

## Private Equity Investor Plc

### Interim Management Statement – 3 Months to 31 December 2007

#### Investment Objective

The Company was launched in February 2000 and provides both private and institutional investors with a means to participate in specialist venture funds in the USA, a category of funds that is not otherwise accessible to many investors.

The Company's objective is to achieve a substantial capital appreciation for shareholders over the long term. The Company's policy has been to invest in high quality venture capital funds, managed by several different management groups, focused on various stages of growth from early stage to pre-IPO, so as to obtain exposure to a diversified underlying portfolio of investments in unlisted companies in the IT and other technology sectors. Such funds have been selected with regard to the experience and track record of the managers, their investment strategy and their strength and quality of deal flow.

#### Financial Highlights

31 March 2002 = 100%

	To 31 December 2007	To 31 July 2007	To 31 March 2007	To 31 March 2006	To 31 March 2005	To 31 March 2004	To 31 March 2003
Shareprice*	120.04%	132.34%	133.93%	131.27%	83.07%	79.30%	69.98%
NASDAQ Composite (\$)	143.73%	140.45%	131.23%	126.79%	108.47%	108.07%	72.68%

\*Ordinary share total return with dividends reinvested

#### Financial Position

	As at 31 December 2007*	As at 30 September 2007
Net assets and shareholders funds	£75,358,000	£85,756,000
Net assets per ordinary share	176.39p	171.51p
Net assets and shareholder' funds in US \$	\$150,008,000	\$174,714,000
Net assets per ordinary share in US cents	351.11c	349.43c
Mid-market price per ordinary share	149.50p	155.00p
Discount to NAV	15.24%	9.63%
Exchange rate (US\$ / £)	1.9906	2.03735

Figures exclude current period revenue/(deficit)

\*December figures after repurchase of shares by tender in December 2007

## **LP Portfolio Revaluations**

As at 31 December 2007 the Company's NAV included re-valuations by the Limited Partnerships at the following dates:

APV Technology Partners III	30 September 2007
Bay III	30 September 2007
Crescendo IV	30 September 2007
Dawntreader Fund II	30 September 2007
Draper Fisher Jurvetson ePlanet Ventures	30 September 2007
Draper Fisher Jurvetson Fund VI	30 September 2007
Draper Fisher Jurvetson Fund VII	30 September 2007
Draper Fisher Jurvetson Gotham Venture Fund	30 September 2007
Focus Ventures II	30 September 2007
Francisco Partners II	30 September 2007
Institutional Venture Partners XII	Book cost
New Enterprise Associates 9	30 September 2007
New Enterprise Associates 10	30 September 2007
New Enterprise Associates 12	30 September 2007
Oak Investment Partners X	30 September 2007
Sprout Capital IX	30 September 2007
TCV IV	30 September 2007
Vanguard VII	30 September 2007
Vantagepoint Venture Partners IV	30 September 2007
Vantagepoint 2006 Fund	30 September 2007
Vector Capital IV	30 September 2007
Zone Ventures Fund II Annex	30 September 2007
Zone Ventures Fund II	30 September 2007

## **Material Events**

### **Tender Offer**

On 12 November 2007, shareholders were sent a circular giving details of the Company's proposal to make a Tender Offer to shareholders to purchase shares with a value of £12.5 million. An Extraordinary General Meeting was held on 7 December 2007 at which shareholders approved a resolution allowing the Company to purchase shares under the Tender Offer. The Tender Offer was completed on 13 December 2007 with a total of 7,276,592 shares being repurchased by the Company for cancellation at the Tender Price of 171.7818 pence per share. Following settlement of the Tender Offer, which was made on 18 December 2007, there are now 42,723,408 shares in issue. It is the Company's intention periodically to distribute surplus funds to shareholders.

## **Material Transactions**

During the three months to 31 December 2007 the Company received cash and shares from its Limited Partner holdings with a value of \$9,453,707 and Limited Partnerships drew down \$1,813,431. During the period, three of the Company's underlying portfolio companies undertook IPO's: Entropic Communications (Focus Ventures II), Neutral Tandem (NEA 10) and Compellent Technologies (Crescendo IV).

On 5 February 2008, the Company announced that it had received a cash distribution from one of its Limited Partnerships, Focus Ventures II, following the acquisition of EqualLogic by Dell for a total of \$1.4 billion (the largest all-cash M&A exit for a venture-backed IT company to date, according to Venture Source). As a result, PEI received \$7,178,780 and this resulted in an increase in the Company's NAV of 15.35cents per share. This equated to an increase of 7.80p per share, based on the exchange rate at the close of business on 1 February 2008 of \$1.96865.

## **Outlook**

The circular to shareholders regarding the Tender Offer and the subsequent Chairman's Statement, contained in the preliminary announcement of interim results released on 30 November 2007, set out the Company's intentions with regard to the future direction of the business and explained the role of Campton Group, Inc ("Campton"). The Company's intention is: to meet any outstanding drawdowns in respect of the portfolio of funds to which commitments were made in its early years and which are principally of the 1999 and 2000 vintages ; to continue to collect distributions from these funds; and to make periodic further returns of capital to shareholders. The Company, however intends to retain up to \$40 million of capital to develop the Campton business. The Company has invested in Campton, which advises the Company on its existing portfolio, on terms that include the right to acquire a controlling shareholding. Campton intends to develop a fund of funds management and advisory business that may provide its services both to the Company and to third parties.

While the business of Campton is being developed the Company has made a number of commitments to highly regarded venture capital funds with the intention of transferring these "warehoused" investments to a new fund of funds vehicle to be raised by Campton with the Company's financial support. Providing that Campton is successful in its fund raising activities, PEI will be reimbursed for its contribution to the fund's launch costs and will recover the cost of any subscriptions to the warehoused funds, together with recompense for its holding costs. The Company believes that these warehoused commitments will be the cornerstone of a new fund of funds and that the Company will benefit from this through the development of Campton's fund management business in which it will have a significant interest.

Peter Dicks

Chairman  
18 February 2008