorecard, which is populated by our investment teams, is supported by the results of our annual ESG survey which we use to obtain up-to-date information on our private equity managers. The survey covers a range of topics including how our managers measure and report on ESG, their approach to climate change, whether they have committed to Net Zero, their integration of Diversity, Equity & Inclusion, and how consideration of biodiversity is addressed in their investment decisions. Biodiversity loss is happening on an

6 SDG: Sustainable Development Goals.

A Conversation with Pantheon's Global Head of ESG

enormous scale that is difficult to comprehend therefore it is vital that we factor this into our investment process.

We continue to use RepRisk, a third-party news information service which has been integrated into our systems since 2017, as part of our screening, due diligence and pre- and post-monitoring processes to ensure extensive coverage of any ESG issues within PIP's portfolio.

Looking ahead, what are your priorities for the next 12 months or so?

We have made great strides but the world is constantly changing, investor expectations are growing, ESG regulatory requirements are increasing rapidly, and there is always more to do. We are looking to enhance our ESG systems to improve our reporting and provide better transparency to our investors on the ESG performance of their portfolio, for example calculating the carbon footprint of PIP's portfolio. As a firm, it is also important that we practise what we preach so we have commenced an exercise to calculate Pantheon's own operational Scope 1, 2 and 3 (business travel) emissions. This will support better engagement with our managers on this topic.

Secondly, we intend to use our ESG scorecards to engage more effectively with our private equity managers on ESG issues. I know from experience that receiving feedback from investors can be incredibly motivating for private equity managers as they want a high rating!

At Pantheon we believe that private markets have a key role to play in the transition to a more sustainable society. We believe we also have a key role to play supporting our managers and driving and encouraging ESG best practice. We are pleased to see the progress and momentum to date but conscious there is more work to do. Effectively analysing and monitoring all opportunities from an ESG perspective on behalf of PIP remains our priority as we strive to exceed the expectations of all of our clients.

The UK Modern Slavery Act

The UK's Modern Slavery Act 2015 requires Pantheon to report annually on the steps taken to ensure that slavery and human trafficking are not taking place anywhere within the business or supply chains. Pantheon's ESG policy is already aligned with a zero tolerance approach to modern slavery and trafficking, and both the policy and the modern slavery statement can be found on Pantheon's website (www.pantheon.com).

Our private equity managers continue to make good progress towards the adoption of ESG principles

Pantheon recently completed its annual survey of the private equity managers in PIP's primary portfolio. Some of the responses are shown below.[1]

Are you a signatory to the United Nations Principles for Responsible Investment ("UNPRI")?

Yes 63% No 37%

Do you have a current ESG policy?

Yes 96% No 4%

Do you have a formal approach to integrating ESG factors within the investment process?

Yes 92% No 8%

Do you engage with portfolio companies on climate-related matters?

Yes 85% No 15%

1 Survey results based on a 76% response rate from the primary private equity managers in PIP's portfolio.

One united, diverse culture at Pantheon

We believe that the diversity of our people and practices is key to the sustainable success of our firm, our employees and the broad set of Pantheon stakeholders. We focus on Inclusion & Diversity ("I&D") and our inclusion ethos is founded on the premise that harnessing our differences will create a productive environment in which everybody feels valued, where our talents are being fully utilised and in which our organisational goals are met. We have an established I&D Committee, comprising representatives from across the business, which meets monthly and there are separate I&D workstreams that meet more regularly.

Pantheon was one of the first private equity houses to report its I&D statistics. As a signatory to the UK Government's Women in Finance Charter, Pantheon is committed to setting internal targets for gender diversity in senior management roles. The proportion of women who are engaged in the day-to-day management and operations of our firm (identified as Global Heads of Departments and/or members of Pantheon's Partnership Board) was 42% as at January 2023, exceeding the target of 33%, and we are proud to report that half of our investment team heads are women. We are delighted that our hard work was recognised at the Real Deals Private Equity Awards 2022 where Pantheon won the Diversity award. In addition, three of the seven Directors on PIP's Board are female.

Our commitment to I&D does not sit only within Pantheon. We have long incorporated I&D within our investment process with a dedicated section in our due diligence questionnaire on the topic that is completed by prospective private equity managers for a primary investment. While the wider sector still has significant improvements to make, we are encouraged by the progress that is being made and note that many of our managers have improved recruitment processes to increase their diversity.

Pantheon continues to advocate for this topic through a number of partnerships across the investment management sector including Girls are Investors, Jopwell, Sponsors for Educational Opportunity ("SEO"), 10,000 Black Interns and the Diversity Project. Pantheon is proud to sponsor Level 20, a not-for-profit organisation established to inspire women to join and succeed in the private equity industry.

Global staff gender identity[1]

Male	62%
Female	36%
Prefer not to say	2%

Investment team heads[1]

Male	50%
Female	50%

Ethnic diversity profile[1]

White	61%
Other ethnic background	36%
Prefer not to say	3%

Global staff LGBTQ+ profile[1]

No	90%
Yes	3%
Prefer not to say	7%

Global staff disability profile[1]

No	91%
Yes	2%
Prefer not to say	7%

1 Data is based on aggregated and anonymised information inputted to our HR system by our global staff, defined as permanent staff and partners. The percentage of input for this year was 89%, compared to a 75% response rate of our 2022 voluntary annual Inclusion and Diversity Survey.

Realisations

PIP's mature portfolio continued to generate distributions despite a subdued exit environment. Distributions have been incremental to returns, with many reflecting realisations at significant uplifts to carrying value.

Uplifts on exit realisations[1]

Cost multiples on exit realisations

Exit realisations by sector and type

The value-weighted average uplift on exit realisations in the year was 27%, consistent with our view that realisations can be significantly incremental to returns.

The method used to calculate the average uplift is to compare the value at exit with the value of the investment 12 months prior to exit. Since 2012, the weighted average uplift on exit is 31%.

For the year to 31 May 2023

Value-weighted
average uplift = 27%

1 See page 182 of the Alternative Performance Measures section for sample calculations and disclosures.

PIP's mature portfolio continued to generate distributions despite a challenging exit environment. Distributions have been incremental to returns, with many reflecting realisations at significant uplifts to carrying value.

Uplifts on exit realisations

Cost multiples on exit realisations[1]

Exit realisations by sector and type

The average cost multiple on exit realisations of the sample was 3.0 times, demonstrating value creation over the course of PIP's investment.

The average cost multiple on exit since 2012 is 3.0 times.

For the year to 31 May 2023

Average cost
multiple = 3.0x

1 See page 182 of the Alternative Performance Measures section for sample calculations and disclosures.

Realisations

PIP's mature portfolio continued to generate distributions despite a challenging exit environment. Distributions have been incremental to returns, with many reflecting realisations at significant uplifts to carrying value.

Uplifts on exit realisations

Cost multiples on exit realisations

Exit realisations by sector and type

Realisation activity was strongest in the industrials and information technology sectors. Trade sales and secondary buyouts represented the most significant sources of exit activity during the year. The data in the sample provides coverage for 100% (for exit realisations by sector) and 100% (for exit realisations by type) of proceeds from exit realisations received during the period.

Exit realisations by sector
For the year to 31 May 2023

Industrials	20%
Information technology	15%
Financials	14%
Healthcare	13%
Communication services	13%
Consumer	10%
Utilities	8%
Energy	4%
Materials	2%
Real estate	1%

Exit realisations by type
For the year to 31 May 2023

Trade sale	55%
Secondary buyout	41%
IPO and secondary share sale	3%
Refinancing and recapitalisation	1%

CHEQUERS CAPITAL

Strong realisations at impressive uplifts

Founded in Paris in 1972, Chequers Capital ("Chequers") is one of the longest established private equity managers in Europe.

- With over 50 years of experience, Chequers has raised and invested 18 funds since 1972, and has over €2bn under management.
- Chequers has 25 investment professionals across France, Italy and the DACH (Germany/Austria/Switzerland) region, supported by a large eco-system of operating experts.
- A small and mid-market buyout specialist, Chequers targets asset-light industrial and service businesses, often acquired from family owners, and focuses on creating value through driving growth and operational improvements.
- Over the past year, Chequers has succeeded in realising several portfolio companies, despite the general slowdown in the exit environment, resulting in sizeable distributions to PIP, including those from Serma, Riri and MTA.

SERMA GROUP

Provider of electronic testing services and solutions, for the aerospace, transportation, energy and telecommunications sectors, based in France.

Exited to a financial buyer in July 2022:

£1.6m Proceeds to PIP	32% IRR
2.4x Return generated	50% Uplift on exit

Value creation bridge

RIRI

Manufacturer of coated metal accessories such as zips, buttons and buckles for the high-end luxury fashion industry, based in Switzerland.

Exited to Oerlikon Group, a Swiss strategic buyer, in February 2023:

£2.1m Proceeds to PIP	34% IRR
2.7x Return generated	82% Uplift on exit

Value creation bridge

MTA

Manufacturer of heating, ventilation and air conditioning equipment based in Italy.

Exited to Trane Technologies, a US strategic buyer, in May 2023:

£1.0m Proceeds to PIP	40% IRR
3.2x Return generated	56% Uplift on exit

Value creation bridge

Net Portfolio Cash Flow

Net portfolio cash flow equals distributions less capital calls.

A continued focus on the portfolio's maturity profile means that PIP is well-positioned to generate positive cash flows.

With a long-term average distribution rate of 20-25%, PIP's portfolio has been cash flow positive since 2010.

PIP's total net portfolio cash flow over the last ten years has been £1.7bn.

Net portfolio cash flow

Distributions

With a weighted average fund maturity of 4.8 years at the end of the period (31 May 2022: 4.9 years), PIP's portfolio continued to generate cash.

PIP received £223m in proceeds from PIP's portfolio in the year to 31 May 2023 (year to 31 May 2022: £419m), equivalent to 10% of opening private equity assets (31 May 2022: 25%).

Quarterly distribution rates[1]

Although PIP's portfolio has continued to generate cash, there has been a slowdown in distributions during the period.

The challenging economic environment has impacted exit activity.

1 Distribution rate equals distributions in the period (annualised) divided by opening portfolio value.

Distributions case study

K2 CLAIMS SERVICES

Proceeds	£10.8m	**Sector**	Financials
Manager	Lee Equity Partners	**Stage**	Small/mid buyout
Geography	USA	**Vintage**	2019
Type	Co-investment	**Exit type**	Secondary buyout

Strong returns from specialty insurance

K2 is one of the largest Managing General Agent ("MGA") platforms in the USA, providing insurance carriers with distribution, underwriting and claims management services for specialty insurance lines. The company underwrites c.US$ 1.4bn of premiums across more than 24 different programmes.

K2 CLAIMS SERVICES

Investment rationale

- As one of the largest MGA platforms in the USA specialty insurance market, K2 is well-positioned to capitalise on the highly fragmented market opportunity.
- K2 has delivered historically strong underwriting results that materially outperform the industry average, which is critical for retaining existing carrier relationships and expanding into new ones.
- Strong value proposition across the specialty insurance spectrum from broker to carrier; the higher-returning lines they underwrite are difficult for traditional insurers to access profitably on their own.
- Attractive financial profile characterised by high recurring revenues, strong free cash flow, and virtually no balance sheet risk.

Our relationship

Pantheon is a primary investor in a number of Lee Equity Partners funds and has also previously co-invested alongside the private equity manager.

Active management and value creation

- Lee Equity Partners bolstered the management team with key senior hires to support the growth of the business. This included a new President, Chief Claims Officer, Chief Actuary and Financial Controller.
- K2 completed 20 acquisitions, start-ups and "team lift-outs" in order to expand into new specialty lines and geographies.
- The company drove carrier partner expansion to diversify its sources of capacity and helped to add new strategic distribution partnerships.
- Lee Equity Partners worked with management to implement a number of operating best practices including:
  - more formalised reporting;
  - refinement of key performance indicators ("KPIs") for the business; and
  - leveraging centralised support services across the platform to achieve efficiencies.
- Lee Equity Partners' active management in tandem with management's execution resulted in an annualised growth rate of 22% in revenues and 24% in EBITDA through a combination of organic growth and strategic M&A.

Exit

In May 2023, Warburg Pincus acquired K2 Insurance Services from Lee Equity Partners. The sale generated returns of 3.9x on cash and a 51.2% IRR.

Value creation bridge

1 K2 completed a refinancing that re-levered the business.

2 Capital structure impact, mainly capital returned in dividend recapitalisation less management incentive unit dilution.

Distributions case study

MEDIFOX CARE MANAGEMENT SOFTWARE

Proceeds	£4.6m	**Sector**	Healthcare
Manager	Hg Capital ("Hg")	**Stage**	Small/mid buyout
Geography	Europe	**Vintage**	2018
Type	Co-investment	**Exit type**	Strategic sale

Essential software for care and therapy

Medifox is a leading provider of software solutions to over 16,000 outpatient care services, elderly care homes, therapist practices, youth care institutions and non-professional caregivers 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 systems.

MEDIFOX CARE MANAGEMENT SOFTWARE

Medifox is characterised by a leading position in a fragmented sector, a robust financial profile, a highly competent management team and a "mission-critical" product. The company is headquartered in Hildesheim, Germany and employs over 500 people across six locations.

Investment rationale

- Medifox is a highly attractive business with a fragmented small and medium-sized business ("SMB") customer base, a high retention and mission-critical, regulatory-driven product that is used daily.
- Medifox is benefiting from fundamental trends of integrated care, an ageing population and digitalisation driving underlying growth for the coming decades.
- Further growth is expected in the core outpatient segment, with tangible mergers and acquisition opportunities to further gain sector share in newer therapy and in-patient segments.
- Opportunities to make operational improvements led by a strong management team and operators.

Our relationship

Pantheon has been a longstanding investor with the manager having backed several mid-cap Hg funds since 2006. In addition, Pantheon holds advisory board seats for all of the Hg funds that it is invested in.

Active management and value creation

Medifox has grown substantially as a result of several of Hg's initiatives since 2018, including:

- Achieving annualised organic revenue growth of over 10% via new customer wins and delivering adjacent functionality. This resulted in annualised revenue growth which was over 30% better than the peer average.
- Driving product and service innovation for the customers via the largest dedicated elderly care software research and development team in Germany (e.g. the new next-generation cloud-ready elderly care product).
- Driving digitalisation of sales and investing in systems landscape to deliver strong incremental margins, expanding EBITDA margins over time.
- Building a repeatable mergers and acquisition platform, with the execution and integration of nine acquisitions, including DAN Produkte.

Exit

Medifox was acquired by the US-listed strategic buyer, ResMed, a global leader in cloud-connected medical devices and out-of-hospital software-as-a-service ("SaaS") business solutions, in a transaction valuing the business at an estimated US$1bn. PIP made a return of 4.1x on the original cost and a 40% IRR.

Calls

PIP paid £155m to finance calls on undrawn commitments during the year (year to 31 May 2022: £187m).

The annual call rate for the year to 31 May 2023 was equivalent to 21% of opening undrawn commitments (31 May 2022: 35%).

The decline in the call rate reflects the slowdown in deal activity during the period.

Quarterly call rate[1]

1 Call rate equals calls in the period (annualised) divided by opening undrawn commitments. All call figures exclude the acquisition cost of new secondary and co-investment transactions.

New Commitments

PIP committed £441m to 25 new investments during the year (31 May 2022: £496m, 70 new investments).

PIP invested in six manager-led secondaries (£154.9m). This included a US$112.5m (£93.5m) commitment to the Pantheon Secondary Opportunity Fund II, which is focused on manager-led secondaries.

In addition, PIP committed to eight primaries (£147.4m) and 11 co-investments (£138.5m).

New commitments by investment type

New commitments by region

New commitments by stage

Our investment process

Investment opportunities in companies and funds are originated via Pantheon's extensive and well-established platform.

We invest with many of the best private equity managers who are able to identify and create value in their portfolio companies.

Cash generated from the sale of those companies is returned to PIP and redeployed into new investment opportunities.

New commitments during the year were equally weighted across the three investment types, with each demonstrating attractive characteristics for overall portfolio construction.

Manager-led secondaries	35%
Primaries	33%
Co-investments	32%

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The majority of commitments made in the year were to opportunities in the developed US and European private equity markets.

USA	40%
Europe	39%
Global[1]	21%

1 Global consists of the US$112.5m (£93.5m) commitment to the Pantheon Secondary Opportunity Fund II (PSOF II), which is focused on manager-led secondaries.

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Small and mid market buyout investment activity was robust during the period.

Small/mid buyout	58%
Generalist[1]	21%
Large/mega buyout	18%
Venture	3%

1 Generalist relates to a US$112.5m (£93.5m) commitment to the Pantheon Secondary Opportunity Fund II ("PSOF II"), which is focused on single-asset secondaries.

Focus on Manager-led Secondaries

Taking advantage of the attractive manager-led secondary market

- During the financial year, PIP committed \$112.5m (£93.5m) to the Pantheon Secondary Opportunity Fund II, which is focused on manager-led secondaries in single company assets.
- This commitment forms part of the Company's strategy to capitalise on attractive opportunities in this fast-growing segment of the secondaries market.
- PIP benefits from Pantheon's extensive platform and experience in the secondary market. Pantheon has over 13 years' experience in manager-led transactions, decades long relationships that can be leveraged for sourcing and information, while the Secondaries Investment Committee has almost 200 years of combined private markets experience.

What we look for:

Mid-market focus
Tilt towards companies in the small & medium buyout and growth equity stages managed by top quality private equity managers.

High-quality companies
Companies that constitute prized assets for managers, in non-cyclical industries with growth driven by structural tailwinds.

Transaction alignment
Sound transaction rationale with strong alignment of interest across the company management team, the private equity manager and secondary investor.

Deal structure
Focus on leading or co-leading deals to drive structure, terms and alignment of interest.

Unprecedented market opportunity

Strong deal flow
Manager-led secondaries represented ~50% of all transaction volume in 2022[1].

Viable exit option for managers
Increased demand from investors and managers as PE exit activity at record low.

Elevated liquidity needs
90% of investors elected to sell to continuation vehicles in the first half of 2022[2].

Limited dry powder
Under supply of capital relative to opportunity set.

Manager-led transaction volume (US\$bn)[1]

1 Jefferies H1 2023 Global Secondary Market Review.
2 Lazard Sponsor Led Secondary Market Report – H1 2022.

New Commitments case study

WAYSTONE

Manager	Montagu Private Equity ("Montagu")	**Type**	Co-investment
Sector	Financials	**Stage**	Small/mid buyout
Geography	Europe	**Commitment**	£8.1m

Essential architects in the world of asset management

Waystone is a provider of outsourced governance, risk and compliance services to the asset management industry. The company services a number of blue-chip asset managers with combined assets under management of US$2tn. Waystone has grown to now employ c.350 individuals in globally recognised epicentres for fund management including London, Hong Kong, Singapore, Ireland and Luxembourg.

New Commitments case study

WAYSTONE

Investment rationale

- Founded in 2000, the company has grown organically and through a mergers and acquisition strategy, with nine add-on acquisitions completed between 2019 and 2021.
- The company provides services that are mission-critical to a fund's set-up and ongoing operation. This results in a sticky business model evidenced by historically low customer churn rates and limited customer switching.
- Regulatory scrutiny and increasing complexity are providing a strong tailwind for the industry, in which Waystone is a leading player.
- Montagu has extensive experience in fund services, including a successful investment in peer company, Universal Investment.
- Since Montagu's investment in 2021, the company has grown organically and through targeted add-on acquisitions which have expanded Waystone's service offering and geographical footprint.

Our relationship

Pantheon has a long-standing relationship with Montagu. PIP is a primary investor and has also co-invested alongside the manager, while Pantheon holds an advisory board seat with Montagu.

Early engagement with Montagu allowed Pantheon to secure a sizeable allocation in this opportunity.

Active management and value creation

As a joint owner of Waystone, Montagu will have the opportunity to implement organisational best practices and further support Waystone's buy-and-build strategy.

In April 2023, shortly following PIP's co-investment in the company, Waystone signed agreements to acquire Link Fund Solutions, a European fund services provider with £160bn of assets under oversight and administration, closing subject to regulatory approval and other conditions. Combined with the acquisitions of KB Associates, Centaur Fund Administration and T. Bailey Fund Services in the past year, a comprehensive product offering and exposure to structurally growing markets, Waystone is well placed to continue its current growth trajectory.

SENTINEL CAPITAL PARTNERS

Company	Sentinel Capital Partners VII	**Geography**	North America
Manager	Sentinel Capital Partners ("Sentinel")	**Type**	Primary
		Commitment	£19.3m

Top performance from a proven partner

Sentinel is a US-based private equity manager focused on investing in mid-market businesses. The manager has raised US$11.2 billion of capital since inception and has a track record of growing businesses and creating value for investors. In November 2022, Sentinel Capital Partners VII raised $4.35 billion from new and existing investors, with strong demand resulting in a larger than targeted fund.

Pantheon has a long-standing relationship with Sentinel with PIP investing in one of Sentinel's previous funds. Pantheon also holds four advisory board seats with the manager.

New Commitments case study

SENTINEL CAPITAL PARTNERS

Sentinel's investment strategy

- Sentinel targets mid-market companies and the fund will consist of roughly 20–25 equity investments of $150 to $175 million each.
- The manager has a strong focus on core industry sectors including: business services, consumer products/services, healthcare services, and industrials.
- When assessing an investment opportunity, Sentinel is seeking:
  - A strong management team with a long-term vision and alignment of interest;
  - Market leadership in the product line, geography or technology;
  - A diversified customer base or product line; and
  - The opportunity to grow via M&A or organically.

Investment rationale

- Sentinel aims to create value through operational improvements that lead to both revenue and profit growth, while accretive add-on acquisitions also drive growth.
- Sentinel is a top-quartile performing manager with a proven and repeatable investment strategy.
- The manager has a stable senior investment team, with a combined total average of over 20 years at Sentinel.

Maiden investment from Sentinel Capital Partners VII

In November 2022, Sentinel made its first investment from Sentinel Capital Partners VII into L2 Brands ("L2"). L2 is a designer, manufacturer and marketer of custom-decorated apparel and headwear for the collegiate, destination and leisure, and corporate markets. Since its founding in 1991, L2 has become a diversified business with a history of long-term profitable growth.

Sentinel's experience and track record in this sector will enable L2 to accelerate its growth, both organically and through add-on acquisitions.

VALANTIC **ERANEOS**

Manager	Deutsche Private Equity ("DPE")	**Type**	Manager-led Secondary
Sector	Information Technology	**Stage**	Small/mid buyout
Geography	Europe		

DESCRIPTION AND COMMITMENT:

valantic	Digital consulting and software company (£9.7m)
Eraneos	An independent management and technology consulting firm (£8.6m)

Digital transformation, delivered

PIP invested in a manager-led secondary transaction with DPE that comprised two high-growth technology and digital consulting businesses: valantic and Eraneos.

New Commitments case study

VALANTIC **ERANEOS**

valantic is a consultancy and provider of software solutions for digital transformations. The company has over 800 consultants and developers and is represented in Germany, Austria, Switzerland, Belgium, the Netherlands, Portugal and many other international locations.

Eraneos is an international management and technology consulting group providing digitalisation and transformation services, from strategy development through to implementation. The company has 1,000 consultants in four core markets (Switzerland, Germany, the Netherlands and Spain).

Investment rationale

- DPE is a top-tier manager operating in Germany, Austria and Switzerland that has a strong track record of supporting and delivering organic growth for its portfolio companies and specialises in executing buy-and-build growth strategies. The manager has consistently generated strong returns over several funds.
- DPE wanted to move the two businesses to a continuation fund so that additional capital could be provided for further accretive add-on acquisitions.
- The growth of the digital transformation services market is expected to provide a strong tailwind for both companies, with an expected compounded annual growth rate of 9% until 2026 taking the total market size to more than €80bn.
- The businesses benefit from their sticky customer relationships, substantial scale combined with a customer-centric approach and a full end-to-end consulting service that is able to respond to customers' needs.
- Eraneos has delivered robust performance with consistent above-market organic growth, maintained strong margins and cash conversion over the recent years. In combination with a well-executed growth strategy and successful buy-and-build strategy Eraneos was able to strengthen its positioning with a footprint in four European markets.

Active management and value creation

- Both businesses have grown substantially under the ownership of DPE, with revenues increasing by over 270% for Eraneos since it was acquired in 2017, and more than 240% for valantic since it was acquired in 2019.
- valantic has a track record of completing and integrating add-on acquisitions, with 15 completed under the ownership of DPE, who originally invested in the business in 2019.
- valantic sees routes to further value creation through the launch of new technologies and service offerings. These will enable customers to benefit from a more comprehensive portfolio of products and services, while the business will also focus on developing new customer markets in Scandinavia and Benelux. The company has continued to deliver strong organic growth and has already completed five add-on acquisitions over the past six months.
- Eraneos has also continued to expand through M&A with two recent acquisitions in Germany. In addition, the group is pursuing organic growth opportunities and recently opened a new office in Austria, while enhanced client support and expanding joint consultancy businesses are also expected to drive growth. Eraneos is targeting double-digit growth for 2023 and beyond.

Buyout Analysis[1]

Weighted average revenue and EBITDA growth of 21% and 15%, respectively, for PIP's sample buyout companies have consistently exceeded growth rates seen among companies that constitute the MSCI World index. Strong top-line performance, disciplined cost control, operational expertise and good earnings growth, together with an efficient use of capital, underpin the investment thesis of many private equity managers.

Revenue and EBITDA growth

Valuation multiple

Debt multiples

Annual revenue growth[2]

Annual EBITDA growth[2]

1 The sample buyout figures for the 12 months to 31 December 2022 were calculated using all the information available to the Company. The figures are based on unaudited data. MSCI data was sourced from Bloomberg. See page 182 of the Alternative Performance Measures section for sample calculations and disclosures.

2 MSCI World, 2022 and 2021 aggregate market-weighted revenue and EBITDA growth data is derived from constituent companies compared on year-on-year basis for the financial years ending 2022 and 2021.

Buyout Analysis[1]

Accounting standards require private equity managers to value their portfolios at fair value. Public market movements can be reflected in valuations.

PIP's sample-weighted average Enterprise Value (EV)/EBITDA was 17.8 times compared to 16.2 times for the MSCI World index; and this should be considered in the context of the underlying growth rates for each.

PIP invests proportionately more in high-growth sectors such as mission-critical B2B information technology and healthcare, and these sectors tend to trade at a premium to other sectors.

Revenue and EBITDA growth

Valuation multiple

Debt multiples

Buyout portfolio[2]

Information technology	27%
Healthcare	20%
Consumer	17%
Industrials	13%
Financials	12%
Communication services	6%
Materials	3%
Energy	1%
Real estate	1%

MSCI World[3]

Information technology	18%
Consumer	18%
Financials	16%
Healthcare	15%
Industrials	11%
Communication services	6%
Energy	6%
Materials	4%
Real estate	3%
Utilities	3%

1 The sample buyout figures for the 12 months to 31 December 2022 were calculated using all the information available to the Company. The figures are based on unaudited data. MSCI data was sourced from Bloomberg. See page 182 of the Alternative Performance Measures section for sample calculations and disclosures.

2 Full buyout portfolio.

3 As at 31 December 2022.

Venture, growth and buyout investments have differing leverage characteristics.

Average debt multiples for small/mid buyout investments, which represent the largest segment of PIP's buyout portfolio, are typically lower than debt levels in the large/mega-buyout segment.

The venture and growth portfolios have little or no reliance on leverage.

Revenue and EBITDA growth

Valuation multiple

Debt multiples

1 Leveraged buyout data sourced from Pitchbook's Leveraged Commentary & Data (LCD), 2022.

Largest 50 Companies

PIP's largest 50 companies, which accounted for 28% of NAV at the year end, have exhibited profitable growth in the past 12 months, and make a significant contribution towards overall portfolio performance.

SHITFKEY

ACTION

KASEYA

ASURION

OMNI EYE SERVICES

Cross-section of PIP's largest 50 companies

Exposure by sector[1]

Information technology	39%
Healthcare	22%
Consumer	16%
Financials	10%
Industrials	6%
Communication services	5%
Energy	2%

Exposure by region

USA	58%
Europe	27%
Asia & RoW	15%

Exposure by industry type

Resilient[2]	85%
Cyclical	15%

1 Based on March 2023 valuations and adjusted for May 2023.
2 Resilient companies are defined as those operating in industries with structural growth trends, producing mission-critical products or have recurring revenue models.

PIP's largest 50 companies, which accounted for 28% of NAV at the year end, have exhibited profitable growth in the past 12 months, and make a significant contribution towards overall portfolio performance.

VISTRA

VALANTIC

DOIT

RECORDED FUTURE

ANAPLAN

Attractive portfolio growth and profitability characteristics

Average NAV-weighted revenue growth in the last 12 months
27.1%

Average NAV-weighted EBITDA growth
26.8%

Proportion of companies with positive EBITDA
91%

The 50 largest companies in PIP's portfolio are held at a significant multiple over cost

Other Information - The largest 50 companies by value[1]

	Company	Country	Sector	Investment type	Description	% of PIP portfolio
1	**SHIFTKEY**	USA	Healthcare	Manager-led Secondary	Recruitment platform for nurses	1.1%
2	**ACTION**	Netherlands	Consumer	Manager-led Secondary	Non-food discount stores	1.0%
3	**KASEYA**	Switzerland	Information Technology	Co-Investment; Secondary	Provider of IT management and monitoring software services	0.8%
4	**ASURION**	USA	Financials	Primary; Secondary	Mobile phone insurance company	0.8%
5	**OMNI EYE SERVICES**	USA	Healthcare	Manager-led Secondary	Specialist eye treatment provider	0.7%
6	**VISTRA**	Hong Kong	Financials	Co-Investment; Secondary	A fund administrator and corporate service provider	0.7%
7	**VALANTIC**	Germany	Information Technology	Manager-led Secondary	Digital consulting and software company	0.7%
8	**RECORDED FUTURE**	USA	Information Technology	Primary; Co-Investment; Secondary	Cybersecurity software company	0.7%
9	**ANAPLAN**	USA	Information Technology	Co-Investment; Primary	Developer of a cloud-based modelling and planning platform	0.7%
10	**DOIT**	USA	Information Technology	Co-Investment	Provider of cloud consulting and engineering services	0.7%
11	**FRONERI**	United Kingdom	Consumer	Manager-led Secondary	Ice cream and frozen food manufacturer	0.7%
12	**ASCENT RESOURCES**	USA	Energy	Secondary	Natural gas and oil producer	0.7%
13	**EVERSANA**	USA	Healthcare	Manager-led Secondary	Commercial services platform for the life sciences sector	0.7%

1 The largest 50 companies table is based upon underlying company valuations at 31 March 2023 adjusted for known call and distributions to 31 May 2023, and includes the portion of the reference portfolio attributable to the ALN.

	Company	Country	Sector	Investment type	Description	% of PIP portfolio
14	**MILLENNIUM TRUST COMPANY**	USA	Financials	Co-Investment; Primary	Provider of technology-enabled retirement and investment services	0.7%
15	**CAA**	USA	Communication Services	Manager-led Secondary	Entertainment, media and sports agency	0.7%
16	**LIFEPOINT HEALTH**	USA	Healthcare	Co-Investment; Manager-led Secondary	Healthcare provider	0.7%
17	**VISMA**	Norway	Information Technology	Primary; Co-Investment	Provider of software solutions for finance and HR departments	0.6%
18	**JSI**	USA	Industrials	Manager-led Secondary	Consultant to telecommunication service providers	0.6%
19	**TAG**	Israel	Healthcare	Manager-led Secondary	Provider of medical and dental equipment and implants	0.6%
20	**RLDATIX**	USA	Healthcare	Manager-led Secondary	Developer of cloud-based patient safety and risk management software	0.6%
21	**SUNMEDIA**	Spain	Communication Services	Co-Investment	Digital advertising company	0.5%
22	**24SEVEN**	USA	Industrials	Manager-led Secondary	Digital marketing and recruitment services provider	0.5%
23	**OPT CONNECT**	USA	Information Technology	Manager-led Secondary	Provider of wireless internet connectivity solutions	0.5%
24	**SMILE DOCTORS**	USA	Healthcare	Manager-led Secondary	Orthodontic treatments and services provider	0.5%
25	**LOGIC MONITOR**	USA	Information Technology	Primary; Co-Investment; Secondary	Managed IT service provider	0.5%
26	**CONFIE**	USA	Financials	Co-Investment;	Commercial insurance broker	0.5%

Other Information – The largest 50 companies by value[1]

	Company	Country	Sector	Investment type	Description	% of PIP portfolio
27	**CHEWY**	USA	Consumer	Co-Investment	Online distributor of pet food and supplies	0.5%
28	**101**	USA	Industrials	Co-Investment	Provider of food waste recycling services	0.5%
29	**NORD ANGLIA EDUCATION**	Hong Kong	Consumer	Primary; Co-Investment	Operator of educational institutions	0.5%
30	**TANIUM**	USA	Information Technology	Co-Investment	Cybersecurity services provider	0.5%
31	**KILCOY GLOBAL FOODS**	Australia	Consumer	Manager-led Secondary	Producer of beef and other animal protein products	0.5%
32	**KD PHARMA**	Germany	Healthcare	Manager-led Secondary	Specialist pharmaceutical company	0.5%
33	**ACCESS FREEDOM TO DO MORE**	United Kingdom	Information Technology	Co-Investment	Provider of business management software solutions to SMEs	0.5%
34	**IFS**	Sweden	Information Technology	Co-Investment; Primary	Developer of enterprise resource planning software	0.5%
35	**MRO**	USA	Healthcare	Co-Investment; Primary	Provider of disclosure management services	0.5%
36	**SAILPOINT**	USA	Information Technology	Primary; Co-Investment	Provider of enterprise identity governance solutions	0.4%
37	**VIZRT**	Norway	Information Technology	Primary; Manager-led Secondary	Developer of content production tools for the digital media industry	0.4%
38	**STAR HEALTH INSURANCE**	India	Financials	Co-Investment	Health insurance provider	0.4%
39	**KASPI.KZ**	Kazakhstan	Financials	Primary	Banking products and services provider	0.4%

1 The largest 50 companies table is based upon underlying company valuations at 31 March 2023 adjusted for known call and distributions to 31 May 2023, and includes the portion of the reference portfolio attributable to the ALN.

	Company	Country	Sector	Investment type	Description	% of PIP portfolio
40	**TRIMECH**	USA	Information Technology	Co-Investment	Provider of 3D design, engineering and manufacturing solutions	0.4%
41	**SONAR**	Switzerland	Information Technology	Primary; Secondary	Developer of coding software	0.4%
42	**ARBYS**	USA	Consumer	Manager-led Secondary	Restaurant franchise	0.4%
43	**PERSONIO**	Germany	Information Technology	Primary	Developer of an HR management and recruitment platform	0.4%
44	**FLYNN RESTAURANT GROUP**	USA	Consumer	Co-Investment	Restaurant franchise	0.4%
45	**PERSPECTA**	USA	Information Technology	Co-Investment	IT services management company	0.4%
46	**CALLRAIL**	USA	Information Technology	Co-Investment; Manager-led Secondary	Mobile data analytics company	0.4%
47	**DIGICERT**	USA	Information Technology	Co-Investment	Digital security company	0.4%
48	**ALM**	USA	Communication Services	Manager-led Secondary	Content provider to the legal industry	0.4%
49	**OLINK**	Sweden	Healthcare	Co-Investment	Developer of human protein biomarker discovery products	0.4%
50	**FRESHEASY**	South Korea	Consumer	Co-Investment	Producer of meal kits	0.4%
Coverage of PIP's private equity asset value						28.0%

Other Information - The largest 50 managers by value

Rank	Manager	Region[1]	Stage	% of total private equity asset value[2]
1	**INSIGHT PARTNERS**	USA	Growth	6.9%
2	**INDEX VENTURES**	Global	Venture, Growth	3.9%
3	**PROVIDENCE EQUITY PARTNERS**	USA	Buyout, Growth	3.2%
4	**HG**	Europe	Buyout	2.9%
5	**ADVENT INTERNATIONAL**	Global	Buyout	2.4%
6	**WATER STREET**	USA	Buyout	2.1%
7	**ABRY PARTNERS**	USA	Buyout	2.1%
8	**BPEA BARING PRIVATE EQUITY ASIA**	Asia & EM	Growth	2.0%
9	**PARTHENON CAPITAL**	USA	Buyout	1.9%
10	**VERITAS**	USA	Buyout	1.8%
11	**THOMASBRAVO**	USA	Buyout	1.7%
12	**SEVEN2 (Previously Apax Partners SAS)**	Europe	Buyout	1.5%
13	**MIDEUROPA**	Europe	Buyout	1.5%

1 Refers to the regional exposure of funds.
2 Percentages look through underlying vehicle structures and exclude the portion of the reference portfolio attributable to the ALN.

Rank	Manager	Region[1]	Stage	% of total private equity asset value[2]
14	**LYFE**	Asia & EM	Growth	1.5%
15	**CHARLESBANK**	USA	Buyout	1.4%
16	**SEARCHLIGHT**	USA	Special Situations	1.3%
17	**ALTAMONT CAPITAL PARTNERS**	USA	Buyout	1.3%
18	**INVESTMENT PARTNERS**	Europe	Buyout	1.3%
19	**HELLMAN&FRIEDMAN**	Global	Buyout	1.3%
20	**3i**	Europe	Buyout	1.2%
21	**TPG**	Global	Buyout	1.2%
22	**LORIENT CAPITAL**	USA	Buyout	1.2%
23	**DEUTSCHE PRIVATE EQUITY**	Europe	Buyout	1.2%
24	**OAK HC/FT**	USA	Growth	1.1%
25	**HLG CAPITAL**	USA	Buyout	1.1%
26	**APOLLO**	Global	Buyout	1.1%

1 Refers to the regional exposure of funds.
2 Percentages look through underlying vehicle structures and exclude the portion of the reference portfolio attributable to the ALN.

Other Information – The largest 50 managers by value

Rank	Manager	Region[1]	Stage	% of total private equity asset value[2]
27	**ALTOR CAPITAL**	Europe	Buyout	1.0%
28	**FIVE ARROWS**	Europe	Buyout	0.9%
29	**THE ENERGY & MINERALS GROUP**	USA	Special Situations	0.9%
30	**QUANTUM ENERGY PARTNERS**	USA	Special Situations	0.9%
31	**CALERA CAPITAL**	USA	Buyout	0.9%
32	**BC PARTNERS**	Europe	Buyout	0.9%
33	**FP FRANCISCO PARTNERS**	USA	Buyout	0.8%
34	**Growth Fund[3]**	USA	Growth	0.8%
35	**PAI PARTNERS**	Europe	Buyout	0.8%
36	**ONEX**	USA	Buyout	0.8%
37	**MAIN POST PARTNERS**	USA	Buyout	0.8%
38	**NMS MANAGEMENT INC.**	USA	Buyout	0.8%

1 Refers to the regional exposure of funds.
2 Percentages look through underlying vehicle structures and exclude the portion of the reference portfolio attributable to the ALN.
3 The private equity manager does not permit the Company to disclose this information.

Rank	Manager	Region[1]	Stage	% of total private equity asset value[2]
39	**ECI BUILDING SUCCESSFUL BUSINESS**	Europe	Buyout	0.8%
40	**WARBURG PINCUS**	Global	Buyout	0.8%
41	**SHAMROCK CAPITAL**	USA	Buyout	0.7%
42	**ERGON CAPITAL PARTNERS**	Europe	Buyout	0.7%
43	**WASSERSTEIN & CO.**	USA	Buyout	0.7%
44	**LEE EQUITY**	USA	Growth	0.7%
45	**STONE GOFF**	USA	Buyout	0.6%
46	**ROARK CAPITAL GROUP**	USA	Buyout	0.6%
47	**CHEQUERS CAPITAL**	Europe	Buyout	0.6%
48	**SAGEVIEW CAPITAL**	USA	Growth	0.6%
49	**NORDIC CAPITAL**	Europe	Buyout	0.6%
50	**MAGNUM INDUSTRIAL PARTNES**	Europe	Buyout	0.6%
Coverage of PIP's private equity asset value				68.4%

1 Refers to the regional exposure of funds.
2 Percentages look through underlying vehicle structures and exclude the portion of the reference portfolio attributable to the ALN.

Key Pantheon Personnel Supporting PIP

Helen Steers

PIP and European Investment, Partner

Joined 2004; 34 years of private equity experience. Helen is a Partner in Pantheon's European Investment Team and is responsible for co-managing the activities of PIP. She is 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.

Jie Gong

PIP and Asian Investment, Partner

Joined 2013; 24 years of private equity experience. Jie is a Partner in Pantheon's Asia Investment Team and responsible for co-managing the activities of PIP. She is a member of the Global Co-investment Committee and the Asian Regional Investment Committee. Jie joined Pantheon from Morgan Stanley Alternative Investment Partners' private equity fund-of-funds group where her last role was head of Asia, and before that she worked at JP Morgan in leverage finance. Jie is a past member of the United Nations Principles for Responsible Investment ("UNPRI") Private Equity Advisory Committee, Vice Chairman of the Hong Kong Venture Capital and Private Equity Association ("HKVCA"), and Chairman of Initiative Climat International ("iCI")'s Asia Pacific chapter.

Vicki Bradley

Head of Investor Relations and Communications for PIP

Joined 2016; over 14 years of investor relations and communications experience with publicly listed companies. Vicki is also a member of the UK Investor Relations Society Policy Committee. Prior to joining Pantheon, she held senior roles at FTSE 100 and FTSE 250 companies, as well as at a Dutch-listed investment trust.

Maria Candelario

Principal, PIP

Joined 2014; 14 years of private equity and investment banking experience. Maria is responsible for investment strategy, portfolio management, vehicle financing and reporting for PIP. Prior to joining Pantheon, Maria worked in mergers and acquisitions at Credit Suisse, where she evaluated investments and was responsible for executing buy and sell-side M&A transactions across a variety of sectors. She also held senior finance positions at Citi and IBM.

Farid Barekati

Vice President, Fund Finance

Joined 2020; 10 years of private equity experience. Farid is a Vice President within Pantheon's Fund Finance Team, where he has operational oversight for the reporting, valuation and external audit of Pantheon's UK listed products, including PIP and Pantheon Infrastructure Plc. Prior to joining Pantheon, Farid was the Financial Controller for John Laing Capital Management, responsible for their listed funds. He also spent time in various finance and operations roles within 3i Group Plc, before moving to their listed infrastructure fund.

Bradley Mitchell

Vice President, Fund Management

Joined 2022; 11 years of private equity and banking experience. Brad is a Vice President in Pantheon's Fund Management team, part of the Investment team, where he focuses on fund debt strategies and solutions. Prior to joining Pantheon, he worked at NatWest Group as a Director in its Institutional Banking, Funds Finance division. Brad holds a bachelor's degree in International Business & Economics from Aston University and has passed all three levels of the CFA Program.

Eimear Palmer

Global Head of ESG, Partner

Joined 2022; 15 years of private markets experience. Eimear is a Partner and Global Head of ESG, with responsibility for overseeing and developing Pantheon's ESG strategy, frameworks and range of initiatives. Eimear chairs Pantheon's ESG committee and is a member of the International Investment Committee. Prior to joining the firm, Eimear worked for 14 years in private equity-focused ESG roles, including most recently as Managing Director and Head of Responsible Investment at Intermediate Capital Group ("ICG"). Before that she worked at the Carlyle Group.

Petra Bukovec

Secondary Investment, Partner

Joined 2006; 17 years of private equity experience. Petra is a Partner in Pantheon's Global Secondaries Team, where she is involved in all aspects of secondary investments including the analysis, evaluation and completion of secondary transactions. She is a member of the Global Secondary Investment Committee and has been a member of the secondary team since joining Pantheon in 2006. Prior to joining Pantheon, Petra was an investment banking analyst at Lehman Brothers, focusing on M&A and other corporate finance mandates.

Key Pantheon Personnel Supporting PIP

Amyn Hassanally

Global Head of Private Equity Secondaries, Partner

Joined 2022; 23 years of private markets experience. Amyn is a Partner and Global Head of Private Equity Secondaries. He is a member of the Global Secondary Investment Committee. Prior to joining Pantheon Amyn was an Investment Partner at Coller Capital, where he worked for 17 years in both London and New York and was formerly the global Co-Head of Investment Execution. Prior to joining Coller, he practised corporate law, focusing on private equity transactions and fund structuring.

Erik Wong

Co-Investment, Partner

Joined 2007; 23 years of private equity experience. Erik is a Partner in Pantheon's Global Co-Investment Team and a member of the Co-Investment Committee and European Investment Committee. Erik is responsible for sourcing, execution and monitoring co-investments in Europe. Prior to Pantheon, Erik worked for the Abu Dhabi Investment Authority, IFRS Foundation in the UK and with Quilvest Asia in Hong Kong.

Imogen Richards

Primary Investment, Partner

Joined 2005; 21 years of private markets experience. Imogen is a Partner on the European Private Equity team with responsibility for European primaries and co-investments, and also the portfolio strategy and treasury & fund management teams. Prior to Pantheon Imogen worked on small and mid-market private equity and mezzanine transactions for Anglo Irish Bank in Dublin.

Graeme Keenan

Chief Risk Officer, Partner

Joined 1999; 23 years of private markets experience. Graeme is a Partner and Pantheon's Chief Risk Officer, with responsibility for global risk management. Graeme also heads up the Performance Analytics function. He is a member of Pantheon's Risk Committee and ESG Committee. Prior to taking on the role of Chief Risk Officer, Graeme was Pantheon's Global Head of Operations, responsible for global client financial reporting, handling the processing, maintenance and reconciliation of transactions, valuations and company data for clients and Pantheon fund-of-funds within Pantheon's in-house systems.

Paul Ward

Managing Partner

Joined 2003; 25 years of private equity experience. Paul is Pantheon's Managing Partner and is a member of the Partnership Board. Paul joined Pantheon from Lehman Brothers Private Equity Group, where he was Investment Director. Previously, he worked for Lehman Brothers Investment Bank in New York and Loncon on M&A and corporate finance advisory services and, prior to that, was a management consultant for PA Consulting.

Dennis McCrary

Head of Investment, Partner

Joined 2007; 43 years of private markets experience. Dennis is a Partner and Pantheon's Head of Investment with management oversight of the investment team heads. He is a member of Pantheon's Partnership Board, Executive Committee, International Investment Committee, Co-Investment Committee, Global Secondary Investment Committee, US Investment Committee, and Global Credit Committee. Dennis was previously the Head of the US Partnership Team at Adams Street Partners, where he was responsible for primary and secondary fund investments and was a member of the firm's global investment committee. Prior to this, Dennis held several investment banking and principal investing positions with Bank of America and Continental Bank.

Jeff Miller

Global Head of Private Equity, Partner

Joined 2008; 22 years of private equity experience. Jeff is a Partner and Global Head of Private Equity. He is also Global Head of Co-investments, leading all underlying co-investment activities and team management, and is a member of Pantheon's Global Partnership Board, International Investment Committee, Co-investment Committee and US Investment Committee. Prior to joining Pantheon, Jeff was a Principal at Allied Capital, where he was responsible for evaluating and executing private equity and mezzanine investments. Previously, he was a Vice President in Lehman Brothers' investment banking division.

Susan Long-McAndrews

US Primary Investment, Partner

Joined 2002; 27 years of private equity experience. Susan is a Partner in Pantheon's US Investment Team and leads Pantheon's global business development. She is a member of Pantheon's Partnership Board, Executive Committee, International Investment Committee, the US Investment Committee and is the Chief Executive Officer of Pantheon Securities, LLC. Prior to joining Pantheon, Susan was a principal at Capital Z Partners in Asia, and a director at Russell Investments' private equity group. Susan has served on the Board of the American Investment Council, the Investment Committee for the Archdiocese of San Francisco and was a Term Member of the Council on Foreign Relations.

Governance

Board of Directors

John Singer CBE A M N I

Chair

Appointed to the Board 23 November 2016

Mr Singer is an investment and financial services professional with over 30 years' experience in private equity. Mr Singer spent over 20 years with Advent International Plc as co-founder, member of the Global Executive Committee and, until 2012, Chairman of European Operations. He was Managing Director and founder of Granville Europe plc one of the first pan-European private equity funds. In addition, he was Chairman of the European Venture Capital Association.

Mr Singer is involved with several organisations within the arts and education sectors. He is a Trustee of the National Gallery, London, Chairman of City of London Sinfonia and Chairman of the National Youth Orchestra of Great Britain.

Mary Ann Sieghart A M N I

Senior Independent Director

Appointed to the Board 30 October 2019

Ms Sieghart is a Non-Executive Director of The Merchants Trust plc and the Guardian Media Group. Until 2022, she was the Chair of the Investment Committee of the Scott Trust, overseeing its £1.2bn endowment. In addition, she is a Trustee of the Kennedy Memorial Trust, among other voluntary posts.

Ms Sieghart is also a journalist, broadcaster and author of *The Authority Gap: Why Women Are Still Taken Less Seriously Than Men, and What We Can Do About It*. She was formerly Assistant Editor of *The Times*, a Lex columnist at the *Financial Times* and City Editor of *Today*. She is a Visiting Professor of King's College London and also spent the academic year 2018–19 as a Visiting Fellow of All Souls College, Oxford.

David Melvin A M N I

Audit Committee Chair

Appointed to the Board 23 February 2015

Mr Melvin is an investment and financial services professional with over 30 years of experience in investment banking and private equity. He is currently a senior adviser at Bixteth Partners Limited, a boutique advisory firm, Chairman of HBA Media Limited, Principal at 24 Haymarket Private Capital and a member of the Investment Committee of Gonville and Caius College, Cambridge.

Mr Melvin was formerly a Partner at TDR Capital, a European private equity firm, where he was a member of the Investment Committee and Head of Investor Relations. Prior to that, he spent 24 years at Merrill Lynch, where he held a number of leadership positions, including Global Co-Head of Financial Sponsors and Chairman of EMEA Financial Sponsors and Leverage Finance. He is a qualified Chartered Accountant.

Board of Directors

John Burgess

A M N I

Appointed to the Board 23 November 2016

Mr Burgess has over 20 years' experience within private equity, following eight years with the Boston Consulting Group in Paris and London, where he became a Partner.

Subsequently, he held senior roles with F&C Ventures Ltd and Candover Investments Plc before co-founding BC Partners (formerly Baring Capital Investors Ltd) in 1986, where he was a Managing Partner until 2005. While at BC Partners, he held directorships of a variety of companies across the UK and Continental Europe.

Since 2005, he has remained actively involved in private equity, as well as increasing his investment interests in the public markets. Mr Burgess is an Independent Member of the Governing Body of the Royal Academy of Music and was a Director of the Business Growth Fund Plc.

Dame Susan Owen DCB

A M N I

Appointed to the Board 31 October 2019

Dame Sue Owen is an economist with over 30 years' experience in government, including 14 years at the Treasury. She led the Department for Digital, Culture, Media and Sport from 2013 to 2019, having also worked in the British Embassy in Washington DC, No. 10, the Department of International Development and as Strategy Director General in the Department for Work and Pensions overseeing a £200bn budget. She has considerable experience of governance, advising Ministers on board and chair appointments including at the BBC, Ofcom and the Tate. She chaired the Civil Service Charity and was Civil Service Diversity Champion.

Currently, Dame Sue is chair of UK Debt Management Office Advisory Board, a specialist partner at Flint-Global and non executive Director at Pool Re, Serco plc and Methera Global Communications. In the not for profit space she Chairs the Royal Ballet Governors and is a trustee of Opera Holland Park.

Zoe Clements

A M N I

Appointed to the Board 5 July 2023

Ms Clements is an investment, private equity and finance professional with over 15 years of board experience, and over 25 years of executive experience, notably in a private equity context at leading firms including Palatine Private Equity, Electra Partners, LGV Capital and Royal Bank of Scotland.

She is a current Non-Executive Director of JPMorgan Emerging Markets Investment Trust plc and is also a Member of the Social Investment Advisory Committee of the Growth Impact Fund and a Trustee of the Money and Mental Health Policy Institute. She has previously sat on a range of consumer, retail, leisure, healthcare and professional services boards as a Non-Executive Director. She qualified as a Chartered Accountant with PwC.

Rahul Welde

A M N I

Appointed to the Board 25 July 2023

Mr Welde is a marketing and digital professional who spent almost 31 years in senior, international roles at Unilever. He is a current Non-Executive Director of Entain Plc and Parentinc Pte Ltd (Singapore), and is Chair of the Advisory Board of Migrant Leaders, a UK charity. He also serves in an advisory capacity to corporations and technology-led companies including those at the startup and scaleup stages.

KEY

- A Member of the Audit Committee
- M Member of the Management Engagement Committee
- N Member of the Nomination Committee
- I Independent of the Manager

Directors' Report

The Directors are pleased to present their report, together with the audited financial statements of the Company for the year ended 31 May 2023.

Directors

The names and full biographies of the Directors, as at the date of this report, can be found on pages 121 and 122. Sir Laurie Magnus CBE retired from the Board on 18 October 2022 and Ms Tamara Sakovska resigned from the Board with effect from 22 July 2022. Ms Zoe Clements and Mr Rahul Welde were appointed to the Board on 5 July 2023 and 25 July 2023 respectively, following the year end. As at 31 May 2023, the Board of Directors of the Company was comprised of three male Directors and two female Directors. As at the date of this report, the Board was comprised of four male and three female Directors.

All Directors will retire and stand for re-election or election at the Company's Annual General Meeting ("AGM") on 19 October 2023. Further details regarding the selection and appointment of Directors, including the Company's position on diversity, can be found on pages 133 and 134.

The rules concerning the appointment and replacement of Directors are set out in the Company's Articles of Association. There are no agreements between the Company and its Directors concerning any compensation for their loss of office.

Articles of Association

Any amendments to the Articles of Association must be made by special resolution at a general meeting of the shareholders.

Share Capital

The rights attaching to the Company's shares are set out in the Company's Articles of Association. Further details can be found in Note 15 of the financial statements.

Authorities given to the Directors at the AGM on 18 October 2022 to allot shares, disapply statutory pre-emption rights and buy back shares will expire at the forthcoming AGM. In order to take advantage of the investment opportunity offered by the discount to NAV on the shares, during the year 7,600,183 shares, representing 1.4% of the called-up share capital and a nominal value of £509,212.26, were bought back for an aggregate amount of £19,558,638 and subsequently cancelled. As at 31 May 2023, authority to buy back a further 78,872,351 shares remained.

As at 31 May 2023 and as at the date of this Report, the Company had shares in issue as shown in the table below, all of which were listed on the official list maintained by the Financial Conduct Authority ("FCA") and admitted to trading on the London Stock Exchange. No shares were held in Treasury at the year end.

The Company's ordinary shares are freely transferable. However, the Directors may refuse to register a transfer of shares held in certificated form which are not fully paid unless the instrument of transfer is (i) lodged, duly stamped at the Company's registered office, accompanied by the relevant share certificate(s) and such other evidence (if any) as the Directors may reasonably require to show the right of the transferor to make the transfer and (ii) not in favour of more than four persons jointly. The Directors may decline to register a transfer of an uncertificated share in the circumstances set out in the Uncertified Securities Regulations 2001 and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four. If the Directors decline to register a transfer, they are required to send notice of the refusal to the transferee within two months, giving reasons for their decision.

Unless the Directors determine otherwise, a holder of ordinary shares will cease to be entitled to attend or vote at general meetings of the Company or on any poll if he/she fails to comply with a request by the Company to provide details of any interest held by any person in his/her ordinary shares within 14 days of the request being made. Additionally, if the shares represent at least 0.25%, any dividends payable in respect of the shares will be withheld by the Company and no transfers of any of the shares held in certified form will be registered unless the shareholder is not him/herself in default as regards supplying the information required (and the Directors are satisfied that no person in default as regards supplying such information is interested in any of the shares that are subject of the transfer) or unless the transfer arises as a result of the acceptance of a takeover offer or a sale made through a recognised investment exchange (or any other stock exchange outside the UK on which the Company's shares are normally traded) or is a transfer which the Directors are satisfied is made in consequence of a sale of the entire beneficial interest in the shares to a person who is unconnected with the shareholder and with any other person appearing interested in the shares.

The Company's Articles of Association contain additional provisions enabling the Directors to take certain steps where ordinary shares are or may be owned, or rights attaching to such shares may be exercised, by persons in circumstances which the Directors determine would give rise to a regulatory burden under certain US securities, investment and pension laws and regulations.

Share capital and voting rights at 31 May 2023

	Number of shares in issue	Voting rights attached to each share	Number of shares held in Treasury
Ordinary shares of 6.7p each	529,893,457	1	–
Total voting rights	529,893,457		

Directors' Report

Save as described above, there are no restrictions concerning the transfer of securities in the Company or on voting rights; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.

The giving of authority to issue or buy back the Company's shares requires an appropriate resolution to be passed by shareholders. Proposals for the renewal of the Board's current authorities to issue and buy back shares will be set out in the separate 2023 AGM Notice.

Dividends

No final dividend is being recommended.

Investment Trust Status

The Company has received written approval from HM Revenue & Customs ("HMRC") as an authorised investment trust under Section 1158 of the Corporation Tax Act 2010. The Directors are of the opinion that the Company has conducted its affairs in compliance with such approval and intends to continue doing so.

Financial risk management

The principal financial risks and the Company's policies for managing these risks are set out in Note 21 to the financial statements (on pages 172 to 175).

Management

The Company entered into a Management Agreement with the Company's investment manager, Pantheon Ventures (UK) ("Pantheon Ventures"), on 22 July 2014, under which Pantheon Ventures was appointed as the Company's Alternative Investment Fund Manager ("AIFM") on the terms of and subject to the conditions of a new investment Management Agreement (the "Management Agreement") between the Company and Pantheon Ventures. Pantheon Ventures, which is part of the Pantheon Group, has been approved as an AIFM by the FCA.

The Pantheon Group is one of the world's foremost private equity fund investors and has acted as Manager to the Company since the Company's inception in 1987.

Affiliated Managers Group, Inc. ("AMG"), alongside senior members of the Pantheon team, acquired the Pantheon Group in 2010. The ownership structure, with Pantheon senior management owning a meaningful share of the equity in the business, provides a framework for long-term succession and enables Pantheon management to continue to direct the firm's day-to-day operations. AMG is a global asset management company with equity investments in leading boutique investment management firms.

Under the terms of the Management Agreement, Pantheon Ventures has been appointed as the sole and exclusive discretionary manager of all the assets of the Company and to provide certain additional services in connection with the management and administration of the Company's affairs, including monitoring the performance of, and giving instructions on behalf of the Company to, other service providers to the Company.

The Company entered into a Supplemental Agreement with Pantheon Ventures on 18 April 2017 to align the Management Agreement with the change to the Company's accounting reference date from 30 June to 31 May of each year.

The Manager is entitled to a monthly management fee as at an annual rate of:

(i) 1.5% on the value of the Company's investment assets up to £150m; and

(ii) 1% on the value of such assets in excess of £150m.

In addition, the Manager is entitled to a monthly commitment fee of 0.5% per annum on the aggregate amount committed (but unpaid) in respect of investments, up to a maximum amount equal to the total value of the Company's investment assets.

The arrangements in respect of the management fee and notice period are materially unchanged.

The Manager is entitled to a performance fee from the Company in respect of each 12-month calendar period. No performance fee is payable in respect of the year ended 31 May 2023 (period ended 31 May 2022: £nil). Further detail as to how the performance fee is calculated is set out below.

The performance fee payable in respect of each such calculation period is 5% of the amount by which the net asset value at the end of such a period exceeds 110% of the applicable "high-water mark", i.e., the net asset value at the end of the previous calculation period in respect of which a performance fee was payable, compounded annually at 10% for each subsequent completed calculation period up to the start of the calculation period for which the fee is being calculated. For the calculation year ended 31 May 2023, the notional performance fee hurdle is a net asset value per share of 510.7p.

The performance fee is calculated so as to ignore the effect on performance of any performance fee payable in respect of the period for which the fee is being calculated or of any increase or decrease in the net assets of the Company resulting from any issue, redemption or purchase of any shares or other securities, the sale of any treasury shares or the issue or cancellation of any subscription or conversion rights for any shares or other securities and any other reduction in the Company's share capital or any distribution to shareholders.

The value of investments in, and outstanding commitments to, investment funds managed or advised by the Pantheon Group ("Pantheon Funds") are excluded in calculating the monthly management fee and the commitment fee. In addition, the Manager has agreed that the total fees (including performance fees) payable by Pantheon Funds to members of the Pantheon Group and attributable to the Company's investments in Pantheon Funds shall be less than the total fees (excluding the performance fee) that the Company would have been charged under the Management Agreement had it invested directly in all of the underlying investments of the relevant Pantheon Funds instead of through the relevant Pantheon Funds.

The Management Agreement is capable of being terminated (without penalty to the Company) by either party giving two years' notice in writing. It is capable of being terminated by the Company (without penalty to the Company) immediately if, among other things, the Manager materially breaches its obligations (and cannot or does not remedy the breach) or goes into liquidation, and on six months' notice if there is a change of control of the Manager or if certain "key man" provisions are triggered. The Manager has the benefit of an indemnity from the Company in respect of liabilities arising out of the proper performance by the Manager of its duties and compliance with instructions given to it by the Board and an exclusion of liability save to the extent of any negligence, fraud, wilful default or breach of duty.

Pantheon Ventures sources, evaluates and manages investments on the Company's behalf, allocating investments to the Company, in accordance with Pantheon's investment allocation policy, that are in line with the strategy agreed with the Board and the Company's investment objective and policy.

Under the terms of the Management Agreement, the Company is entitled to participate in allocations made by the Pantheon Group under its secondary investment programme, in accordance with the allocation basis agreed from time to time between the Company and the Manager.

An alternative basis for the allocation to the Company of secondary investment opportunities may be applied by Pantheon in the context of a successor fund to Pantheon Global Secondary Fund VI. In the event of Pantheon and the Company being unable to agree any such alternative allocation basis, Pantheon will cease to be entitled to any performance fee for calculation periods following that in which the alternative allocation basis takes effect and the Company will be entitled to terminate the Management Agreement (without penalty to the Company) on six months' notice.

Continuing appointment of the Manager

The Board keeps the performance of the Manager 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 ongoing review of the Manager includes activities and performance over the course of the year and review against the Company's peer group. The Board is of the opinion that it is in the interests of shareholders as a whole to continue the appointment.

The reasons for this view are that the investment performance is satisfactory and the Manager is well placed to continue to manage the assets of the Company according to the Company's strategy. Further details of the Board's engagement with the Manager is set out on page 130.

Other service providers

Administrative, accounting and company secretarial services are provided by Link Alternative Fund Administrators Limited. The Administration Agreement may be terminated with 12 months' written notice.

The Board has also appointed BNP Paribas Trust Corporation UK Limited (previously BNP Paribas Securities Services, London Branch) to act as the Company's Depositary (as required by the AIFM Directive) (the "Depositary") subject to the terms and conditions of a Depositary Agreement, as updated in 2022 by a Deed of Novation and Amendment, entered into between the Company, the AIFM and the Depositary. BNP Paribas Trust Corporation UK Limited have also been appointed as Custodian. Full details of the Board's engagement with service providers are set out on page 134.

Related party transactions

Related party transactions are disclosed in Note 22 to the financial statements.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance, and financial position, are set out in the Strategic Report and Manager's Review.

The Directors have made an assessment of the going concern, taking into account both the Company's financial position at the Balance Sheet date and the expected performance of the Company, considering the recent banking crisis, the geopolitical uncertainties as a result of the Russia – Ukraine conflict, including the disruption to the global supply chain, the combination of rising inflation, interest rates and the impact of climate change driven by changes in regulations, using the information available up to the date of issue of the financial statements.

Directors' Report

The Directors have also considered the Company's position with reference to its investment trust structure, its business model, its business objectives, the principal risks and uncertainties as detailed on pages 44 to 48 of this report and its present and projected financial position. The Directors have considered the impact of the intended one-off £200million share buyback in the year ending 31 May 2024 and the impact of a further "automatic" share buyback programme, the amount of which will be determined by net portfolio inflows and the prevailing level of discount. As part of the overall assessment, the Directors have taken into account the Manager's culture, which emphasises collaboration and accountability, the Manager's conservative approach to balance sheet management, and its emphasis on investing with underlying private equity managers that are focused on market outperformance.

At each Board meeting, the Directors review the Company's latest management accounts and other financial information. The Company's commitments to private equity investments are reviewed, together with its financial resources, including cash held and its borrowing capability. One-year cash flow scenarios are also presented and discussed at each meeting.

PIP's Balance Sheet is managed to ensure that the Company can finance its undrawn commitments, which are carefully controlled relative to its assets and available liquidity. This disciplined approach enables the Company to withstand periods of volatility such as those experienced as a result of the ongoing Russia-Ukraine conflict.

The Directors have considered downside liquidity modelling scenarios with varying degrees of decline in investment valuations, decreased investment distributions, and increased call rates, with the worst being an extreme downside scenario representing an impact to the portfolio that is worse than that experienced during the 2008-2009 global financial crisis.

In the event of a downside scenario, PIP can take steps to limit or mitigate the impact on the Balance Sheet, namely drawing on the credit facility and pausing on new commitments. In addition, subject to the prevailing market environment, it could raise additional credit or capital, and sell assets to increase liquidity and reduce outstanding commitments.

After due consideration of the Balance Sheet, activities of the Company, its assets, liabilities, commitments and financial resources, the Directors have concluded that the Company has adequate resources to continue in operation for at least 12 months from the approval of the financial statements for the year ended 31 May 2023. For this reason, they consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

Shareholdings

As at 31 May 2023, the Company's top ten shareholders were:

Name	Shareholding	% of total voting rights
USS Investment Management Ltd	44,102,280	8.32
Esperides S.A. Sicav-SIF	31,101,440	5.87
Quilter Investors	27,925,368	5.27
Rathbones	24,608,759	4.64
Quilter Cheviot Investment Management	19,556,226	3.69
Investec Wealth & Investment	19,548,602	3.69
West Midlands PF	17,551,940	3.31
Interactive Investor	16,964,199	3.20
Hargreaves Lansdown	16,378,037	3.09
Border to Coast Pensions Partnership	16,362,875	3.09

Major interests in shares

As at 31 May 2023, the Company had received notification of the following disclosable interests in the voting rights of the Company. This information was correct at the date of notification. It should be noted that these holdings may have changed since notified to the Company and may not therefore be wholly accurate statements of actual holdings as at 31 May 2023. However, notification of any change is not required until the next applicable threshold is crossed:

	Number of shares held	% of total voting rights
Quilter Plc	51,725,446	9.74
APG Asset Management	21,269,413	3.96
AVI Global Trust Plc	15,905,032	3.00
Australian Retirement Trust Pty Ltd	15,223,782	2.83

Subsequent to the financial year end, USS Investment Management Ltd notified the Company that it had reduced its holding to 7.41% and Quilter Plc notified the Company that it had reduced its holding to 8.38%. No other changes have been notified.

Corporate Governance

The Board consists solely of Non-Executive Directors and no one individual has unfettered powers of decision. The Board has put in place levels of corporate governance which it believes are appropriate for an investment trust and to enable the Company to comply with the AIC Code of Corporate Governance (the "AIC Code") published in February 2019. The Board's compliance with the AIC Code is detailed in the Statement on Corporate Governance.

The Company's Statement on Corporate Governance, which forms part of this Directors' Report, is set out on pages 128 to 134 and on its website (www.piplc.com).

Greenhouse gas emissions

All of the Company's activities are outsourced to third parties. As such it does not have any physical assets, property, employees or operations of its own and does not generate any greenhouse gas or other emissions or consume any energy 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. Under Listing Rule 15.4.29(R), the Company, as a closed ended investment fund, is currently exempt from complying with the Task Force on Climate-related Financial Disclosures.

Further details of the Investment Manager's approach to responsible investment practices and ESG standards can be found in the Strategic Report on pages 16 to 17.

Modern Slavery Act

In 2015, the UK Government introduced the Modern Slavery Act ("the Act"). As an Investment Trust, the Company does not provide goods or services in the normal course of business, and does not have employees, customers or turnover. Accordingly, the Directors consider that the Company is not in scope because it does not have turnover and is therefore not required to make any slavery or human trafficking statement under the Act. The Company's own supply chain, which consists predominately of professional advisers and service providers in the financial services industry, is considered to be low risk in relation to this matter. Details of the Investment Manager's approach to Modern Slavery can be found in the ESG Q&A on page 80 and on its website (www.piplc.com).

Donations

The Company made no political or charitable donations during the year (2022: £nil).

Future developments

The outlook for the Company is set out in the Chair's Statement on pages 20 to 25.

Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross-reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard.

Annual General Meeting ("AGM")

The Company's AGM will be held on 19 October 2023, and explanations of the business proposed at the AGM will be set out in a separate Notice of Meeting.

Audit information

The Directors who held office at the date of approval of the Report of the Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all reasonable steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Approval

The Directors' Report has been approved by the Board.

On behalf of the Board

JOHN SINGER CBE
Chair

2 August 2023

Statement on Corporate Governance

Introduction from the Chair

I am pleased to introduce this year's Corporate Governance Statement. In this statement, the Company reports on its compliance with the AIC Code of Corporate Governance (the "AIC Code") and sets out how the Board has operated during the past year. The AIC Code, as published in February 2019, sets out principles and provisions regarding matters including stakeholder engagement and the culture of the Company, against which the Company has reported in the Strategic Report. The Company is committed to maintaining the highest standard of corporate governance and the Directors are accountable to shareholders for the governance of the Company's affairs.

Statement of compliance

This statement, together with the Statement of Directors' Responsibilities on page 141, indicates how the Company has applied the principles of recommended governance of the Financial Reporting Council's ("FRC") 2018 UK Corporate Governance Code (the "UK Code") and the AIC Code issued in 2019, which complements the UK Code and provides a framework of best practice for investment trusts.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to shareholders and that by reporting against the AIC Code the Company has met its obligations in relation to the UK Code and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules.

The UK Code is available on the FRC website (www.frc.org.uk). The AIC Code is available on the AIC website (www.theaic.co.uk) and includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

Throughout the year ended 31 May 2023, the Company complied with the principles and provisions of the AIC Code which incorporates the UK Code. The Board attaches great importance to the matters set out in the UK Code and strives to apply its principles in a manner that would enable shareholders to evaluate how the principles have been applied. However, it should be noted that where the principles and provisions are related to the role of the Chief Executive, Executive Directors' remuneration and the establishment of a Remuneration Committee, the Board considers these principles and provisions not relevant as Pantheon International Plc is an externally managed Company with an entirely Non-Executive Board, no employees or internal operations.

The principles of the AIC Code

The AIC Code is made up of 17 principles split into five sections covering:

- Board leadership and purpose;
- Division of responsibilities;
- Composition, succession and evaluation;
- Audit, risk and internal control; and
- Remuneration.

Details of how the Company has applied the principles of the AIC Code are set out in this report.

Viability Statement

The Viability Statement can be found on page 54.

The Board of Directors

At the start of the year under review, the Board consisted of seven Non-Executive Directors (four male and three female). Following Ms Sakovska's resignation in July 2022, the Board consisted of six Non-Executive Directors (four male and two female) and since Sir Laurie Magnus' retirement in October 2022, the Board consisted of five Non-Executive Directors (three male and two female). The Company has no employees. The Board is responsible for all matters of direction and control of the Company.

The Board seeks to ensure that it has the appropriate balance of skills, experience, ages and lengths of service among its members. The Directors possess a wide range of business and financial expertise relevant to the direction of the Company, and consider themselves as committing sufficient time to the Company's affairs.

Brief biographical details of the Directors, including details of their other directorships and significant commitments, can be found on pages 121 and 122.

The appointment of a new Director is always made on the basis of a candidate's merits and the skills/experience identified by the Board as being desirable to complement those of the existing Directors. The Board acknowledges the benefits of greater diversity, including gender and ethnic diversity, and the Board remains committed to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives. A formal process exists for the selection of new Directors to the Company, and the level of remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company.

A formal induction process has been established for new Directors which involves the provision of a full induction pack containing relevant information about the Company. On appointment to the Board, Directors are fully briefed as to their responsibilities and are given the opportunity to talk to the relevant executive members of the Manager throughout their terms in office.

The terms and conditions of the appointment of the Non-Executive Directors are set out in letters of appointment, copies of which are available for inspection at the registered office of the Company and will be available at the AGM. None of the Directors has a contract of service with the Company.

Further details on the Company's purpose, culture and values can be found in the Strategic Report on page 31.

Board and Committee meeting attendance

The Board has at least six scheduled meetings a year, and more if required. Directors' attendance at scheduled Board and Committee meetings held during the year to 31 May 2023 is set out on page 129 below.

Performance evaluation

During the year, in order to review the effectiveness of the Board as a whole, its Committees and individual Directors, an internal performance evaluation was carried out by the Company Secretary. Led by the Senior Independent Director, the evaluation was conducted using tailored questionnaires structured to analyse Directors' feedback on Board composition and effectiveness, the Board's performance in relation to shareholder relations and value, governance, the efficiency of Board and Committee meetings, and to assess whether the operation of such meetings was appropriate, as well as any additional information that may be required to facilitate better Board discussions. Responses were collated by the Company Secretary. The independence of the Directors and their ability to commit sufficient time to the Company's activities was considered as part of the evaluation process. The performance of the Chair was similarly evaluated by the other Directors.

Following conclusion of the review, the Company Secretary provided a report on the outcome of the evaluation, a summary of strengths and areas for development and feedback on how the Board could improve in each area of assessment. The report from the Company Secretary was reviewed by the Nomination Committee as part of its assessment of Board performance.

The results of the evaluation process indicated that the Board continues to work well and there are no significant concerns among the Directors about the Board's effectiveness. The resulting actions agreed by the Directors will be monitored during the 2023–24 financial year.

As a result of the evaluation, the Board is satisfied that all the current Directors contribute effectively and have the skills and experience relevant to the leadership and direction of the Company.

Insurance and indemnity provisions

The Board has formalised arrangements under which the Directors, in the furtherance of their duties, may take independent professional advice at the Company's expense. The Company has arranged a Directors' and Officers' liability insurance policy which includes cover for legal expenses.

The Company's Articles of Association 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 of trust. In addition, under the terms of appointment of each Director, the Company has agreed, subject to the restrictions and limitations imposed by statute and by the Company's Articles of Association, to indemnify each Director against all costs, expenses, losses and liabilities incurred in execution of his/her office as Director or otherwise in relation to such office. Save for such indemnity provisions in the Company's Articles of Association and in the Directors' terms of appointment, there are no qualifying third-party indemnity provisions in force.

Chair and Senior Independent Director

The Chair leads the Board and is responsible for its overall effectiveness in directing the affairs of the Company. The Board appointed John Singer CBE as Chair of the Company at the conclusion of the Company's AGM in 2022. John Singer CBE was deemed to be independent at the time of his appointment and, in line with the guidelines of the AIC Code of Corporate Governance, continues to be considered independent. He considers himself to have sufficient time to commit to the Company's affairs. He has no significant commitments other than those disclosed in his biography on page 121.

Board and Committee meeting attendance

● Meetings attended ● Meetings not attended	Scheduled Board meetings	Audit Committee meetings	Management Engagement Committee meetings	Nomination Committee meetings
J.B.H.C.A. Singer CBE[1]	●●●●●●	●●●●	●	●●
D.L. Melvin	●●●●●●	●●●●	●	●●
J.D. Burgess[2]	●●●●●●	●●●●	●	●●
M.A. Sieghart	●●●●●●	●●●●	●	●●
Dame Sue Owen DCB	●●●●●●	●●●●	●	●●
Sir Laurie Magnus CBE[3]	●●●	●●	●	●●
T. Sakovska[4]	●●	●●	N/A	N/A

1 Mr Singer CBE was unable to attend the Management Engagement Committee and Nomination Committee meetings, which were rescheduled, due to a previous commitment.

2 Mr Burgess was unable to attend the Board meeting held on 18 October 2022, ahead of the Annual General Meeting.

3 Sir Laurie Magnus CBE retired from the Board on 18 October 2022.

4 Ms Sakovska resigned from the Board on 22 July 2022.

As well as those meetings detailed in the table above, additional meetings were held during the year to approve the NAV, to approve the final versions of the Annual and Half-Year Reports, to receive Ms Sakovska's resignation, to conduct interviews with candidates, to discuss strategy and to discuss the Company's commitment to PSOF II and appoint an external adviser in relation to this. A Finance Sub-Committee of the Board, comprising Messrs Singer, Melvin and Burgess, was established to discuss PIP's credit facility requirements and to make recommendations to the Board. This Sub-Committee met three times during the year under review.

Statement on Corporate Governance

Ms Mary Ann Sieghart was appointed Senior Independent Director of the Company at the conclusion of the Company's AGM in 2021. She provides a channel for any shareholder concerns regarding the Chair and leads the Chair's annual performance evaluation.

Directors' independence

In accordance with the Listing Rules that apply to closed-ended investment entities, and taking into consideration the AIC Code, the Board has reviewed the status of its individual Directors and the Board as a whole.

All Directors were considered independent of the Investment Manager at the time of their appointment and, in line with the guidelines of the AIC Code of Corporate Governance, all continue to be considered independent.

Chair and Director tenure/ re-appointment of Directors

Following the Company's inclusion in the FTSE 250 Index and in accordance with the AIC Code, the Board has determined that its policy on the tenure of the Chair and the Directors is that the Chair and all Directors will be subject to annual re-election at each AGM. Accordingly, resolutions to elect or re-elect all Directors are contained within the 2023 AGM Notice of Meeting.

Board responsibilities and relationship with the Manager

The Board is responsible for the determination and implementation of the Company's investment policy and for monitoring compliance with the Company's objectives. At each Board meeting, the Directors follow a formal agenda to review the Company's investments and all other important issues, such as asset allocation, gearing policy, corporate strategic issues, cash management, peer group performance, marketing and shareholder relations, investment outlook and pacing, revenue forecasts and outlook, to ensure that control is maintained over the Company's affairs. The Board regularly considers its overall strategy and monitors the share price and level of discount.

The Board is responsible for the strategic and operational decisions of the Company and for ensuring that the Company is run in accordance with all regulatory and statutory requirements. These procedures have been formalised in a schedule of matters reserved for decision by the full Board, which has been adopted for all meetings. These matters include:

- The maintenance of clear investment objectives, investment strategy and risk management policies, changes to which require Board approval;
- The monitoring of the business activities of the Company, including investment performance and annual budgeting; and
- Review of matters delegated to the Manager, Administrator or Company Secretary.

The management of the Company's assets is delegated to Pantheon. At each Board meeting, representatives of Pantheon are in attendance to present verbal and written reports covering its activities, the portfolio and investment performance over the preceding period. Ongoing communication with the Board is maintained in between formal meetings. The Manager ensures that Directors have timely access to all relevant management, financial and regulatory information to enable informed decisions to be made and contacts the Board as required for specific guidance on particular issues. Pantheon has discretion to manage the assets of the Company in accordance with the Company's investment objectives and policies, subject to certain additional investment restrictions (which may be amended by the Company from time to time with the consent of the Manager). The additional investment restrictions currently imposed on the Manager are as follows:

- At the time of making an investment, the aggregate of all amounts committed by the Company in respect of investments (excluding all amounts paid pursuant to such commitments and including any such commitments in respect of the investment to be made) shall not exceed 300% of the available cash and loan resources of the Company without the prior approval of the Board.
- No direct or indirect investment in a single company shall form more than 5% of the gross value of the Company at the time the investment is made.
- The amount invested (including amounts committed for investment) in respect of a single fund shall not exceed 10% of the aggregate of the gross asset value of the Company and the aggregate outstanding investment commitments of the Company at the time the investment is made.
- The prior approval of the Board is required for an investment (including investment commitments) in respect of a single secondary interest in an existing fund or a portfolio of secondary interests in existing funds and/or direct investments in one or more companies exceeding 3% of the net asset value of the Company at the time the investment is made.
- The prior approval of the Board is required for a direct investment in a single company exceeding 1% of the net asset value of the Company at the time the investment is made.

The Manager has also agreed that it will obtain the prior approval of the Board in relation to any primary investment in a new fund which is made otherwise than on a pro-rata basis with other Pantheon clients investing in the same fund and in relation to any investment in a vehicle managed by a member of the Pantheon Group, other than holding, special purpose and feeder vehicles where no fee is charged by the Pantheon Group.

The Board determines the parameters of investment strategy and risk management policies within which the Manager can exercise judgement and sets the investment and risk management strategies in relation to currency exposure. The Company Secretary and Manager prepare briefing notes for Board consideration on matters of relevance, for example changes to the Company's economic and financial environment, statutory and regulatory changes and corporate governance best practice.

Institutional investors – use of voting rights

The Company has delegated the exercise of its voting rights to the Manager. Pantheon has a policy of advising its clients to vote on all corporate actions in relation to investments and does this on behalf of the Company. Pantheon consults with the Directors of the Company in the case of any corporate action where either there is a conflict of interest between PIP and other Pantheon clients, or where for any reason the proposed voting is inconsistent with the advice given to Pantheon's other clients.

Conflicts of interest

The Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. There is in place a formal system for the Board to consider authorising such conflicts, whereby the Directors who have no interest in the matter decide whether to authorise the conflict and any conditions to be attached to such authorisations. The process in place for authorising potential conflict of interest has operated effectively during the year.

The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate in the circumstances. A register of potential conflicts is maintained by the Company Secretary and is reviewed at each Board meeting, to ensure that any authorised conflicts remain appropriate. Directors are required to confirm at these meetings whether there has been any change to their position.

The Directors must also comply with the statutory rules requiring company directors to declare any interest in an actual or proposed transaction or arrangement with the Company.

The above process for authorising potential conflicts of interest has operated effectively during the year.

Committees of the Board

The Board has appointed a number of Committees, as set out below, to which certain Board functions have been delegated. Each of these Committees has formal written terms of reference which clearly define their responsibilities, and these can be inspected at the registered office of the Company and viewed on the Company's website (www.piplc.com).

Audit Committee

The Audit Committee comprises the whole Board. Mr David Melvin, who is the Chair of the Audit Committee, is a qualified Chartered Accountant and contributes his knowledge and experience to the Audit Committee. It is felt by the Committee that he is sufficiently qualified for the position of Chair of the Audit Committee.

Mr John Singer CBE is an investment and financial professional with over 30 years of experience in private equity, and it is considered appropriate for the Chair of the Company to be a member of the Audit Committee as he provides a valuable contribution to the deliberations of the Committee.

The Audit Committee met on four occasions during the year ended 31 May 2023. It is intended that the Committee will continue to meet at least four times, to review the Half-Yearly Report, to review the year-end valuation of investments and to approve the Company's Annual Report and Accounts.

The Report of the Audit Committee can be found on page 135.

Management Engagement Committee

The Management Engagement Committee comprises all the Directors and is chaired by Mr John Singer CBE. The Management Engagement Committee met on one occasion during the year under review.

The Board keeps the performance of the Manager under continual review. In addition, in accordance with the requirements of the AIC Code, the Management Engagement Committee reviews the performance of the Manager's obligations under the Management Agreement and considers the need for any variation to the terms of this Agreement on an annual basis.

The Management Engagement Committee then makes a recommendation to the Board about the continuing appointment of the Manager under the terms of the Management Agreement.

The Management Engagement Committee also reviews annually the performance of the Company Secretary, the Custodian, the Depositary and the Registrar and any matters concerning their respective agreements with the Company.

Statement on Corporate Governance

Nomination Committee

The Nomination Committee comprises all Directors and is chaired by Mr John Singer CBE, except when the succession of the Chair is being considered.

The role of the Nomination Committee is to undertake the formal process of reviewing the balance, effectiveness and diversity of the Board and to consider succession planning, identifying the skills and expertise needed to meet the future challenges and opportunities facing the Company, and those individuals who might best provide them. The Nomination Committee, as and when necessary, makes recommendations to the Board with regard to the criteria for future Board appointments and the methods of selection. It also considers and reviews the appointment of a Senior Independent Director, membership of the Board's Committees, and the re-appointment of those Directors standing for re-election at AGMs.

In addition, the Nomination Committee is responsible for assessing the time commitment required for each Board appointment and ensuring that the present incumbents have sufficient time to devote to their role, and for reviewing the Directors' performance appraisal process.

As part of ongoing succession planning, the Nomination Committee ensures that all Board appointments are subject to a formal, rigorous and transparent procedure. The Company seeks to ensure that any Board vacancies are filled by the most qualified candidates based on objective criteria and merit and in the context of the skills, knowledge and experience that are needed for the Board to be effective. The Board supports diversity and inclusion at Board level and encourages candidates from all educational backgrounds and walks of life.

During the year, the Nomination Committee reviewed PIP's Diversity Policy and satisfied itself that the Board has a balance of skills, qualifications and experience which are relevant to the Company. As part of ongoing succession planning, Sapphire Partners, an independent external consultancy with no connection to the Company, was engaged to assist with the search for candidates in order to appoint two new Directors. The search requirements included a preference for a diverse range of candidates, including Chartered Accountants, and preferably with a strong background in private equity or marketing. Following this process, the Nomination Committee recommended to the Board the appointments of Ms Zoe Clements and Mr Rahul Welde. After due consideration Ms Clements was appointed to the Board with effect from 5 July 2023 and Mr Welde with effect from 25 July 2023, being the strongest candidates with relevant knowledge, qualifications and experience.

The Board acknowledges and welcomes the recommendations from the Hampton-Alexander Review on gender diversity on boards and the Parker Review regarding ethnic representation on boards. The Hampton-Alexander Review recommended a minimum of 40% female representation on all FTSE 350 companies by the end of 2025. PIP met this recommendation during the year, having 40% women on the Board as at 31 May 2023. In regard to the Parker Review, it is recommended that by December 2024 all FTSE 350 companies have a person from a minority ethnic group on its Board.

Gender identity or sex	Number of Board members	Percentage on the Board	Number of senior positions on the Board[1]
Men	3	60	1
Women	2	40	1
Not specified/prefer not to say	–	–	–

Ethnic background	Number of Board members	Percentage on the Board	Number of senior positions on the Board[1]
White British or other White (including minority white groups)	5	100	2
Mixed/Multiple Ethnic Groups	0	0	0
Asian/Asian British	0	0	0
Black/African/Caribbean/Black British	0	0	0
Other ethnic group, including Arab	0	0	0
Not specified/prefer not to say	0	0	0

1 Listing Rule 9.8.6(9) includes only the positions of chair, chief executive, senior independent director and chief financial officer in this category. As the Company is an externally managed investment trust without employees, the Company considers the position of Audit Committee Chair as a senior position in addition to those reported above. This senior role is currently performed by a man.

The data in the above tables was collected through self-reporting by the Directors, who were asked to indicate which of the categories specified in the prescribed tables were most applicable to them.

Further information regarding diversity and inclusion at Pantheon can be found on page 41.

The Board also notes the new FCA rules on diversity and inclusion on company boards, namely that from accounting periods commencing on or after 1 April 2022 included in Listing Rule 9.8.6 (9-11):

- At least 40% of individuals on the Board to be women;
- At least one senior Board position to be held by a woman; and
- At least one individual on the Board to be from a minority ethnic background.

While all appointments to the Board are made on merit, the Board supports the recommendation to have ethnic representation on the Board, and as such this was integral to the Board's considerations during the recruitment carried out in the year. The resulting appointments following year end increased the Board's gender and ethnic diversity. The Board is expecting to be able to report compliance with the recommendations of the Parker Review and each of the three diversity targets set in the Listing Rules in the 2024 Annual Report.

In accordance with Listing Rule 9 Annex 2.1, the tables on the previous page, in prescribed format, show the gender and ethnic backgrounds of the Directors at the year end.

Remuneration Committee

As the Company has no employees and the Board is composed solely of Non-Executive Directors, it is not considered necessary to have a Remuneration Committee. Led by the Senior Independent Director, it is the responsibility of the Board as a whole to determine and approve Directors' fees, following proper consideration and having regard to the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities, the time committed to the Company's affairs and remuneration levels generally within the investment trust sector. Each Director takes no part in discussions concerning their own remuneration.

Detailed information on the remuneration arrangements for the Directors of the Company can be found in the Directors' Remuneration Report on pages 138 to 140.

Internal control review

The Directors acknowledge that they are responsible for the Company's risk management and systems of internal control and for reviewing their effectiveness.

An ongoing process, in accordance with the guidance provided by the FRC on risk management, internal control and related finance and business reporting, has been established for identifying, evaluating and managing risks faced by the Company. This process, together with key procedures established with a view to providing effective financial control, has been in place throughout the year and up to the date the financial statements were approved. Full details of the principal risks and uncertainties faced by the Company can be found on pages 44 to 48.

The risk management process and systems of internal control are designed to manage, rather than eliminate, the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable, rather than absolute, assurance against material misstatement or loss.

Internal control assessment process

Regular risk assessments and reviews of internal controls and the Company's risk appetite are undertaken by the Board in the context of the Company's overall investment objective. The Board, through delegation to the Audit Committee, has carried out a robust assessment and review of the emerging and principal risks facing the Company. The review covers the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of what risks the Company faces, the Board has considered the Company's operations in the light of the following factors:

- The nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective:
  - The threat of such risks becoming a reality;
  - The Company's ability to reduce the incidence and impact of risk on its performance;
  - The cost to the Company and benefits related to the review of risk and associated controls of the Company; and
  - The extent to which third parties operate the relevant controls. Against this background, the Board has split the review into four sections reflecting the nature of the risks being addressed.

The sections are as follows:

- Corporate strategy;
- Published information and compliance with laws and regulations;
- Relationship with service providers; and
- Investment and business activities.

Given the nature of the Company's activities and the fact that most functions are sub-contracted, the Directors have obtained information from key third-party suppliers regarding the controls operated by them. To enable the Board to make an appropriate risk and control assessment, the information and assurances sought from third parties include the following:

- Details of the control environment;
- Identification and evaluation of risks and control objectives;
- Assessment of the communication procedures; and
- Assessment of the control procedures operated.

Statement on Corporate Governance

- There were no significant matters of concern identified in the Board's review of the internal controls of its third-party suppliers.

The key procedures which have been established to provide effective internal financial controls are as follows:

- Investment management is provided by Pantheon Ventures (UK) LLP. The Board is responsible for the implementation of the overall investment policy and monitors the actions of the Manager at regular Board meetings.
- BNP Paribas Trust Corporation UK Limited (previously BNP Paribas Securities Services, London Branch) has been appointed as Depositary. Custody of assets is also undertaken by BNP Paribas Trust Corporation UK Limited as the Company's Custodian for equities and bonds.
- The provision of administration, accounting and Company secretarial duties is the responsibility of Link Alternative Fund Administrators Limited.
- The provision of services provided by Link Market Services as Registrar of the Company.
- The duties of investment management, accounting and custody of assets are segregated. The procedures of the individual parties are designed to complement one another.
- The Directors of the Company clearly define the duties and responsibilities of their agents and advisers in the terms of their contracts. The appointment of agents and advisers is conducted by the Board after consideration of the quality of the parties involved; the Board, via the Management Engagement Committee, monitors their ongoing performance and contractual arrangements.
- Mandates for authorisation of investment transactions and expense payments are set by the Board.
- The Board reviews detailed financial information produced by the Manager and the Administrator on a regular basis.

The Company does not have an internal audit function. All of the Company's management functions are delegated to independent third parties whose controls are reviewed by the Board. It is therefore felt that there is no need for the Company to have an internal audit function. This need is reviewed periodically.

In accordance with guidance issued to directors of listed companies, the Directors have carried out a review of the effectiveness of the various systems of internal controls as operated by the Company's main service providers during the year and found there to be no matters of concern.

Company Secretary

The Board has direct access to the advice and services of the Company Secretary, Link Alternative Fund Administrators Limited, who is responsible for ensuring that Board and Committee procedures are followed and that applicable regulations are complied with.

The Company Secretary is also responsible to the Board for ensuring the timely delivery of information and reports and for ensuring that statutory obligations of the Company are met.

Dialogue with shareholders

Communication with shareholders is given a high priority by the Board and the Manager, and all Directors are available to enter into dialogue with shareholders. Following his appointment, the Chair offered major shareholders the opportunity to meet with him and has held a significant number of meetings with shareholders during the year and following the year end. All shareholders are encouraged to attend and vote at the AGM, during which the Board and the Manager are available to discuss issues affecting the Company, and shareholders have the opportunity to address questions to the Manager, the Board and the Chairs of the Board's Committees. At each AGM, a presentation is given by the Manager to all shareholders present.

There is regular dialogue with institutional shareholders and a structured programme of shareholder presentations by the Manager to institutional investors taking place following publication of the Annual and Half-Yearly results. A detailed list of the Company's shareholders is reviewed at each Board meeting. PIP has also put in place a PR programme designed to promote the benefits that PIP can provide to an investor's portfolio.

The Half-Yearly and Annual Reports of the Company are prepared by the Board and its advisers to present a full and readily understandable review of the Company's performance. Copies are dispatched to shareholders by mail or electronically as requested and are also available on the Company's website: www.piplc.com. The Company always responds to communications from shareholders. Shareholders wishing to communicate directly with the Board should contact the Company Secretary by email to pip_cosec@linkgroup.co.uk or by writing to the registered office shown on page 186, who will arrange for the relevant Board member to contact them.

Further details of our engagement with all of the Company's stakeholders and how the Board has regard to those stakeholders in the Board's decision-making processes are set out in the Strategic Report on page 49.

On behalf of the Board

JOHN SINGER CBE
Chair

2 August 2023

Audit Committee Report

I am pleased to present the Audit Committee Report for the year ended 31 May 2023.

The Audit Committee comprises myself, as Chair, and the entire Board, who are all independent Non-Executive Directors.

Further details about the composition of the Audit Committee are set out on page 13´.

Audit Committee members consider that, individually and collectively, they are each independent and appropriately experienced to fulfil the role required within the sector in which the Company operates. The constitution and performance of the Audit Committee are reviewed on a regular basis.

Role of the Audit Committee

Clearly defined terms of reference, which were reviewed and updated during the year, have been established by the Board. The primary responsibilities of the Audit Committee are:

- To monitor the integrity of the financial statements, the financial reporting process and the accounting policies of the Company;
- To review the effectiveness of the internal control environment of the Company and its reporting processes and to monitor adherence to best practice in corporate governance;
- To make recommendations to the Board in relation to the re-appointment of the Auditor and to approve the Auditor's remuneration and terms of engagement, including scope of work;
- To review and monitor the Auditor's independence and objectivity and the effectiveness of the audit process; and
- To provide a forum through which the Company's Auditor reports to the Board.

The Audit Committee also reviews the Manager's whistleblowing procedures.

The Audit Committee has direct access to the Company's Auditor, Ernst & Young ("EY"), and representatives of EY attend each Audit Committee meeting.

Matters considered in the year

We met on four occasions during the year ended 31 May 2023. At those meetings, the Audit Committee has:

- Reviewed and agreed the half-year and year-end portfolio valuation and the net asset values;
- Reviewed the Company's financial statements for the half year and year end and made formal recommendations to the Board;
- Reviewed the Company's going concern and viability statements;
- Reviewed the impact of the recent developments in the banking sector, disruption on availability of credit, geopolitical uncertainties as a result of the Russia–Ukraine conflict, increases in the cost of living, persistent inflation, interest rate rises and the impact of climate change on the Company's financial statements;
- Reviewed the internal controls and risk management systems (including cybersecurity) of the Company and its third-party service providers;
- Agreed the audit plan and fees with the Auditor, including the principal areas of focus;
- Reviewed the whistleblowing policy of the Manager (no incidents were reported during the period);
- Reviewed its own performance as a Committee and its own terms of reference; and
- Received updates regarding a fraudulent website impersonating the Company and discussed the actions taken or to be taken to limit the damage caused by this.

The principal issues considered by the Committee were as follows:

A. Valuation process

Discussions have been held with the Manager about the valuation process, ownership of assets and the systems in place at Pantheon to ensure the accuracy of the valuation of the Company's portfolio.

The Audit Committee has received reassurances about the robustness of the Manager's valuation system from Pantheon.

In addition, the Audit Committee reviewed the outputs of Pantheon's Investment Valuation Committee and Pantheon's processes and internal controls around the investment valuation process.

B. Undrawn commitments

As an investor in private equity, the Company has outstanding commitments to fund investments. Approximately 5.63% of these uncalled commitments relate to funds that are outside their investment periods. Generally, when a fund is past its investment period, which is typically between five and six years, it cannot make any new investments and only draws capital to fund follow-on investments into existing portfolio companies, or to pay expenses. As a result, the rate of capital calls by these funds tends to slow dramatically. During the year, the Manager undertook a detailed process to review the undrawn commitments, and the results were discussed with the Audit Committee. The Audit Committee received an externally audited control report from Pantheon which provides comfort on the systems and controls in place to track the undrawn commitments as part of the valuation entry process.

The Audit Committee also reviewed the level of undrawn commitments as part of its analysis of PIP's going concern and long-term viability.

C. Going concern and long-term viability

The Committee considered the Company's financial requirements and viability for the forthcoming year, taking into account the Company's performance and financial position as at 31 May 2023. Its assessment included a review of various downside liquidity models with varying degrees of decline in investment valuations, a review of the level of undrawn commitments, ongoing geopolitical uncertainties as a result of the Russia–Ukraine conflict and the impact of climate change on financial statement disclosures, including those relating to principal risks. The Committee also considered the impact of the approved one-off £200million share buyback and the impact of a further "automatic" share buyback programme. As a result of this assessment, the Committee concluded that the Company had adequate resources to continue in operation and meet its liabilities as they fall due both for the forthcoming year and over the subsequent two years. Related going concern and long-term viability disclosures are set out on pages 125 and 54 and Note 1 on page 155.

D. Maintenance of investment trust status

The Manager and Administrator have reported to the Committee to confirm continuing compliance with the requirements for maintaining investment trust status. The position is also discussed with the Auditor as part of the audit process.

E. Internal controls

The Audit Committee has reviewed and updated, where appropriate, the Company's risk matrix. This document is reviewed by the Audit Committee every six months. It is satisfied with the extent, frequency and quality of the reporting of the Manager's monitoring to enable the Audit Committee to assess the degree of control of the Company and the effect with which risk is managed and mitigated. The Audit Committee has received reports on internal controls from each of its service providers.

No incidents of significant control failings or weaknesses have been identified during the year ended 31 May 2023, within the Company or its third-party suppliers, including Pantheon.

The Company does not have an internal audit function as substantially all of its day-to-day operations are delegated to third parties, all of whom have their own internal control procedures. The Audit Committee discussed whether it would be appropriate to establish an internal audit function and agreed that the existing system of monitoring and reporting by third parties remains appropriate and sufficient.

External audit

The Audit Committee monitors and reviews the effectiveness of the external audit process for the publication of the Annual Report and makes recommendations to the Board on the re-appointment, remuneration and terms of engagement of the Auditor.

Audit fees

The audit fee incurred for the review of the 2023 Annual Report and Audit was £146,000 (31 May 2022: £105,000). This increase in fees took place following the expiry of a three-year agreement to fix the level of audit fees. The Audit Committee continues to monitor the level of audit fees carefully.

Non-audit fees/independence and objectivity of the Auditor

The Audit Committee reviews the scope and nature of all proposed non-audit services before engagement, to ensure that the independence and objectivity of the Auditor are safeguarded. The Board's policy is that non-audit services may be carried out by the Company's Auditor unless there is a conflict of interest or someone else is considered to have more relevant experience.

Non-audit services amounting to £44,000 were provided during the year ended 31 May 2023 (31 May 2022: £35,000), relating to the review of the Half-Yearly Report. The ratio of non-audit to audit fees is 30%. The Audit Committee believes that it is appropriate for the Company's Auditor to provide these services to the Company as these services are audit-related.

The Audit Committee has received assurances from the Auditor that its independence is not compromised by the supply of these services.

Effectiveness of external audit process

The Audit Committee meets at least twice a year with the Auditor. The Auditor provides a planning report in advance of the annual audit, a report on the annual audit and a report on their review of the half-year financial statements. The Audit Committee has an opportunity to question and challenge the Auditor in respect of each of these reports. In addition, at least once a year, the Audit Committee has an opportunity to discuss any aspect of the Auditor's work with the Auditor in the absence of the Manager. After each audit, the Audit Committee reviews the audit process and considers its effectiveness.

Continuing appointment of the Auditor

EY was appointed as the Company's Auditor at the AGM in 2019 and this is therefore the fourth audit of the Company's financial statements since its appointment.

A competitive tender must be carried out by the Company at least every 10 years. The Company is therefore required to carry out a tender no later than in respect of the financial year ending 31 May 2029. The current lead audit partner, Mr Matthew Price, has been in place since the appointment in 2019. Ethical standards generally require the rotation of the lead audit partner every five years for a listed company.

The Committee monitors the Company's relationship with the Auditor and has discussed and considered their independence and objectivity. The Auditor also provides confirmation that they are independent within the meaning of all regulatory and professional requirements and that objectivity of the audit is not impaired. The Committee is therefore satisfied that EY was independent, especially considering the term of appointment to date, and will continue to monitor this position.

Following the completion of the audit, the Committee reviewed EY's effectiveness by:

- Reviewing the overall audit process and the audit procedures taken to address the identified principal issues;
- Considering feedback on the audit provided by the Investment Manager and Link Group; and
- Reviewing the experience and continuity of the audit team, including the audit partner.

The Committee has considered the principal issues identified by the audit team during the audit of the financial statements for the year. The feedback provided by the Investment Manager regarding the audit team's performance on the audit was positive. The Auditor demonstrated a good understanding of the Company, and had identified and focused on the areas of greatest financial reporting risk. Its reporting to the Audit Committee was clear, open and thorough. The Committee is satisfied that the Auditor has demonstrated professional scepticism and appropriately challenged management's judgements relating to the valuations of unlisted investments. The Committee acknowledged that the audit team, including the audit partner, comprised staff with appropriate levels of knowledge and experience of the investment trust and private equity sectors.

On the basis of these factors and assessments, the Committee has concluded that the external audit process has been effective. Taking into account the performance and effectiveness of the Auditor and the confirmation of their independence, the Committee has recommended to the Board that a resolution to re-appoint EY as Auditor be put to shareholders at the forthcoming AGM. EY has confirmed its willingness to continue in office.

CMA Order

The Company complied throughout the year ended 31 May 2023 with the provisions of the Statutory Audit Services Order 2014, issued by the Competition and Markets Authority ("CMA Order").

Fair, balanced and understandable

As a result of the work performed, the Audit Committee has concluded that the Annual Report for the year ended 31 May 2023, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board.

DAVID MELVIN
Audit Committee Chair

2 August 2023

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The law requires the Company's Auditor to audit certain disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the "Independent Auditor's Report" on pages 142 to 149.

Statement from the Chair

I am pleased to present the Directors' Remuneration Report for the year ended 31 May 2023.

Companies are required to ask shareholders to approve the annual Remuneration Report, which includes the annual remuneration paid to Directors, each year and formally to approve the Directors' Remuneration Policy on a three-yearly basis. Any change to the Directors' Remuneration Policy requires shareholder approval. The vote on the Directors' Remuneration Report is an advisory vote, while the Directors' Remuneration Policy is subject to a binding vote.

A resolution to approve the Remuneration Policy was last proposed and approved by shareholders at the AGM of the Company held on 18 October 2022. The Policy will apply until it is next put to shareholders for renewal of that approval at the Company's AGM in 2025, unless any variations to the policy are proposed prior to this. There will be no significant change in the way that the Remuneration Policy will be implemented in the course of the next financial year.

A resolution to approve the Remuneration Report will be proposed at the AGM of the Company to be held on 19 October 2023.

The Board consists entirely of Non-Executive Directors and the Company has no employees. We have not, therefore, reported on those aspects of remuneration that relate to Executive Directors.

As explained on page 133, it is not considered appropriate for the Company to establish a separate Remuneration Committee. It is therefore the practice for the Board as a whole to consider and approve Directors' remuneration.

In accordance with PIP's Remuneration Policy adopted on 18 October 2022, fees for the Directors are increased annually, effective from the first day of the Company's financial year, at a rate no greater than the rate of the Consumer Price Index ("CPI") prevailing at the time.

In line with this policy, fees for the Directors were increased with effect from 1 June 2023 by 5%, which was below the prevailing CPI which stood at 8.7% as at 31 May 2023.

Directors' fees for the 12 months to 31 May 2024 are as set out on page 140.

No travel expenses or any other expenses were claimed by the Directors from the Company during the year ended 31 May 2023 or as at the date of this Report.

Directors' fees for the year (audited)

	Fees		Percentage change (%)*		
	Year to 31 May 2023 £	Year to 31 May 2022 £	2022–2023	2021–2022	2020–2021
J.B.H.C.A. Singer CBE (Chair)	66,549	40,840	63%[3]	2%	10%
D.L. Melvin	56,785	53,603	6%	2%	36%[4]
J.D. Burgess	43,264	40,840	6%	2%	10%
M.A. Sieghart	46,520	40,840	14%[5]	2%	10%
Dame Sue Owen DCB	43,264	40,840	6%	2%	10%
T. Sakovska[1]	7,426	10,210	N/A	N/A	N/A
Sir Laurie Magnus CBE[2]	27,477	66,365	N/A	2%	8%
Total	291,285	310,554			

* The average percentage change over the previous financial years. Fees for Directors who were appointed during a year were calculated on a pro-rata basis, in order to provide a meaningful figure.

1 Ms Sakovska joined the Board on 1 March 2022 and subsequently resigned on 22 July 2022.

2 Sir Laurie Magnus CBE retired from the Board on 18 October 2022.

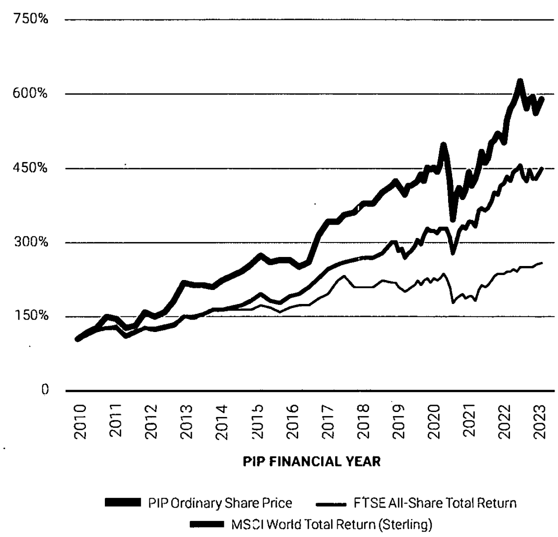
3 Mr Singer CBE was appointed as Chair of the Board on 18 October 2022, resulting in a higher fee from this date.

4 Mr Melvin was appointed as Chair of the Audit Committee in April 2020, resulting in a higher fee from this date.

5 Ms Sieghart was appointed as Senior Independent Director from 18 October 2022, resulting in a higher fee from this date.

Company performance

The graph below shows the total return to shareholders compared to the total shareholder returns of the FTSE All-Share Total Return Index and MSCI World Total Return (Sterling) Index. These indices have been selected as the most relevant, as there is no listed index that is directly comparable with the Company's portfolio.



Relative importance of spend on pay

The table below sets out, in respect of the financial year ended 31 May 2023 and the preceding financial period, the total remuneration paid to Directors, the Management fee and share buybacks and the percentage change between the two periods:

	Year to 31 May 2023 £'000	Year to 31 May 2022 £'000	Change %
Total remuneration paid to Directors	291	311	(6%)
Management fee	27,707	23,115	20%
Share buybacks	19,559	10,302	90%

Note: the items listed in the table above are as required by the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ss.20, with the exception of the management fee, which has been included because the Directors believe that it will help shareholders' understanding of the relative importance of the spend on pay. The figures for this measure are the same as those shown in Note 3 to the financial statements.

Directors' interests (audited)

There is no requirement under the Company's Articles of Association or the terms of their appointment for Directors to hold shares in the Company.

The interests of the Directors and any persons closely associated in the shares of the Company as at 31 May 2023 (or date of retirement/resignation if earlier) are set out below:

	31 May 2023	31 May 2022
J.B.H.C.A. Singer CBE (Chair)	399,820	399,820
D.L. Melvin[1]	105,000	105,000
J.D. Burgess[2]	2,719,696	1,930,630
M.A. Sieghart	37,250	37,250
Dame Sue Owen DCB	17,500	17,500
Sir Laurie Magnus[3]	143,240	143,240
T. Sakovska[4]	1,557	1,557

1 Held jointly with spouse.
2 Includes 2,319,876 shares held by The November 1990 Trust, a connected person.
3 Sir Laurie Magnus CBE retired from the Board on 18 October 2022.
4 Ms Sakovska joined the Board on 1 March 2022 and subsequently resigned on 22 July 2022.

There has been no change to the above interests between 31 May 2023 and the date of this report. Ms Clements and Mr Welde, who have been appointed as Directors since the year end, hold no shares in the Company as at the date of this report.

Directors' Remuneration Report

Voting at the AGM

The Directors' Remuneration Policy and Remuneration Report for the year ended 31 May 2022 were approved by shareholders at the AGM held on 18 October 2022.

The votes cast by proxy were as follows:

Remuneration Report

	Number of votes	% of votes cast
For	287,850,320	99.99
Against	39,860	0.01
At Chair's discretion	–	–
Total votes cast	287,890,180	100.00
Number of votes withheld	19,486	–

Remuneration Policy

	Number of votes	% of votes cast
For	287,784,289	99.98
Against	54,330	0.02
At Chair's discretion	–	–
Total votes cast	287,838,619	100.00
Number of votes withheld	71,047	–

Directors Remuneration Policy

The Directors' Remuneration Policy (the "Policy") is put to shareholders' vote at least once every three years and in any year if there is to be a change in the Policy. A resolution to approve the Policy was approved by shareholders at the AGM held on 18 October 2022.

The Policy

The Board's policy is that remuneration of Non-Executive Directors should reflect the experience of the Board as a whole and is determined with reference to comparable organisations and appointments. The level of remuneration has been set in order to attract individuals of a calibre appropriate to the future development of the Company and to reflect the specific circumstances of the Company, the duties and responsibilities of the Directors, and the value and amount of time committed to the Company's affairs.

There are no performance conditions attaching to the remuneration of the Directors as the Board does not believe that this is appropriate for Non-Executive Directors. The Directors do not receive pension benefits, long-term incentive schemes or share options.

All Directors act in a non-executive capacity, and the fees for their services are approved by the whole Board. The fees for the Directors are determined within the limits set out in the Company's Articles of Association, or any greater sum that may be determined by ordinary resolution of the Company.

Since 1 June 2021, fees for the Directors are increased annually, effective from the first day of the Company's financial year and, since the 2022 AGM, the increase in Directors' fees will be set at a rate no greater than the rate of CPI prevailing at the time, with any lower rate being determined at the discretion of the Board.

The Chair does not participate in any discussions relating to his own fee, which is determined by the other Directors.

Directors are entitled to be paid all travelling, hotel or other expenses properly incurred by them in connection with their attendance at Director or shareholder meetings or otherwise in connection with the discharge of their duties as Directors.

No other additional fees are payable for membership of the Board's Committees.

Fees for any new Director appointed will be made on the above basis. Fees payable in respect of subsequent years will be determined following an annual CPI review, with additional market reviews taking place as appropriate to ensure fees remain appropriate.

	Expected fees for year to 31 May 2024	Year to 31 May 2023*
Chair	£84,000	£77,117
Chair of the Audit Committee	£58,534	£56,785
Senior Independent Director	£50,107	£46,520
Other Directors	£44,598	£43,264

* These fees have been calculated based on the higher, CPI linked increase of 9.1% for the period of 1 June 2022 to 18 October 2022 and the lower increase of 4% for the period from 19 October 2022 to 31 May 2023, following the adoption of the updated Remuneration Policy at the 2022 AGM.

Directors' service contracts

None of the Directors has a contract of service with the Company. Each Director has entered into terms of appointment as a Non-Executive Director of the Company. There has been no other contract or arrangement between the Company and any Director at any time during the year. Under the Articles of Association, each Director shall retire and be subject to re-appointment at the first AGM following appointment, and at least every three years thereafter. After nine years' service, Directors are subject to annual re-appointment. Following the Company's inclusion in the FTSE 250, and in accordance with the AIC Code, all Directors are subject to annual re-election at each AGM. There are no agreements between the Company and its Directors concerning compensation for loss of office.

Any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board.

Approval

The Directors' Remuneration Report was approved by the Board of Directors and signed on its behalf by:

JOHN SINGER CBE
Chair

2 August 2023

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations in accordance with FRS102. Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice). 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 the Company as at the end of each financial year and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- Present a true and fair view of the financial position, financial performance and cash flows of the Company;
- Select suitable accounting policies in accordance with United Kingdom GAAP and then apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report, the Corporate Governance Statement and the Report of the Audit Committee in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure Guidance and Transparency Rules.

The Directors have delegated responsibility to the Investment Manager for the maintenance and integrity of the Company's corporate and financial information included on the Company's website (www.piplc.com). Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names are listed on pages 121 to 122, confirms that to the best of their knowledge:

- The financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- The Strategic Report contained in the Annual Report and financial statements includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The UK Corporate Governance Code requires Directors to ensure that the Annual Report and financial statements are fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit Committee advises on whether it considers that the Annual Report and financial statements fulfil these requirements. The process by which the Audit Committee has reached these conclusions is set out in its report on pages 135 to 137. As a result, the Board has concluded that the Annual Report and financial statements for the year ended 31 May 2023, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Signed on behalf of the Board by

JOHN SINGER CBE
Chair

2 August 2023

Independent Auditor's Report to the Members of Pantheon International Plc

Opinion

We have audited the financial statements of Pantheon International plc (the "Company") for the year ended 31 May 2023 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 23, 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 FRS 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 Company's affairs as at 31 May 2023 and of its profit 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 Financial Reporting Council's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of Company in conducting the audit.

Conclusions relating to going concern

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. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of the Company's going concern assessment process and engaged with the Directors and the Company Secretary to determine if all key factors were considered in their assessment.
- We inspected the Directors' assessment of going concern, including the portfolio cashflow forecast, for the periods covering at least twelve months from the date the financial statements were authorised for issue. In preparing the portfolio cashflow forecast, the Company has concluded that it is able to continue to meet its ongoing costs as they fall due.
- We have reviewed the factors and assumptions as applied to the portfolio cashflow forecast and the liquidity assessment of the investment portfolio. We considered the appropriateness of the methods used to calculate the portfolio cashflow forecast and the liquidity assessment and determined, through testing of the methodology and calculations, that the methods, inputs and assumptions utilised were appropriate to be able to make an assessment for the Company.
- In relation to the Company's borrowing arrangements, we inspected the Directors' assessment of the risk of breaching the loan facility covenants as a result of a reduction in the value of the Company's portfolio. We recalculated the Company's compliance with loan facility covenants in the scenarios assessed by the Directors who also performed reverse stress testing in order to identify what factors would lead to the Company breaching the financial covenants.
- We considered the mitigating factors included in the portfolio cashflow forecasts and covenant calculations that are within the control of the Company.
- We reviewed the Company's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

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 the period to 2 August 2024.

In relation to the Company's reporting on how they have 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.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	– Risk of incorrect valuation of unlisted investments at fair value. – Incorrect valuation of investments in third party managed funds and co-investment vehicles which are audited on an annual basis and for which periodic fair value information is provided to the Company. – Incorrect valuation of investments in co-investment vehicles or third-party funds which are not audited on an annual basis. – Incorrect valuations of investments in funds and entities managed by Pantheon Ventures (UK) LLP ('Pantheon').
Materiality	– Overall materiality of £24.5m which represents 1% of shareholders' funds.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed.

Climate change

Stakeholders are increasingly interested in how climate change will impact Pantheon International plc. The Company has determined that the most significant future impacts from climate change on its operations may be from changes in regulations that may adversely affect their underlying portfolio investments. Their approach to managing climate and other ESG risks as part of managing investment risk is explained on page 48 of the Strategic Report, which form part of the "Other information", rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Company's business and any consequential material impact on its financial statements.

Our audit effort in considering climate change was focused on the adequacy of the Company's disclosures in the financial statements as set out in note 1 and conclusion that there was no material impact from climate change on the financial statements. We also challenged the Directors' considerations of climate change in their assessment of viability and associated disclosures.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 which 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 our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation of unlisted investments at fair value (£2,416m, 2022: £2,236m) *Refer to the Audit Committee Report (page 135); Accounting policies (page 155); and Note 9 of the Financial Statements (page 163).* The unlisted investment portfolio represents 99% of the Net Asset Value (NAV) of the Company and consists of investments in: – Third party managed funds – Funds or entities managed by Pantheon Within this investment portfolio are a pool of investments attributed to the Company's Asset Linked Note liability of £31m (2022: £39m). The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment valuation could have a significant impact on the return generated by the shareholders. We attribute a higher risk of estimation uncertainty to a portfolio of this nature. We therefore deem the valuation of unlisted investments at fair value to be a fraud and significant audit risk. We have further analysed the unlisted investment portfolio into three categories where specific audit procedures are performed in addition to the general audit procedures on unlisted investments to reflect the risk associated.	**We performed the following procedures:** We obtained an understanding of Pantheon's processes and controls surrounding the investment valuation process including controls that are in place within the Company and operated or performed by Pantheon by performing a walkthrough to assess the design and implementation of controls in place. We performed the following procedures for a sample of investments across all type of investments: – We obtained the most recently available capital allocation statements or direct confirmations independently from the general partner and compared the NAV of the investment attributable to the Company to the valuation per the accounting records. – Where the most recently available capital allocation statements were non-coterminous with the reporting date, we obtained details of adjustments for cash flows and fair value made by Pantheon and corroborated these to call and distribution notices and bank statements. – For a sample of new investments during the year, we have obtained and reviewed the due diligence performed by Pantheon to ensure that the investment recommendation pack was appropriately completed prior to making new investments. – For a sample of realised investments during the year, we agreed the proceeds of the disposal to the capital account statements and performed back testing by comparing the sale price and subsequent cash receipts to the most recent valuation recorded by the Company for the investment. – We reviewed the investment valuations and inquired of Pantheon regarding any potential fair value adjustments as a result of updated information received or observable market movements and obtained evidence to confirm these were immaterial to the Company's financial statements. – We noted that management recognised a £1.2m adjustment over the valuations of investments with listed underlying investments and where the most recent GP valuation was as at March 2023. We obtained an understanding of the adjustment posted and performed audit procedures to assess share price movements aligned to the investment portfolio over the period March 2023 to May 2023.	The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation of unlisted investments at fair value.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Investments in third party managed funds and co-investment vehicles which are audited on an annual basis and for which periodic fair value information is provided to the Company (£1,987m, 2022: £1,847m) The investment portfolio is susceptible to material error due to the investments being unquoted with no market price available and management relying on third party information.	**Additional procedures on investments in third party managed funds and co-investments which are audited on an annual basis and for which periodic fair value information is provided to the Company** We have obtained the most recent audited financial statements for a sample of these unlisted investments. Our sample included the testing of 198 investments, totalling £1,570m. We performed the following procedures where applicable: – Inspected the Generally Accepted Accounting Principles ("GAAP") applied and reviewed accounting policies on key areas impacting the NAV and compared these to the fair value requirements per FRS102. – Compared the NAV per the audited financial statements to the capital account statements which are coterminous with the financial statements' year end date for a sample of investments with balances which are above our performance materiality. – Determined whether the audit firm signing the financial statements was a recognised audit firm and checked whether there were any modifications made to their audit reports.	The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation of unlisted investments at fair value.
Investments in third party managed funds and co-investment vehicles which are not audited on an annual basis (£133m, 2022: £159m) Pantheon obtains the underlying data from the investment managers of these third-party funds or co-investment vehicles. Pantheon apply the Company's valuation policy and conclude whether key assumptions used in valuing these assets are reasonable. We consider the risk of management override to be more prevalent in this area.	**Additional procedures on investments in third party managed funds and co-investment vehicles which are not audited on an annual basis** Where the investments in third party managed funds or co-investments were not audited on an annual basis: – We obtained the fair value calculations supporting the value held by the Company and, where applicable, agreed key inputs to the supporting evidence. – For investment vehicles with audited sponsor funds, we have inspected the GAAP applied by the sponsor fund and reviewed accounting policies on key areas impacting the NAV and compared these to the fair value requirements per FRS102. Our sample included testing of 15 investments, totalling £117m, which did not have an audit performed either for the investment vehicle itself or a significant portion of its underlying holdings.	The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation of unlisted investments at fair value.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Investments in other funds and entities managed by Pantheon (£296m, 2022: £264m) Where the Company invests in other entities managed by Pantheon, there is an increased risk the fund fair values are susceptible to manipulation due to the related party relationship as Pantheon is performing the valuation.	**Additional procedures on investments held in other funds and entities managed by Pantheon** For a sample of investments in Pantheon managed funds which are audited, we have obtained the most recent audited set of financial statements where available. Our samples included testing of 10 investments which had audited financial statements within the structure, totalling £178m, and 11 investments, totalling £93m, from internally managed funds which do not have annually audited financial statements. We performed the following procedures where applicable: – Inspected the GAAP applied and reviewed accounting policies on key areas impacting the NAV and compared these to the fair value requirements per FRS102. – Compared the NAV per the audited financials to the capital account statements which are coterminous with the financial statements' year end date for a sample of investments. – Determined whether the audit firm signing the financial statements was a recognised audit firm and checked whether there were modifications made to their audit report. – For unaudited investments, we have performed a look through into the investments held by the entity to determine whether the underlying holdings were subject to audit. For those that are audited, we have inspected the GAAP applied by the underlying holdings and reviewed accounting policies on key areas impacting the NAV and compared these to the fair value requirements per FRS102. – Where the internally managed fund and its underlying investments are not audited, we have obtained the fair value calculations supporting the value held by the Company and, where applicable, agreed key inputs to the supporting evidence.	The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation of unlisted investments at fair value.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £24.5 million (2022: £24.3 million), which is 1% (2022: 1%) of shareholders' funds. We believe that shareholders' funds provide us with materiality aligned to the key measure of the Company's performance.

During the course of our audit, we reassessed initial materiality and made no changes to the basis of calculation from our original assessment at the planning stage.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2022: 75%) of our planning materiality, namely £18.4m (2022: £18.2m). We have set performance materiality at this percentage due to our understanding of the control environment that indicates a lower risk of material misstatements, both corrected and uncorrected.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £1.23m (2022: £1.21m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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 Directors' reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 Directors' report.

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

We have reviewed 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 Code specified for our review by the Listing Rules.

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 with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 125;
- The Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 54;
- The Director's statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meets its liabilities set out on page 125;
- The Directors' statement on fair, balanced and understandable set out on page 141;
- The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 44;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 133; and
- The section describing the work of the Audit Committee set out on page 135.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 141, 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.

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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code, the Association of Investment Companies' Code and Statement of Recommended Practice, Section 1158 of the Corporation Tax Act 2010 and The Companies (Miscellaneous Reporting) Regulations 2018.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and the Company Secretary and a review of Board minutes and the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to management override in relation to investments in funds and entities managed by Pantheon and investments in third party managed funds and co-investment vehicles which are not audited on an annual basis. Further discussion of our approach is set out in the section on the key audit matters above. In addition, we performed tests of journal entries, focusing on unusual and year-end manual journals.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved a review of the Company Secretary's reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to confirm compliance with the reporting requirements of the Company.

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

Other matters we are required to address

Following the recommendation from the Audit Committee, we were appointed by the Company on 2 December 2019 to audit the financial statements for the year ending 31 May 2020 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 4 years, covering the years ending 31 May 2020 to 31 May 2023.

The audit opinion is consistent with the additional report to the Audit 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 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.

MATTHEW PRICE
(SENIOR STATUTORY AUDITOR)
for and on behalf of
Ernst & Young LLP, Statutory Auditor

London
2 August 2023

Financial Statements

Income Statement Year ended 31 May 2023

	Note	Year Ended 31 May 2023 Revenue £'000	Capital £'000	Total[1] £'000	Year Ended 31 May 2022 Revenue £'000	Capital £'000	Total[1] £'000
Gains on investments at fair value through profit or loss	9b	–	50,885	50,885	–	570,049	570,049
(Losses)/gains on financial instruments at fair value through profit or loss – ALN		(856)	4,240	3,384	(305)	(3,123)	(3,428)
Currency gains on cash and cash equivalents	16	–	9,179	9,179	–	19,564	19,564
Investment income	2	18,084	–	18,084	19,169	–	19,169
Investment management fees	3	(27,707)	–	(27,707)	(23,115)	–	(23,115)
Other expenses	4	(2,059)	(1,625)	(3,684)	(1,274)	(1,326)	(2,600)
Return before financing and taxation		(12,538)	62,679	50,141	(5,525)	585,164	579,639
Interest payable and similar expenses	6	(6,366)	–	(6,366)	(3,967)	–	(3,967)
Return before taxation		(18,904)	62,679	43,775	(9,492)	585,164	575,672
Taxation paid	7	(1,494)	–	(1,494)	(3,075)	–	(3,075)
Return for the year, being total comprehensive income for the year		(20,398)	62,679	42,281	(12,567)	585,164	572,597
Return per ordinary share	8	(3.83)p	11.77p	7.94p	(2.32)p	108.38p	106.06p

1 The Company does not have any income or expenses that are not included in the return for the year, therefore the return for the year is also the total comprehensive income for the year. The supplementary revenue and capital columns are prepared under guidance published in the Statement of Recommended Practice ("SORP") issued by the Association of Investment Companies ("AIC").

All revenue and capital items in the above statement relate to continuing operations. No operations were acquired or discontinued during the period.

The total column of the statement represents the Company's Statement of Total Comprehensive Income prepared in accordance with Financial Reporting Standards ("FRS").

The Notes on pages 155 to 176 form part of these financial statements.

Statement of Changes in Equity Year ended 31 May 2023

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other capital reserve £'000	Capital reserve on investments held £'000	Revenue reserve £'000	Total £'000
Movement for the year ended 31 May 2023								
Opening equity shareholders' funds		36,012	269,535	3,553	1,556,346	674,875	(112,857)	2,427,464
Return for the year		–	–	–	83,859	(21,180)	(20,398)	42,281
Ordinary shares bought back for cancellation	15	(509)	–	509	(19,673)	–	–	(19,673)
Closing equity shareholders' funds		35,503	269,535	4,062	1,620,532	653,695	(133,255)	2,450,072
Movement for the year ended 31 May 2022								
Opening equity shareholders' funds		36,240	269,535	3,325	976,685	679,736	(100,290)	1,865,231
Return for the year		–	–	–	590,025	(4,861)	(12,567)	572,597
Ordinary shares bought back for cancellation	15	(228)	–	228	(10,364)	–	–	(10,364)
Closing equity shareholders' funds		36,012	269,535	3,553	1,556,346	674,875	(112,857)	2,427,464

The Notes on pages 155 to 176 form part of these financial statements.

Balance Sheet As at 31 May 2023

	Note	31 May 2023 £'000	31 May 2022 £'000
Fixed assets			
Investments at fair value	9a/b	2,417,620	2,238,608
Current assets			
Debtors	11	2,347	2,123
Cash and cash equivalents	12	66,043	231,458
		68,390	233,581
Creditors: Amounts falling due within one year			
Other creditors	13	(4,617)	(6,138)
		(4,617)	(6,138)
Net current assets		63,773	227,443
Total assets less current liabilities		2,481,393	2,466,051
Creditors: Amounts falling due after one year			
Asset Linked Loan Note ("ALN")	14	(31,321)	(38,587)
		(31,321)	(38,587)
Net assets		2,450,072	2,427,464
Capital and reserves			
Called-up share capital	15	35,503	36,012
Share premium	16	269,535	269,535
Capital redemption reserve	16	4,062	3,553
Other capital reserve	16	1,620,532	1,556,346
Capital reserve on investments held	16	653,695	674,875
Revenue reserve	16	(133,255)	(112,857)
Total equity shareholders' funds		2,450,072	2,427,464
Net asset value per Ordinary share	17	462.37p	451.63p

The Notes on pages 155 to 176 form part of these financial statements.

The financial statements were approved by the Board of Pantheon International Plc on 02 August 2023 and were authorised for issue by

JOHN SINGER CBE
Chair

Company No. 2147984

Cash Flow Statement Year ended 31 May 2023

	Note	Year ended 31 May 2023 £'000	Year ended 31 May 2022 £'000
Cash flow from operating activities			
Investment income received – comprising:			
– Dividend income		12,325	17,692
– Interest income		4,756	1,302
– Other investment income		211	163
Deposit and other interest received		780	28
Investment management fees paid		(27,586)	(22,637)
Secretarial fees paid		(354)	(300)
Depositary fees paid		(284)	(254)
Directors' fees paid		(303)	(307)
Legal & Professional fees paid		(1,996)	(1,707)
Other cash payments[1]		(1,036)	(804)
Withholding tax deducted		(1,502)	(3,626)
Net cash outflow from operating activities	19	(14,989)	(10,450)
Cash flows from investing activities			
Purchases of investments[2]		(289,020)	(352,620)
Disposals of investments[2]		161,168	402,700
Net cash (outflow)/inflow from investing activities		(127,852)	50,080
Cash flows from financing activities			
ALN repayments		(5,035)	(13,786)
Ordinary shares bought back for cancellation		(19,678)	(10,360)
Loan commitment and arrangement fees paid		(7,071)	(2,853)
Net cash outflow from financing activities		(31,784)	(26,999)
(Decrease)/increase in cash in the year		(174,625)	12,631
Cash and cash equivalents at the beginning of the year		231,458	199,118
Foreign exchange gains		9,210	19,709
Cash and cash equivalents at the end of the year	12	66,043	231,458

1 Includes interest paid during the year of £22,000 (2022: £96,000).
2 Purchases and disposals do not include investments actioned by Pantheon International Holdings LP.
The Notes on pages 155 to 176 form part of these financial statements.

Notes to the Financial Statements

1 Accounting Policies

PIP is a listed public limited company incorporated in England and Wales. The registered office is detailed on page 186. A summary of the principal accounting policies and measurement bases, all of which have been applied consistently throughout the year, is set out below.

A. Basis of Preparation

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 May 2023. They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The Company's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£'000) except when indicated otherwise. The investments in the subsidiaries are financial assets, and held at fair value through profit or loss.

The financial statements have been prepared in accordance with the SORP for the financial statements of investment trust companies and venture capital trusts issued by the AIC, other than where restrictions are imposed on the Company which prohibit specific disclosures.

B. Going Concern

The financial statements have been prepared on a going concern basis and under the historical cost basis of accounting, modified to include the revaluation of certain assets at fair value.

The Directors have made an assessment of going concern, taking into account the Company's current performance and financial position as at 31 May 2023. In addition, the Directors have assessed the outlook, which considers the potential further impact of the ongoing geopolitical uncertainties as a result of the Russia-Ukraine conflict including the disruption to the global supply chain and increases in the cost of living as a result of this conflict, persistent inflation, interest rate rises and the impact of climate change on PIP's portfolio using the information available as at the date of issue of these financial statements. As part of this assessment the Directors considered:

- Various downside liquidity modelling scenarios with varying degrees of decline in investment valuations, decreased investment distributions, and increased call rates, with the worst being a low case downside scenario representing an impact to the portfolio that is worse than that experienced during the Global Financial Crisis.
- The Company manages and monitors liquidity regularly ensuring it is adequate and sufficient and is underpinned by its monitoring of investments, distributions, capital calls and outstanding commitments. Total available financing as at 31 May 2023 stood at £554m (31 May 2022: £528m), comprising £63m (31 May 2022: £227m) in available cash balances and £491m in undrawn, sterling equivalent, bank facilities (31 May 2022: £301m).
- PIP's 31 May 2023 valuation is primarily based on reported GP valuations with a reference date of 31 March 2023, updated for capital movements and foreign exchange impacts. As the longer-term impacts of the ongoing geopolitical uncertainties as a result of the Russia–Ukraine conflict and the impact of climate change may not be fully apparent, the Directors have considered the impact that declining valuations could have on the Company's going concern assessment. The Directors have also considered the impact of climate change on PIP's portfolio and have come to the conclusion that there is no significant impact on the Company as a result of climate change.
- Unfunded commitments – PIP's unfunded commitments at 31 May 2023 were £857m (31 May 2022: £755m). The Directors have considered the maximum level of unfunded commitments which could theoretically be drawn in a 12-month period, the ageing of commitments and available financing to fulfil these commitments. In these scenarios PIP can take steps to limit or mitigate the impact on the Balance Sheet, namely drawing on the credit facility, pausing on new commitments, selling assets to increase liquidity and reducing outstanding commitments if necessary. In addition, subject to market conditions, the Company could also seek to raise additional debt or equity capital.
- Share buybacks – The Directors have considered the impact of the approved one-off £200million share buyback and the impact of a further "automatic" share buyback programme, the amount of which will be determined by net portfolio inflows and the prevailing level of discount.

Having performed the assessment on going concern, the Directors considered it appropriate to prepare the financial statements of the Company on a going concern basis. The Company has sufficient financial resources and liquidity, is well placed to manage business risks in the current economic environment and can continue operations for a period of at least 12 months from the date of issue of these financial statements.

C. Segmental Reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being an investment business. Consequently no business segmental analysis is provided.

Notes to the Financial Statements

1 Accounting Policies

D. Valuation of Investments

Given the nature of the Company's assets which comprise predominantly unlisted fund investments, while the Company operates a robust and consistent valuation process, there is significant estimation uncertainty in the underlying fund valuations which are estimated at a point in time. Accordingly, while the Company considers circumstances where it might be appropriate to apply an override, for instance in response to a market crash, this will be exercised only where it is judged necessary to reflect fair value.

Similarly, while relevant information relating to but received after the measurement date is considered, the Directors will only consider an adjustment to the financial statements if it were to have a significant impact and is indicative of conditions present at the measurement date.

The Company has fully adopted sections 11 and 12 of FRS 102. All investments held by the Company are classified as "fair value through profit or loss". As the Company's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increases in fair value, investments are recognised at fair value on initial recognition.

The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy. For investments actively traded in organised financial markets, fair value is generally determined by reference to stock exchange quoted market bid prices at the close of business at the Balance Sheet date. For investments that are not actively traded in organised financial markets, fair value is determined using reliable valuation techniques as described below:

i. Unquoted fixed asset investments are stated at the estimated fair value

In the case of investments in private equity funds, this is based on the net asset value of those funds ascertained from periodic valuations provided by the managers of the funds and recorded up to the measurement date. Such valuations are necessarily dependent upon the reasonableness of the valuations by the fund managers of the underlying investments. In the absence of contrary information, the values are assumed to be reliable. These valuations are reviewed periodically for reasonableness and recorded up to the measurement date. If a class of assets were sold post-period end, management would consider the effect, if any, on the investment portfolio.

The Company may acquire secondary interests at either a premium or a discount to the fund manager's valuation. Within the Company's portfolio, those fund holdings are normally revalued to their stated net asset values at the next reporting date unless an adjustment against a specific investment is considered appropriate.

The fair value of each investment is derived at each reporting date. In the case of direct investments in unquoted companies, the initial valuation is based on the transaction price. Where further indications of fair value become available, such as through subsequent issues of capital or dealings between third parties, the valuation is adjusted to reflect the new evidence, at each reporting date. This information may include the valuations provided by private equity managers who are also invested in the Company.

ii. Quoted investments are valued at the bid price on the relevant stock exchange

Private equity funds may contain a proportion of quoted shares from time to time, for example where the underlying company investments have been taken public but the holdings have not yet been sold. The quoted market holdings at the date of the latest fund accounts are reviewed and adjusted to the published prices of those holdings at the period end.

E. Asset Linked Note

As part of the share consolidation effected on 31 October 2017, the Company issued an ALN with an initial principal amount of £200m to the Investor. Payments under the ALN are made quarterly in arrears and are linked to the ALN share (c.75%) of the net cash flows from a reference portfolio which consists of interests held by the Company in over 300 of its oldest private equity funds, substantially 2006 and earlier vintages. The Company retains the net cash flows relating to the remaining c.25% of the reference portfolio.

The ALN is held at fair value through profit or loss and therefore movements in fair value are reflected in the Income Statement. Fair value is calculated as the sum of the ALN share of fair value of the reference portfolio plus the ALN share of undistributed net cash flow. The fair value movement is allocated between revenue and capital pro rata to the fair value gains and income-generated movements in the reference portfolio.

A pro rata share of the Company's total ongoing charges is allocated to the ALN, reducing each quarterly payment ("the Expense Charge") and deducted from Other Expenses through the revenue account in the Income Statement.

The ALN's share of net cash flow is calculated after withholding taxation suffered. These amounts are deducted from taxation through the revenue account in the Income Statement.

See Note 14 for further information.

1 Accounting Policies

F. Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date.

Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. The fixed return on a debt security is recognised on a time apportionment basis.

Income distributions from funds are recognised when the right to distributions is established.

G. Taxation

Corporation tax payable is based on the taxable profit for the period. The charge for taxation takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen but not reversed by the Balance Sheet date.

The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue on the same basis as the particular item to which it relates, using the marginal method.

Dividends receivable are recognised at an amount that may include withholding tax (but excludes other taxes, such as attributable tax credits). Any withholding tax suffered is shown as part of the revenue account tax charge.

Deferred tax is not provided on capital gains and losses arising on the revaluation or disposal of investments because the Company meets (and intends to continue for the foreseeable future to meet) the conditions for approval as an investment trust company, pursuant to sections 1158 and 1159 of the CTA.

Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted.

H. Expenses

All expenses are accounted for on an accruals basis. Expenses, including investment management fees, are charged through the revenue account except as follows:

- Expenses which are incidental to the acquisition or disposal of an investment are treated as capital costs and separately identified and disclosed in Note 4;
- Expenses of a capital nature are accounted for through the capital account; and
- Investment performance fees.

I. Foreign Currency

The functional and presentational currency of the Company is pounds sterling ("sterling") because it is the primary currency in the economic environment in which the Company operates. Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the period end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the revenue or capital column of the Income Statement depending on whether the gain or loss is of a capital or revenue nature. For non-monetary assets, these are covered by fair value adjustments. For details of transactions included in the capital column of the Income Statement please see (J) and (K) below.

J. Other Capital Reserve

The following are accounted for in this reserve:

- Investment performance fees;
- Gains and losses on the realisation of investments;
- Realised exchange difference of a capital nature; and
- Expenses of a capital nature.

Capital distributions received from investments are accounted for by firstly reducing any cost of that investment, with any gains being recognised as realised only when the cost has been reduced to nil.

1 Accounting Policies

K. Capital Reserve on Investments Held

The following are accounted for in this reserve:

- Increases and decreases in the value of investments held at the year end and the ALN.

L. Investment Performance Fee

The Manager is entitled to a performance fee from the Company in respect of each 12 calendar month period ending on 31 May in each year. The performance fee payable in respect of each such calculation period is 5% of the amount by which the net asset value at the end of such period exceeds 110% of the applicable "high-water mark", i.e. the net asset value at the end of the previous calculation period in respect of which a performance fee was payable, compounded annually at 10% for each subsequent completed calculation period up to the start of the calculation period for which the fee is being calculated. For the calculation period ended 31 May 2023, the notional performance fee hurdle is a net asset value per share of 510.7p.

The performance fee is calculated using the adjusted net asset value, which adjusts the net assets to remove any performance fee accrued (should one exist). The net asset value per share at 31 May 2023 is 462.4p.

The performance fee is calculated so as to ignore the effect on performance of any performance fee payable in respect of the period for which the fee is being calculated or of any increase or decrease in the net assets of the Company resulting from any issue, redemption or purchase of any shares or other securities, the sale of any treasury shares or the issue or cancellation of any subscription or conversion rights for any shares or other securities and any other reduction in the Company's share capital or any distribution to shareholders.

M. Significant Judgements and Estimates

The preparation of financial statements requires the Manager to make judgements, estimates and assumptions that affect the reported amounts of investments at fair value at the financial reporting date and the reported fair value movements during the reporting period. Actual results may differ from these estimates. Details of how the fair values of unlisted investments are estimated and any associated judgements applied are provided in Section (D) of this Note and also within the Market Price Risk section in Note 21.

N. Derecognition/Recognition of Assets and Liabilities

Financial assets and financial liabilities are recognised on the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. In accordance with FRS102, financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred and the transfer qualifies for derecognition. Financial liabilities are derecognised when the obligation is discharged, extinguished or expired.

O. Cash and Cash Equivalents

Cash and cash equivalents include cash deposits held with banks and money market funds, together with other short-term highly liquid investments with original maturities of three months or less at the date of placement, free of any encumbrances, which are readily convertible into known amounts of cash and subject to insignificant risk of changes in value. The Manager uses money market funds for cash management purposes.

2 Income

	31 May 2023 £'000	31 May 2022 £'000
Income from investments		
Investment income (comprising dividend income, interest income and other investment income)	17,292	19,137
	17,292	19,137
Other income		
Interest	784	28
Exchange difference on income	8	4
	792	32
Total income	18,084	19,169
Total income comprises		
Dividend income	12,325	17,672
Interest income	4,756	1,302
Other investment income	211	163
Bank interest	767	28
Money market fund interest	17	–
Exchange difference on income	8	4
Total income	18,084	19,169
Analysis of income from investments		
Unlisted	17,292	19,137
	17,292	19,137
Geographical analysis		
UK	1,055	306
US	9,243	14,345
Other overseas	6,994	4,486
	17,292	19,137

3 Investment Management Fees

	31 May 2023			31 May 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fees	27,707	–	27,707	23,115	–	23,115
	27,707	–	27,707	23,115	–	23,115

The investment management fee is payable monthly in arrears at the rate set out in the Directors' Report on pages 124 and 125.

During the year, investment management services with a total value of £29,010,000 (period to 31 May 2022: £23,977,000), being £27,707,000 (period to 31 May 2022: £23,115,000) directly from Pantheon Ventures (UK) LLP and £1,303,000 (period to 31 May 2022: £862,000) via Pantheon managed fund investments were purchased by the Company.

The value of investments, in and outstanding commitments to, investment funds managed or advised by the Pantheon Group ("Pantheon Funds") are excluded in calculating the monthly management fee and the commitment fee. The value of holdings in investments managed by the Pantheon Group totalled £1,131,118,000 as at 31 May 2023 (31 May 2022: £897,332,000), including £995,669,000 from the Pantheon managed Pantheon International Holdings subsidiaries (31 May 2022: £812,172,000). Please see Note 18 for further details.

In addition, the Manager has agreed that the total fees (including performance fees) payable by Pantheon Funds to members of the Pantheon Group and attributable to the Company's investments in Pantheon Funds shall be less than the total fees (excluding the performance fee) that the Company would have been charged under the Management Agreement had it invested directly in all of the underlying investments of the relevant Pantheon Funds instead of the relevant Pantheon Funds instead of through the relevant Pantheon Funds.

At 31 May 2023, £2,245,000 (31 May 2022: £2,124,000) was owed for investment management fees. No performance fee is payable in respect of the year to 31 May 2023 (31 May 2022: £nil). The basis upon which the performance fee is calculated is explained in Note 1 (L) and in the Directors' Report on pages 158 and 124.

Notes to the Financial Statements

4 Other Expenses

			31 May 2023			31 May 2022
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Secretarial and accountancy services	353	–	353	312	–	312
Depositary fees	280	–	280	238	–	238
Custodian	16	–	16	10	–	10
Fees payable to the Company's Auditor for the						
– audit of the annual financial statements	146	–	146	105	–	105
Fees payable to the Company's Auditor for						
– audit-related assurance services – Half-Yearly Report	44	–	44	35	–	35
Directors' remuneration (see Note 5)	291	–	291	311	–	311
Employer's National Insurance	42	–	42	34	–	34
Irrecoverable VAT	(5)	–	(5)	(47)	–	(47)
Legal and professional fees[1]	547	1,625	2,172	317	1,326	1,643
Other[2]	831	–	831	691	–	691
ALN Expense Charge (see Note 1 (E))[3]	(486)	–	(486)	(732)	–	(732)
	2,059	1,625	3,684	1,274	1,326	2,600

1 Legal fees incidental to the acquisition of investments are charged to the Capital column of the Income Statement, since they are capital in nature.
2 Other expenses comprise mainly fees and expenses relating to printing, public relations, Stock Exchange listing, FCA fees, AIC Levy and share price publications.
3 A pro rata share of the Company's total ongoing charges is allocated to the ALN, reducing each quarterly payment.

The Directors do not consider that the provision of non-audit work to the Company affects the independence of the Auditors due to the half-year review being an assurance service.

5 Directors' Remuneration

Directors' emoluments comprise Directors' fees. A breakdown is provided in the Directors' Remuneration Report on pages 138 and 140.

6 Interest Payable and Similar Expenses

	31 May 2023 £'000	31 May 2022 £'000
Negative bank interest[1]	22	96
Loan commitment and arrangement fees	6,344	3,871
	6,366	3,967

1 Applicable when bank base rates were low (less than 2%), bank interest was payable on positive balances held in Euro and Swedish Krona currency accounts. Since base rates have increased above 2% in September 2022, no further negative interest was paid.

On 2 August 2022, the Company announced that it had agreed a new five-year £500m multi-tranche, multi-currency revolving credit facility agreement arranged by Credit Suisse AG London Branch, Lloyds Bank Corporate Markets plc and State Street Bank International GmbH. The Loan Facility, which replacec the £300m loan facility agreement due to expire in May 2024, is comprised of facilities amounting to US$512.9m and €89.2m and secured by certain assets of the Company. The facility will expire in July 2027 with an ongoing option to extend, by agreement, the maturity date by another year at a time. The facility has a blended commitment fee of 0.95% per annum on available commitments, pricing equivalent to the relevant benchmark rate plus 2.350% to 2.575% depending on utilisation, and is subject to loan to value and liquidity ratios. The principal covenants that apply to the loan facility require: (i) that gross borrowings do not exceed 34% of the borrowing base; (ii) that gross borrowings do not exceed 45% of the adjusted borrowing base in the first year of the facility, and 40% thereafter; and (iii) the liquidity ratio does not exceed 3.0x undrawn commitments. At 31 May 2023, these requirements have been met.

Upfront fees of £2.0m (in sterling terms), in relation to this facility agreement, are being amortised over the remaining life of the facility. Further fees are payable after one year, and two years.

This loan facility provides a margin of additional assurance that the Company has the ability to finance its unfunded commitments in the future. At 31 May 2023, loan facility remained fully undrawn. At 31 May 2022, the previous loan facility also remained fully undrawn.

The facility is still set to continue to be available up until its original end date, following Credit Suisse AG being bought by UBS Group AG in March 2023.

7 Taxation

	31 May 2023			31 May 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Withholding tax deducted from distributions	1,494	–	1,494	3,075	–	3,075

Tax charge

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19% to 31 March 2023 rising to 25% from 1 April 2023, giving a weighted average for the year of 20% (Year ended 31 May 2022: 19%). The differences are explained below:

Net return before tax	(18,904)	62,679	43,775	(9,492)	585,164	575,672
Theoretical tax at UK corporation tax rate of 20% (31 May 2022: 19%)	(3,781)	12,536	8,755	(1,803)	111,181	109,378
Non-taxable investment, derivative and currency gains	–	(12,845)	(12,845)	–	(111,433)	(111,433)
Effect of expenses in excess of taxable income	–	309	309	–	252	252
Carry forward management expenses	3,781	–	3,781	1,803	–	1,803
Withholding tax deducted from distributions	1,494	–	1,494	3,075	–	3,075
	1,494	–	1,494	3,075	–	3,075

Notes to the Financial Statements

7 Taxation (continued)

The tax charge for the year ended 31 May 2023 is £1.5m (31 May 2022: £3.1m). The tax charge is wholly comprised of irrecoverable withholding tax suffered, with the exception of an amount of £0.1m, in relation to the recovery of tax from prior years which has been offset against the charge.

Investment gains are exempt from capital gains tax owing to the Company's status as an investment trust.

Factors That May Affect Future Tax Charges

The Company is an investment trust and therefore is not subject to tax on capital gains. Deferred tax is not provided on capital gains and losses arising on the revaluation or disposal of investments because the Company meets (and intends to meet for the foreseeable future) the conditions for approval as an investment trust company.

No deferred tax asset has been recognised in respect of excess management expenses and expenses in excess of taxable income as they will only be recoverable to the extent that there is sufficient future taxable revenue. As at 31 May 2023, excess management expenses are estimated to be in excess of £330m (31 May 2022: £227m).

At 31 May 2023, the Company had no unprovided deferred tax liabilities (31 May 2022: £nil).

8 Return per Ordinary Share

			31 May 2023			31 May 2022
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return for the financial year in £'000	(20,398)	62,679	42,281	(12,567)	585,164	572,597
Weighted average ordinary and redeemable shares			532,707,383			539,896,863
Return per share	(3.83)p	11.77p	7.94p	(2.32)p	108.38p	106.06p

There are no dilutive or potentially dilutive shares in issue.

9a Movement on Investments

	31 May 2023 £'000	31 May 2022 £'000
Book cost brought forward	1,530,419	1,003,796
Opening unrealised appreciation on investments held:		
– Unlisted investments	706,707	709,712
– Listed investments	1,482	216
Valuation of investments brought forward	2,238,608	1,713,724
Movements in year:		
Acquisitions at cost	289,020	979,764
Capital distributions – proceeds	(160,891)[2]	(1,024,931)[1]
Capital distributions – realised gains on sales	76,302[2]	571,790[1]
Increase in appreciation on investments held	(25,419)	(1,739)
Valuation of investments at year end	2,417,620	2,238,608
Book cost at year end	1,734,850	1,530,419
Closing unrealised appreciation on investments held:		
– Unlisted investments	682,437	706,707
– Listed investments	333	1,482
Valuation of investments at year end	2,417,620	2,238,608

Fair value of investments:		
Unlisted investments	2,415,800	2,235,639
Listed investments	1,820	2,969
Valuation of investments at year end	2,417,620	2,238,608

1 On 31 December 2021, the Company transferred several investments, at a fair value of £627.14m, to its wholly owned subsidiary Pantheon International Holdings LP, in return for a 99% investment in Pantheon International Holdings LP, being £620.87m and the remaining 1% in Pantheon International Holdings GP LP, being £6.27m.

2 On 1 October 2022, the Company transferred one further investment, at a fair value of £3.10m, to its wholly owned subsidiary Pantheon International Holdings LP, in return for a 99% investment in Pantheon International Holdings LP, being £3.07m and the remaining 1% in Pantheon International Holdings GP LP, being £0.03m.

Further details in relation to the subsidiaries are included in Note 18.

Notes to the Financial Statements

9b Analysis of Investments

Further analysis of the investment portfolio is provided in the Manager's Review on pages 60 to 61.

The Company received £160,891,000 (2022: £1,024,931,000) from investments sold during the year. The book cost of these investments when they were purchased was £84,589,000 (2022: £453,141,000). These investments have been revalued over time until such time they were sold and up until that point, any unrealised gains or losses were included in the fair value of the investments. Transaction costs (incurred at the point of the transaction) incidental to the acquisition of investments totalled £nil (31 May 2022: £nil) and to the disposals of investments totalled £7,000 (31 May 2022: £4,000) for the period. In addition, legal fees incidental to the acquisition of investments totalled £1,625,000 (31 May 2022: £1,326,000), as disclosed in Note 4, have been taken to the Capital column in the Income Statement since they are capital in nature.

Included in investment are also investments that the Company holds in its subsidiaries. Please see Note 18 for further details.

Gains on investment per income statement	31 May 2023 £'000	31 May 2022 £'000
Realised gains on sales	76,302	571,790
Amounts previously recognised as unrealised appreciation on those sales	1,482	216
Decrease in unrealised appreciation	(26,902)	(1,954)
Revaluation of amounts owed in respect of transactions	3	(3)
Gains on investments	50,885	570,049

9b Analysis of Investments (continued)

Currency analysis of investment valuation	31 May 2023 £'000	31 May 2022 £'000
Sterling		
Unlisted investments	1,042,249	872,089
	1,042,249	872,089
US dollar		
Unlisted investments	1,116,006	1,083,342
Listed investments	1,820	2,969
	1,117,826	1,086,311
Euro		
Unlisted investments	230,424	247,749
	230,424	247,749
Other		
Unlisted investments	27,121	32,459
	27,121	32,459
	2,417,620	2,238,608

9c Material Investment

At the period end, the Company held no material holdings in any underlying company which exceeded 3% and funds which exceeds 10% of any class of capital.

Notes to the Financial Statements

10 Fair Value Hierarchy

The fair value hierarchy consists of the following three levels:

Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date. The Level 1 holdings include publicly listed holdings held directly by the Company from in specie distributions received from underlying investments, but does not include listed holdings held indirectly through the Company's underlying private equity managers which are classified under Level 3 holdings;

Level 2 – Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Financial Assets at Fair Value Through Profit or Loss at 31 May 2023

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Unlisted holdings	–	–	2,415,800	2,415,800
Listed holdings	1,820	–	–	1,820
	1,820	–	2,415,800	2,417,620

10 Fair Value Hierarchy (continued)

Financial Assets at Fair Value Through Profit or Loss at 31 May 2022

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Unlisted holdings	–	–	2,235,639	2,235,639
Listed holdings	2,969	–	–	2,969
	2,969	–	2,235,639	2,238,608

Financial Liabilities at Fair Value Through Profit or Loss at 31 May 2023

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Asset Linked Note	–	–	32,520	32,520
	–	–	32,520	32,520

Financial Liabilities at Fair Value Through Profit or Loss at 31 May 2022

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Asset Linked Note	–	–	41,374	41,374
	–	–	41,374	41,374

11 Debtors

	31 May 2023 £'000	31 May 2022 £'000
Amounts receivable from investment funds	290	595
Accrued interest	17	5
Prepayments	2,040	1,523
	2,347	2,123

Notes to the Financial Statements

12 Cash and Cash Equivalents

	31 May 2023 £'000	31 May 2022 £'000
Cash at bank	49,906	231,458
Cash equivalents	16,137	–
	66,043	231,458

As at 31 May 2023, Cash equivalents of £16,137,000 were held in a USD money market fund (2022: £nil).

13 Creditors Amounts Falling Due Within One Year

	31 May 2023 £'000	31 May 2022 £'000
Investment management fees	2,245	2,124
Amounts owed in respect of transactions	–	4
ALN repayment to the investor	1,199	2,787
Other creditors and accruals	1,173	1,223
	4,617	6,138

14 Creditors Amounts Falling Due After One Year – Asset Linked Note

	31 May 2023 £'000	31 May 2022 £'000
Opening value of ALN	41,374	53,015
Repayment of net cashflows received	(5,035)	(13,786)
Fair value movement through profit or loss	(3,384)	3,428
Expense Charge and ALN share of withholding taxes	(435)	(1,283)
Closing Value of ALN (see Note 1(E))	32,520	41,374
Transfer to creditors due within one year, as amount is repayable within 3 months	(1,199)	(2,787)
	31,321	38,587

15 Called-up Share Capital

	31 May 2023 Shares	31 May 2023 £'000	31 May 2022 Shares	31 May 2022 £'000
Allotted, called-up and fully paid:				
Ordinary Shares of 6.7p each				
Opening position	537,493,640	36,012	54,089,447	36,240
Cancellation of shares	(7,600,183)	(509)	(3,400,830)	(228)
Shares issued through share split	–	–	486,805,023	–
Closing position	529,893,457	35,503	537,493,640	36,012
Total shares in issue	529,893,457	35,503	537,493,640	36,012

During the year ended 31 May 2023, 7,600,183 ordinary shares were bought back in the market, for cancellation at a total cost, including stamp duty, of £19.7m. During the year ended 31 May 2022, 3,275,830 ordinary shares were bought back in the market, to be held in Treasury at a total cost, including stamp duty, of £10.0m. The 3,275,830 shares that were held in Treasury were subsequently cancelled prior to the end of May 2022. In addition, during the year ended 31 May 2022, 125,000 shares were bought back for cancellation, at a total cost, including stamp duty, of £0.3m.

As a result, there were 529,893,457 ordinary shares in issue as at 31 May 2023 (of which none are held in Treasury; year to 31 May 2022: 537,493,640 ordinary shares and no Treasury shares).

Each holder of ordinary shares is entitled, on a show of hands, to one vote and, on a poll, to one vote for each ordinary share held.

Notes to the Financial Statements

16 Reserves

	Share premium £'000	Capital redemption reserve £'000	Other capital reserve £'000	Capital reserve on investments held £'000	Revenue reserve[1] £'000
Beginning of year	269,535	3,553	1,556,346	674,875	(112,857)
Net gain on realisation of investments	–	–	76,302	–	–
Decrease in unrealised appreciation	–	–	–	(21,180)	–
Revaluation of amounts owed in respect of transactions	–	–	3	–	–
Exchange differences on currency	–	–	9,210	–	–
Exchange differences on other capital items	–	–	(31)	–	–
Legal and professional expenses charged to capital	–	–	(1,625)	–	–
Share buybacks	–	509	(19,673)	–	–
Revenue return for the year	–	–	–	–	(20,398)
End of year	269,535	4,062	1,620,532	653,695	(133,255)

1 Reserves that are distributable by way of dividends. In addition, the Other Capital Reserve can be used for share buybacks.

17 Net Asset Value Per Share

	31 May 2023	31 May 2022
Net assets attributable in £'000	2,450,072	2,427,464
Ordinary shares	529,893,457	537,493,640
Net asset value per ordinary share	462.37p	451.63p

18 Subsidiaries

The Company has formed three wholly owned subsidiaries, to provide security for financial lending arrangements.

Pantheon International Holdings LP ("PIH LP") was incorporated on 29 March 2021 with a registered address in the State of Delaware (National Registered Agents, Inc., 209 Orange Street, Wilmington, Delaware 19801), and is wholly owned by the Company.

The Company holds an investment in PIH LP, which itself holds a basket of investments, rather than to carry out business on the Company's behalf. Investments held within PIH LP are based on the fair value of the investments held in those entities. On 31 December 2021, the Company transferred several investments, at a fair value of £627.14m, to its wholly owned subsidiary PIH LP in order to provide security for the £500m multi-currency facility agreed 2 August 2022. On 1 October 2022, the Company transferred one further investment, at a fair value of £3.10m. The aggregate amount of its capital and reserves as at 31 May 2023 is £995,928,000 (2022: £820,800,000) and the profit or loss for the period ended 31 May 2023 is £3,491,000 (2022: £164,000).

The General Partner for PIH LP is Pantheon International Holdings GP ("PIH GP") Limited. Incorporated on 17 March 2021 with a registered address c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, and is wholly owned by the Company. The aggregate amount of its capital and reserves as at 31 May 2023 is £1 (2022: £1) and the profit or loss for the period ended 31 May 2023 is £nil (2022: £nil).

The General Partner and the Limited Partner, formed an exempted limited partnership, named Pantheon International Holdings GP LP, incorporated on 17 March 2021 with a registered address c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company holds an investment in PIH GP LP.

Any investments made by the Company into PIH LP, generally invest at 99% directly into PIH LP, with the remaining 1% investing into PIH GP LP. PIH GP LP will then, in turn, wholly invest those funds into PIH LP, so no funds remain in PIH GP LP.

In accordance with FRS 102, the Company is exempted from the requirement to prepare consolidated financial statements on the grounds that its subsidiary PIH LP is held exclusively with a view to a subsequent resale as it is considered part of an investment portfolio and PIH GP LP and PIH GP are not material. Therefore, the Company has no requirement to prepare consolidated accounts, and therefore the subsidiaries noted above are held as investments recognised at fair value through profit or loss.

19 Reconciliation of Return Before Financing Costs and Taxation to Net Cash Flow from Operating Activities

	31 May 2023 £'000	31 May 2022 £'000
Return before finance costs and taxation	50,141	579,639
Withholding tax deducted	(1,494)	(3,075)
Gains on investments	(50,885)	(570,049)
Currency gains on cash and borrowings	(9,179)	(19,564)
Increase in creditors	394	483
Increase in other debtors	(147)	(29)
(Reduction)/gain of financial liabilities at fair value through profit or loss (ALN)	(3,384)	3,428
Expenses and taxation associated with the ALN	(435)	(1,283)
Net cash outflow from operating activities	(14,989)	(10,450)

20 Contingencies, Guarantees and Financial Commitments

At 31 May 2023, there were financial commitments outstanding of £857m (31 May 2022: £755m) in respect of investments in partly paid shares and interests in private equity funds. We expect 21% of the financial commitments outstanding to be called within the next twelve months.

Further detail of the available finance cover is provided in Note 21.

21 Analysis of Financial Assets and Liabilities

The primary investment objective of the Company is to seek to maximise long-term capital growth for its shareholders by investing in funds specialising in unquoted investments, acquiring unquoted portfolios and participating directly in private placements. Investments are not restricted to a single market but are made when the opportunity arises and on an international basis.

The Company's financial instruments comprise securities and other investments, cash balances and debtors and creditors that arise from its operations, for example sales and purchases awaiting settlement and debtors for accrued income.

The principal risks the Company faces in its portfolio management activities are:

- liquidity/marketability risk;
- interest rate risk;
- market price risk; and
- foreign currency risk.

The Manager only holds cash at banks with high credit ratings, therefore the Company has little exposure to credit risk. The Manager monitors the financial risks affecting the Company on a daily basis and the Directors regularly receive financial information, which is used to identify and monitor risk.

In accordance with FRS 102 an analysis of financial assets and liabilities, which identifies the risk to the Company of holding such items, is shown further on in this Note.

Liquidity Risk

Due to the nature of the Company's investment policy, the largest proportion of the portfolio is invested in unquoted securities, many of which are less readily marketable than, for example, "blue-chip" UK equities. The Directors believe that the Company, as a closed-end fund with no fixed wind-up date, is ideally suited to making long-term investments in instruments with limited marketability. The investments in unquoted securities are monitored by the Board on a regular basis.

There are times when opportunities for the Company to acquire secondary unquoted portfolios of interests or co-investments may be limited due to the cyclical nature of their occurrence. As a result, at times of low investment opportunity, some funds may be held on deposit or invested in gilts and other fixed interest government bonds. It is the nature of investment in private equity that a commitment (see Note 20 for outstanding commitments as at 31 May 2023) to invest will be made and that calls for payments will then be received from the unlisted investee entity. These payments are usually on an ad-hoc basis and may be called at any instance over a number of years. The Company's ability to meet these commitments is dependent upon it receiving cash distributions from its private equity investments and, to the extent these are insufficient, on the availability of financing facilities.

On 2 August 2022, the Company had agreed a new five-year £500m multi-tranche, multi-currency revolving credit facility agreement arranged by Credit Suisse AG London Branch, Lloyds Bank Corporate Markets plc and State Street Bank International GmbH. The Loan Facility, which replaced the £300m loan facility agreement, which was due to expire in May 2024, is comprised of facilities amounting to $512.9m and €89.2m and secured by certain assets of the Company. The facility will expire in July 2027 with an ongoing option to extend, by agreement, the maturity date by another year at a time. The facility has a blended commitment fee of 0.95% per annum on available commitment and pricing equivalent to the relevant benchmark rate plus 2.350% to 2.575% depending on utilisation.

The principal covenants that apply to the loan facility require:

(i) that gross borrowings do not exceed 34% of the borrowing base;

(ii) that gross borrowings do not exceed 45% of the adjusted borrowing base in the first year of the facility, and 40% thereafter; and

(iii) the liquidity ratio does not exceed 3.0x undrawn commitments.

Total available financing as at 31 May 2023 stood at £554m (31 May 2022: £528m), comprising £63m (31 May 2022: £227m) in cash balances and £491m (31 May 2022: £301m) (sterling equivalent) in undrawn bank facilities. The available financing along with the private equity portfolio exceeded the outstanding commitments by 3.7 times (31 May 2022: 4.0 times) (which now excludes any outstanding commitments relating to funds outside their investment period (>13 years old) as there is a low likelihood of these being drawn).

21 Analysis of Financial Assets and Liabilities (continued)

Interest Rate Risk

The Company may use gearing to achieve its investment objectives and manage cash flows and uses a multi-currency revolving credit facility for this purpose.

Interest on the revolving credit facility is payable at variable rates determined subject to drawdown. Variable rates are defined as relevant benchmark rates plus 2.350% to 2.575%, dependent on the currency drawn. The interest rate is then fixed for the duration that the loan is drawn down. At 31 May 2023, there was the sterling equivalent of £nil funds drawn down on the loan facilities (31 May 2022: £nil). A blended commitment fee of 0.95% per annum is payable in respect of the amounts available for drawdown in each facility.

Non-interest Rate Exposure

The remainder of the Company's portfolio and current assets are not subject to interest rate risks.

Financial assets for 2023 and 2022 consisted of investments, cash and debtors (excluding prepayments). As at 31 May 2023, the interest rate risk and maturity profile of the Company's financial assets was as follows:

31 May 2023	Total £'000	No maturity date £'000	Matures within 1 year £'000	Matures after 1 year £'000	Fixed interest average interest rate %
Fair value no interest rate risk financial assets					
Sterling	1,043,630	1,043,630	–	–	–
US dollar	1,171,627	1,171,627	–	–	–
Euro	240,745	240,745	–	–	–
Other	29,362	29,362	–	–	–
	2,485,364	2,485,364	–	–	–

The interest rate and maturity profile of the Company's financial assets as at 31 May 2022 was as follows:

31 May 2022	Total £'000	No maturity date £'000	Matures within 1 year £'000	Matures after 1 year £'000	Fixed interest average interest rate %
Fair value no interest rate risk financial assets					
Sterling	891,350	891,350	–	–	–
US dollar	1,262,083	1,262,083	–	–	–
Euro	269,786	269,786	–	–	–
Other	47,446	47,446	–	–	–
	2,470,665	2,470,665	–	–	–

21 Analysis of Financial Assets and Liabilities (continued)

Financial Liabilities

At 31 May 2023, the Company had drawn the sterling equivalent of £nil (31 May 2022: £nil) of its new £500m multi-currency credit facility, expiring July 2027. Interest is incurred at a variable rate as agreed at the time of drawdown and is payable at the maturity date of each advance. At the year end, interest of £nil (31 May 2022: £nil) was accrued as the facilities were unutilised.

At 31 May 2023 and 31 May 2022, other than the ALN, all financial liabilities were due within one year and comprised short-term creditors. The ALN is repayable by no later than 31 August 2027.

Market Price Risk

The method of valuation of the fixed asset investments is described in Note 1(D) on page 156. The nature of the Company's fixed asset investments, with a high proportion of the portfolio invested in unquoted securities, means that the investments are valued by the Directors after due consideration of the most recent available information from the underlying investments.

PIP's portfolio is well diversified by the sectors in which the underlying companies operate. This sectoral diversification helps to minimise the effects of cyclical trends within particular industry segments.

If the investment portfolio fell by 20% from the 31 May 2023 valuation, with all other variables held constant, there would have been a reduction of £483,524,000 (31 May 2022: £447,722,000) in the return before taxation. An increase of 20% would have increased the return before taxation by an equal and opposite amount.

Foreign Currency Risk

Since it is the Company's policy to invest in a diverse portfolio of investments based in a number of countries, the Company is exposed to the risk of movement in a number of foreign exchange rates. A geographical analysis of the portfolio and hence its exposure to currency risk is given on pages 34 and 46 and in Note 9b. Although it is permitted to do so, the Company did not hedge the portfolio against the movement in exchange rates during the financial period.

The investment approach and the Manager's consideration of the associated risk are discussed in further detail in the Strategic Report on pages 3 to 54 and the Manager's Review on pages 56 to 119.

The Company settles its transactions from its bank accounts at an agreed rate of exchange at the date on which the bargain was made. As at 31 May 2023, realised exchange losses of £31,000 (31 May 2022: realised exchange losses of £145,000) and realised gains relating to currency of £9,210,000 (31 May 2022: realised gains of £19,709,000) have been taken to the capital reserve.

The Company's exposure to foreign currency excluding private equity investments is shown below. In relation to this exposure, if the sterling/dollar and sterling/euro exchange rate had reduced by 10% from that obtained at 31 May 2023, it would have the effect, with all other variables held constant, of increasing equity shareholders' funds by £7,065,000 (31 May 2022: £21,936,000). If there had been an increase in the sterling/dollar and sterling/euro exchange rate of 10% it would have the effect of decreasing equity shareholders' funds by £5,780,000 (31 May 2022: £17,948,000). The calculations are based on the financial assets and liabilities and the exchange rate as at 31 May 2023 of 1.2394 (31 May 2022: 1.26) sterling/dollar and 1.16265 (31 May 2022: 1.17625) sterling/euro. The Company's investment currency exposure is disclosed in Note 9b.

21 Analysis of Financial Assets and Liabilities (continued)

An analysis of the Company's exposure to foreign currency is given below:

	31 May 2023 Assets £'000	31 May 2023 Liabilities £'000	31 May 2022 Assets £'000	31 May 2022 Liabilities £'000
US dollar	53,801	478	176,090	497
Canadian dollar	32	–	1,375	–
Euro	10,321	59	22,036	201
Swedish krone	768	–	240	–
Norwegian krone	–	–	136	–
Australian dollar	1,441	–	13,236	–
	66,363	537	213,113	698

Fair Value of Financial Assets and Financial Liabilities

Investments of the Company are held at fair value. All other financial assets are held at cost, which is an approximation of fair value. Other than the ALN, the financial liabilities are held at amortised cost, which is not materially different from fair value.

Managing Capital

The Company's equity comprises ordinary shares as described in Note 15. Capital is managed so as to maximise the return to shareholders while maintaining a capital base that allows the Company to operate effectively in the marketplace and sustain future development of the business.

As at 31 May 2023 and 31 May 2022, the Company had bank debt facilities to increase the Company's liquidity. Details of available borrowings at the period end can be found earlier in this Note.

The Company's assets and borrowing levels are reviewed regularly by the Board of Directors with reference to the loan covenants.

The Company's capital requirement is reviewed regularly by the Board of Directors.

22 Transactions with the Manager and Related Parties

The amounts paid to the Manager, together with the details of the Investment Management Agreement, are disclosed in Note 3.

The Company's related parties are its Directors. The Fees paid to the Company's Board are disclosed in the Directors' Remuneration Report on pages 138 to 140. The Company's National Insurance contribution in relation to Directors' remuneration is disclosed in Note 4. Amounts outstanding for Directors' Fees as at 31 May 2023 amount to £45,000 (2022: £57,000).

The Company also has three wholly owned subsidiaries. Please see Note 18 for further details.

There are no other identifiable related parties at the year end.

23 Post Balance Sheet Events

There are no post balance sheet events at the year end.

Other Information

AIFMD Disclosures

The Company is an alternative investment fund ("AIF") for the purposes of the Alternative Investment Fund Managers Directive (Directive 2011/61/EU) ("AIFMD"), and the Manager was appointed as its alternative investment fund manager ("AIFM") for the purposes of the AIFMD with effect from 21 July 2014. The Manager is a "full scope" AIFM for the purposes of the AIFMD.

The AIFMD requires certain disclosures to be made in the Annual Report of the Company. Many of these disclosures were already required by the Listing Rules and/or UK Accounting Standards, and these continue to be presented in other sections of the Annual Report, principally the Strategic Report (pages 3 to 54), the Manager's Review (pages 56 to 115) and the financial statements (pages 151 to 176). This section completes the disclosures required by the AIFMD.

Assets subject to special arrangements

The Company holds no assets subject to special arrangements arising from their illiquid nature.

Remuneration disclosure

The total number of staff of the Manager for the period ended 31 May 2023, including staff remunerated by affiliates of the Manager, was approximately 450, of which 8 were senior management or other members of staff whose actions have a material impact on the risk profile of the Company ("identified staff").

The total remuneration paid by the Manager and its affiliates to staff of the Manager in respect of the financial year ended 31 May 2023 attributable to work relating to the Company was as follows:

	12 months to 31 May 2023			12 months to 31 May 2022		
	Fixed £'000	Variable £'000	Total £'000	Fixed £'000	Variable £'000	Total £'000
Senior management	459	634	1,094	518	795	1,313
Staff	1,643	933	2,576	1,727	1,062	2,789
Total staff	2,102	1,567	3,670	2,245	1,857	4,102
Identified staff	293	555	848	322	434	756

No carried interest was paid in respect of the Company during the year.

The above disclosures reflect only that element of the individuals' remuneration which is attributable to the activities of the Manager relating to the Company. It is not possible to attribute remuneration paid to individual staff directly to income received from any fund and hence the above figures represent a notional approximation only calculated by reference to the assets under management of the Company as a proportion of the total assets under management of the Pantheon Group.

In determining the remuneration paid to its staff, the Manager takes into account a number of factors including the performance of the Company, the Manager and each individual member of staff. These factors are considered over a multi-year framework and include whether staff have met the Manager's compliance standards. In addition, the Manager seeks to ensure that its remuneration policies and practices align financial incentives for staff with the risks undertaken and results achieved by investors, for example by ensuring that a proportion of the variable income received by identified staff is deferred for a period of at least three years.

Full details of the Pantheon Group's remuneration policies and practices for staff (which includes the Manager's staff) can be found at www.pantheon.com.

Leverage

The AIFMD requires the Manager of the Company to set leverage limits for the Company. For the purposes of the AIFMD, leverage is any method by which the Company's exposure is increased, whether through the borrowing of cash or by the use of derivatives or by any other means. The AIFMD requires leverage to be expressed as a ratio between the Company's exposure and its net asset value and prescribes two methodologies, the gross method and the commitment method (as set out in Commission Delegated Regulation No. 231/2013), for calculating such exposure.

The following leverage limits have been set for the Company:

(i) Borrowings shall not exceed 100% of the Company's net asset value or such lower amount as is agreed from time to time with the Company's lenders.

(ii) Leverage calculated as the ratio between the exposure of the Company calculated in accordance with the gross method referred to above and its net asset value shall not exceed 200%.

(iii) Leverage calculated as the ratio between the exposure of the Company calculated in accordance with the commitment method referred to above, and its net asset value shall not exceed 200%.

Using the methodologies prescribed under the AIFMD, the Company's leverage ratio as at 31 May 2023 is shown below:

	Gross method	Commitment method
Leverage ratio	99%	101%

There have been no changes to the maximum level of leverage which the Manager may employ on behalf of the Company during the financial year to 31 May 2023. There are no collateral or asset reuse arrangements in place as at the year end.

Risk profile and risk management

The principal risks to which the Company is exposed and the approach to managing those risks are set out in the Strategic Report (pages 44 to 48) and also in Note 21 of the financial statements (pages 172 to 175). The investment restrictions which seek to mitigate some of those principal risks in relation to the Company's investment activities are set out in the investment policy (page 42) and under "Board responsibilities and relationship with the Manager" in the Statement on Corporate Governance (page 130). Additionally, the individual counterparty exposure limit for deposits with each of the Company's bank counterparties has been set at £70m or the equivalent in foreign currencies. The Manager's risk management system incorporates regular review of the principal risks facing the Company and the investment restrictions applicable to the Company. The Manager has established appropriate internal control processes to mitigate the risks, including those described in the "Mitigation" column in the "Risk Management and Principal Risks" section of the Strategic Report (pages 44 to 48). These investment restrictions have not been exceeded in the financial year to 31 May 2023.

Article 23(1) disclosures to investors

The AIFMD requires certain information to be made available to investors in the Company before they invest and requires that material changes to this information be disclosed in the Annual Report of the Company. The information required to be disclosed is contained in the document "Information for Investors", which is available on the Company's website at www.piplc.com.

There have been no material changes to this information requiring disclosure.

Alternative Performance Measures

We assess our performance using a variety of measures that are not specifically defined under IFRS and are therefore termed Alternative Performance Measures or "APMs".
The APMs that we use may not be directly comparable with those used by other companies.
The APMs used by the Company are defined below.

AIC ongoing charges

Annualised operating costs, excluding performance fees, financing costs and taxes, as a percentage of the average month-end NAV over the year.

	Page	31 May 2023 £'000	31 May 2022 £'000	
Investment management fees	159	27,707	23,115	
Lookthrough charges		1,303	862	
Other expenses	160	2,059	1,274	
Total expenses		31,069	25,251	(a)
Average month-end NAV		2,490,134	2,195,124	(b)
AIC ongoing charges		1.25%	1.15%	(a/b) x 100

Net available cash

Cash and net current assets (liabilities) less next ALN repayment (see Notes 12 and 13).

Available financing

Sum of available cash and undrawn loan facility.

	Page	31 May 2023 £m	31 May 2022 £m	
Available cash	172	63	227	(a)
Undrawn loan facility	172	491	301	(b)
Available financing		554	528	(a + b)

Capital call

Call to limited partners ("LPs") to pay in a portion of the LPs' committed capital when the general partner ("GP") has identified a new investment for purchase.

	Page	31 May 2023 £m	31 May 2022 £m	
Acquisitions at cost	163	289	980	(a)
Recallable distributions		(20)	(25)	(b)
Amount drawn for new commitments		(190)	(160)	(c)
ALN share of calls		1	–	(d)
PIH LP Investment		(191)	(720)	(e)
Investments made through PIH LP		266	112	(f)
Capital calls		155	187	(a + b + c + d + e + f)

Capital call rate

Capital calls in the period divided by opening undrawn commitments.

	Page	31 May 2023 £m	31 May 2022 £m	
Capital calls	29	155	187	(a)
Opening undrawn commitments		755	528	(b)
Capital call rate		21%	35%	(a/b) x 100

Distribution

Cash or stock returned to the LPs after the fund has exited from an investment by selling it, or from distributions received before a sale. Excludes such proceeds received relative to the portion of the portfolio attributable to the ALN.

	Page	31 May 2023 £m	31 May 2022 £m	
Disposal of investments	163	161	1,025	(a)
Investment income received	151	18	19	(b)
Recallable distributions		(20)	(25)	(c)
Withholding tax deducted		(1)	(3)	(d)
ALN share of distributions		(5)	(11)	(e)
Transferred investments to PIH LP	163	(3)	(627)	(f)
Disposals of investments received through PIH LP		73	41	(g)
Distributions from PIP's portfolio		223	419	(a + b + c + d + e + f + g)

Distribution rate

Distributions for the period divided by opening portfolio value.

	Page	31 May 2023 £m	31 May 2022 £m	
Distributions from PIP's portfolio		223	419	(a)
Opening investments at fair value	153	2,239	1,714	(b)
ALN share of opening investments		(39)	(47)	(c)
Opening portfolio value (excluding the ALN)		2,200	1,667	(d) = (b + c)
Distribution rate from PIP's portfolio		10%	25%	(a/d) x 100

Financing cover

Ratio of available cash, private equity assets and undrawn loan facility to outstanding commitments. Future calls from outstanding commitments are expected to be funded from future distributions realised from the existing private equity assets portfolio, in addition to distributions realised from future investments.

	Page	31 May 2023 £m	31 May 2022 £m	
Available financing	180	554	528	(a)
Investments at fair value	153	2,418	2,239	(b)
Total		2,972	2,767	(c) = (a + b)
Outstanding undrawn commitments (excluding those outside their investment period)		809	698	(d)
Financing cover		3.7x	4.0x	(c/d)

31 May 2022 previously reported financing cover of 3.7x. The basis of calculation now excludes any outstanding commitments relating to funds outside their investment period (>13 years old) as there is a low likelihood of these being drawn. This amounted to £48.2m as at 31 May 2023 and £57.1m as at 31 May 2022.

Net portfolio cash flow

Income and capital distributions received from funds following exit realisations less capital calls made to finance investments or expenses.

	Page	31 May 2023 £m	31 May 2022 £m	
Distributions from PIP's portfolio	29	223	419	(a)
Capital calls	29	155	187	(b)
Net portfolio cash flow		68	232	(a - b)

Alternative Performance Measures

Portfolio investment return

Total movement in the valuation of the underlying funds and companies comprising the portfolio, expressed as a percentage of opening portfolio value. Foreign exchange effects and other expenses are excluded from the calculation. The figure excludes returns attributable to the ALN. A reconciliation of the return after taxation to the portfolio valuation movement is shown below.

	Page	31 May 2023 £m	31 May 2022 £m	
Return after taxation (per Income Statement)	151	42	573	(a)
Adjusted for non-portfolio income and expenses				
– Investment management fees	151	28	23	(b)
– Other expenses	151	4	3	(c)
– Interest payable and similar expenses	151	6	4	(d)
– Other income		(1)	–	(e)
– Portfolio and other FX	*	(3)	(166)	(f)
Portfolio valuation movement		76	437	(g) = (a + b + c + d + e + f)
Opening investments at fair value	153	2,239	1,714	(h)
ALN share of opening investments		(39)	(47)	(i)
Opening portfolio value (excluding the ALN)		2,200	1,667	(j) = (h + i)
Portfolio investment return		3.5%	26.2%	(g/j) x 100

* Includes £-11m of FX on the portfolio excluding the ALN (2022: (£169m)).

Sample calculations and disclosures

The sample buyout figures for the 12 months to 31 December 2022 were calculated using all the information available to the Company. The figures are based on unaudited data. MSCI data was sourced from Bloomberg.

Revenue and EBITDA

The revenue and EBITDA figures were based upon the last 12 months to 31 December 2022 or, where not available, the closest annual period disclosed, and provide coverage of 77% and 77% (12 months to 2021: 82% and 81%) for revenue and EBITDA growth respectively of PIP's buyout portfolio. Individual company revenue and EBITDA growth figures were capped if in excess of -100% and +100% to avoid distortions from large outliers. Sample data for 2016–2022 is based on the same methodology and provides coverage of 45%–75% of the portfolio in each year.

Valuation multiple and debt multiple

Enterprise value is defined as equity value plus net debt. The net debt and enterprise value figures were based on underlying valuations as at 31 December 2022, or the closest disclosed period end. The valuation multiple sample covers approximately 54% (December 2021: 65%) of PIP's buyout portfolio. The debt multiple sample covers approximately 45% (December 2021: 52%) of PIP's buyout portfolio.

Cost multiple

The cost multiple data on page 83 is based on a sample that represented approximately 52% by value of proceeds from exit realisations for the year to 31 May 2023. The data covers primary investments and co-investments, and is based upon gross cost multiples available at the time of the distribution.

Uplift

Realisation events are classified as exit realisations when proceeds equate to at least 80% of total investment value and once confirmation of exit realisation is received from the underlying private equity manager. Uplift on full exit compares the value received upon realisation against the investment's carrying value 12 months prior to the transaction taking place. The analysis on page 82 only includes exit realisations that occurred during the period and disregards the impact of any proceeds received outside the 12-month period covered in the uplift analysis. The data in the sample represents 100% (2022: 100%) of proceeds from exit realisations and 61% (2022: 87%) of distributions received during the period.

Total ongoing charges

Annualised operating costs, including financing costs and any performance fees charged by Pantheon but excluding taxes, expressed as a percentage of the average month-end NAV over the year.

	Page	31 May 2023 £'000	31 May 2022 £'000	
Investment management fees	159	27,707	23,115	
Performance fee payable to Pantheon		–	–	
Lookthrough charges	159	1,303	862	
Other expenses	151	2,059	1,274	
Interest payable and similar expenses	151	6,366	3,967	
Total expenses and financing costs		37,435	29,218	(a)
Average month-end NAV		2,490,134	2,195,124	(b)
Total ongoing charges		1.50%	1.33%	(a/b) x 100

Liquidity & undrawn coverage ratio

Ratio of available financing and 10% of private equity assets to undrawn commitments. Under the terms of its loan facility, in order to make additional undrawn commitments, PIP is required to maintain a liquidity ratio at least 33%.

	Page	31 May 2023 £m	31 May 2022 £m	
Available financing	180	554	528	(a)
Investments at fair value @ 10%	153	242	224	(b)
Total		796	752	(c) = (a + b)
Outstanding undrawn commitments		857	755	(d)
Liquidity ratio		93%	100%	(c/d) x 100
Outstanding undrawn commitments (excluding those outside their investment period)		809	698	(e)
Undrawn coverage ratio[1]		98%	108%	(c/e) x 100

1 The basis of calculation for the undrawn coverage ratio excludes any outstanding commitments relating to funds outside their investment period (>13 years old) as there is a low likelihood of these being drawn. This amounted to £48.2m as at 31 May 2023 and £57.1m as at 31 May 2022.

Glossary of Terms

AIFMD
Alternative Investment Fund Managers Directive.

Asset Linked Note ("ALN")
Unlisted, subordinated note due August 2027, the repayment and the performance of which are linked to a reference portfolio consisting of older vintage funds. The holder of the ALN has rights to receive c.75% of net cash flows arising from the reference portfolio prior to the repayment of any outstanding balance in August 2027.

Buyout funds
Funds that acquire controlling interests in companies with a view towards later selling those companies or taking them public.

Carried interest
Portion of realised investment gains payable to the General Partner as a profit share.

Co-investment
Direct shareholding in a company by invitation alongside a private equity fund.

Commitment
The amount of capital that each Limited Partner agrees to contribute to the fund when and as called by the General Partner.

Debt multiple
Ratio of net debt to EBITDA.

Deleverage
A reduction in a companies total debt.

Dry powder
Capital raised and available to invest but not yet deployed.

Earnings before interest, taxes, depreciation and amortisation ("EBITDA")
A measure of earnings before interest and taxes that excludes non-cash expenses. Valuation methods are commonly based on a comparison of private and public companies' value as a multiple of EBITDA.

Enterprise value
The sum of a company's market capitalisation and net debt (net debt equals debt less cash and cash equivalents).

Exit
Realisation of an investment usually through trade sale, sale by public offering (including IPO), or sale to a financial buyer.

Expense charge
A pro rata share of the Company's Total Ongoing Charges allocated to the ALN, reducing each quarterly payment. This is deducted from Other Expenses through the revenue account of the Income Statement.

Feeder fund
An investment vehicle, often a limited partnership, that pools capital commitments of investors and invests or "feeds" such capital into an umbrella fund, often called a master fund ("Master"), which directs and oversees all investments held in the Master portfolio.

Fund-of-funds
Private equity fund that invests in a portfolio of several private equity funds to achieve, compared with a direct investment fund, a broader diversification of risk, including individual private equity manager risk.

Fund management fee
Annual fee, typically charged by the GP as a percentage of LP commitments to the fund during the investment period and attenuating thereafter, intended to cover the costs of running and administering a fund.

General Partner ("GP")
The entity managing a private equity fund that has been established as a limited partnership, also commonly referred to as the private equity fund manager.

Initial public offering ("IPO")
The first offering by a company of its own shares to the public on a regulated stock exchange.

Internal rate of return ("IRR")
The IRR, a common measure of private equity performance, is calculated as an annualised compounded rate of investment return based on the timing and quantity of cash flows.

Investment period
Period, typically five years, during which the GP is permitted to make new investments.

J-curve
Refers to the tendency of private equity funds to experience capital outflows and negative returns in early years, and cash flow distributions and investment gains in later years as portfolio companies mature and are exited.

Limited Partner ("LP")
An institution or individual who commits capital to a private equity fund established as a limited partnership. Limited Partners are generally protected from legal actions and any losses beyond their original commitment to the fund.

Liquidation

The sale of all remaining assets of a fund prior to its final cessation of operations.

Manager-led secondary

Purchase of an interest in a portfolio company alongside a private equity manager, where the manager is seeking to extend the investment holding period in order to participate in the company's next phase of growth.

Market capitalisation

Share price multiplied by the number of shares outstanding.

Multiple of invested capital ("MOIC" or cost multiple)

A common measure of private equity performance, MOIC is calculated by dividing the fund's cumulative distributions and residual value by the paid-in capital.

Net asset value ("NAV")

Amount by which the value of assets of a fund exceeds liabilities, reflecting the value of an investor's attributable holding.

Net available cash

Cash and net current assets (liabilities) less next ALN repayment.

Paid-in capital

Cumulative amount of capital that has been called.

Portfolio company

A company that is an investment within a private equity fund.

Portfolio investment return

Total movement in the valuation of the underlying funds and companies comprising the portfolio, expressed as a percentage of opening portfolio value. Foreign exchange effects and other expenses are excluded from the calculation. The figure excludes returns attributable to the ALN.

Primaries

Commitments made to private equity funds at the time such funds are formed.

Private equity

Privately negotiated investments typically made in non-public companies.

Reference portfolio

As defined under the terms of the ALN, a subset of PIP's private equity portfolio assets, substantially comprising the Company's oldest funds (2006 and earlier vintages).

Secondaries

Purchase of existing private equity fund or company interests and commitments from an investor seeking liquidity in such funds or companies.

Share buyback

A share buyback is where a company purchases its own shares from the market. This can be done for several reasons, such as returning surplus cash to shareholders, taking advantage of wide discounts in share prices to net asset values or providing liquidity to existing shareholders.

Share cancellation

Share cancellations refer to the process of reducing the number of shares outstanding. Listed companies may cancel shares following a share buyback or to effect share capital reduction and share forfeitures.

Share price premium (discount)

Occurs when a company's share price is higher (lower) than the NAV per share.

Special situations

Special situations investments can include distressed debt, mezzanine, energy/utilities and turnarounds.

Undrawn or outstanding commitments

Capital that is committed but is still to be drawn down by the GP for investment.

Uplift on exit

Increase in value received upon exit realisation of an investment relative to its carrying value 12 months prior to realisation.

Valuation multiples

Multiple of earnings (typically EBITDA or net income) or revenue applied in valuing a business enterprise.

Venture capital

Investment in early and development-stage companies, often used to finance technological product and market development.

Vintage

The year in which a private equity fund makes its first investment.

Weighted average fund age

Average fund age for the portfolio is weighted by the fund's respective closing net asset values. Fund age refers to the number of years since a private equity fund's first investment.

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Electronic communications from the Company

Shareholders now have the opportunity to be notified by email when the Company's Annual Reports, Notices of Meetings and other formal communications are available on the Company's website, instead of receiving printed copies by post. This has environmental benefits due to the reduction of paper, printing, energy and water usage, as well as reducing costs to the Company. If you have not already elected to receive electronic communications from the Company and wish to do so, visit www.signalshares.com. To register, you will need your investor code, which can be found on your share certificate.

Alternatively, you can contact Link's Customer Support Centre, which is available to answer any queries you have in relation to your shareholding:

By phone: call +44 (0)371 664 0300. Calls from outside the UK will be charged at the applicable international rate. Link is open between 09:00 and 17:30, on Monday to Friday (excluding public holidays in England and Wales).

By email: shareholder.enquiries@linkgroup.co.uk

By post: Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL, UK

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