



JZ CAPITAL PARTNERS LIMITED



# 2018 Annual Results Presentation

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JZ CAPITAL PARTNERS LIMITED

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# About us

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- JZCP is one of the oldest closed-end investment companies listed on the Specialist Fund Segment of the London Stock Exchange
- Approximately \$1.2 billion of gross assets
- Principally invests in US and European micro-cap companies and US real estate
- Guernsey resident — tax efficient vehicle
- Three classes of shares in issue – Ordinary Shares, Zero Dividend Preference Shares (due 2022), and CULS
- Adviser is Jordan/Zalaznick Advisers, Inc. – founded in 1986
  - Led by Jay Jordan and David Zalaznick – invested together for more than 35 years
  - Gordon Nelson (CIO) – worked with Jay and David for more than 25 years
- Three experienced investment teams: US micro-cap, European micro-cap and RedSky Capital (real estate)
- The European team includes Jock Green-Armytage and Miguel Rueda, who have been investing together for more than 15 years in European micro-cap deals (UK, Italy, Holland, Scandinavia, Portugal and Spain). David Zalaznick works with the European team extensively.
- RedSky Capital, led by Ben Bernstein and Ben Stokes, is highly experienced in acquiring, operating and developing real estate, with special consideration given to the Brooklyn and South Florida markets.



# Financial highlights

## Total NAV return per share

- NAV of \$837.6m (28/02/17: \$848.8m)
- Total NAV return per share of (1.4)% per share

## Significant levels of investment and realisation activity

- Deployed \$96.5m: \$36.6m (US), \$8.7m (Europe), \$47.2m (real estate), \$4.0m (other)
- Realized NK & K2 Towers above NAV (Oct. 2017): cumulative \$13.4 million uplift to NAV
- Realized Factor Energia at appx. NAV (Nov. 2017):
  - Gross proceeds (before carry) of €69.7m, 9.2x gross MOIC and 42.3% gross IRR\*

## Current and post-period realisations provide appx. \$250m in gross proceeds to JZCP: 3.6x capital invested on those transactions

- Five major realizations in the past six months. On a combined basis, these realizations have returned gross proceeds to JZCP of appx. \$250m\*\*
- Realized Bolder Healthcare Solutions (March 2018)
  - Gross proceeds of appx. \$110m, a 4.5% increase in NAV as of 31/01/18
- Realized Paragon Water Systems (March 2018): Gross proceeds of appx. \$16.2m

## Increasingly diversified portfolio

- 38 micro-cap businesses in total across nine industries
  - 21 US micro-cap businesses (four 'verticals', 12 co-investments and five 'other' US micro-cap investments)
  - 17 European micro-cap businesses
- Five major real estate assemblages (59 properties) in Brooklyn, NY and South Florida

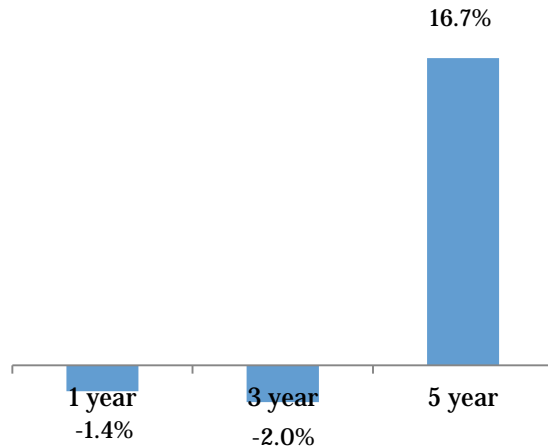
\*Factor Energia performance calculations are in euro-denominated terms and include deferred payments and interim distributions received over the course of the investment. Approximate gross proceeds (before carry) in US dollar terms of \$85 million (see below). Gross MOIC represents a gross "multiple of invested capital". Gross IRR represents a gross "internal rate of return".

\*\* Factor Energia total gross proceeds of approximately €69.7 million (\$85.0 million) (including interim distributions and future expected proceeds all multiplied by a theoretical, illustrative exchange rate of \$1.22 to €1.00, which is current as of April 25, 2018 per Oanda.com). K2 Towers total expected gross proceeds of approximately \$31.3 million. Nielsen-Kellerman total gross proceeds of approximately \$8.6 million. Paragon (post-period) expected total gross proceeds of \$16.2 million. Bolder Healthcare Solutions (post-period) expected total gross proceeds of approximately \$110.0 million.

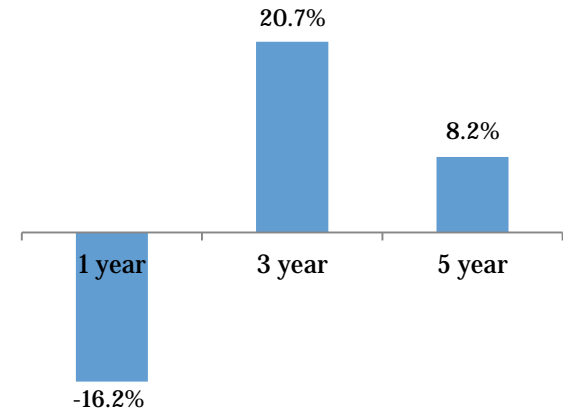


# Share price and NAV per share performance

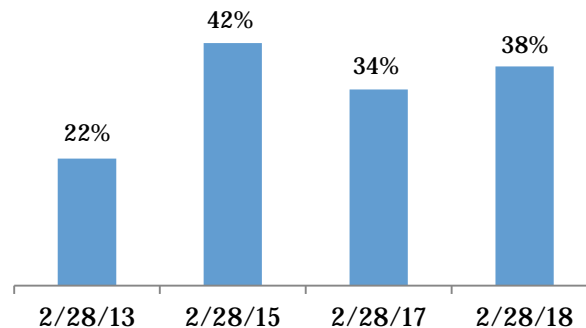
Cumulative NAV total returns\*



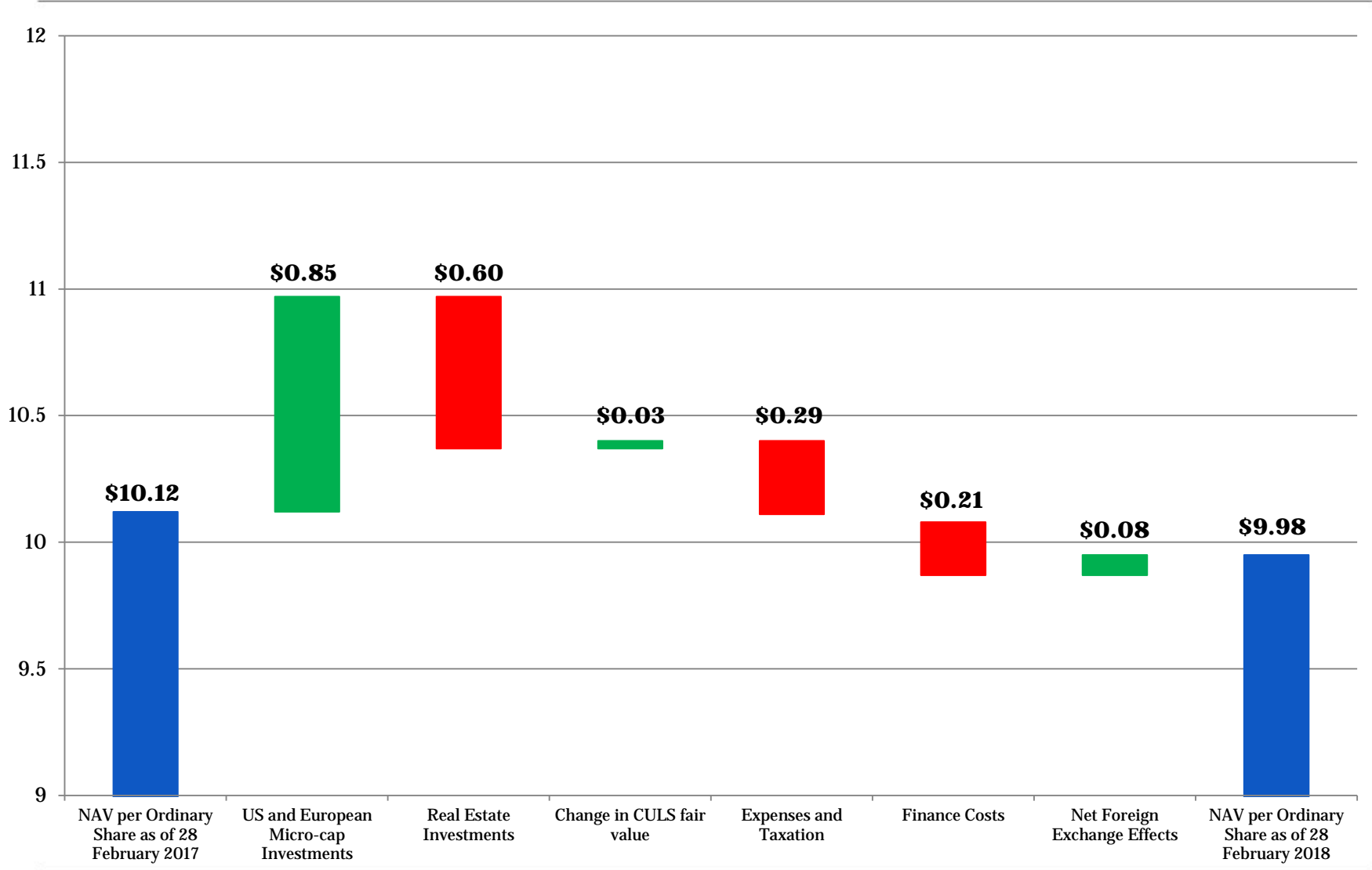
Cumulative total shareholder returns\*



## NAV to market price discount



# Net asset value



\*Numbers subject to rounding



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# Balance sheet summary

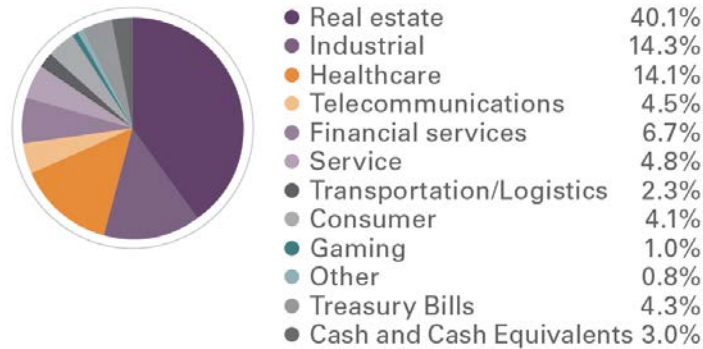
Investments	\$000 28/02/18	\$000 28/02/17
US Micro-cap Investments	488,258	423,137
European Micro-cap Investments	103,457	154,277
Real Estate Investments	463,391	468,599
Other Investments	17,404	23,167
Cash and Liquid Investments	83,962	29,063
<b>Total Assets</b>	<b>1,156,472</b>	<b>1,098,763</b>

Investments	\$000 28/02/18	\$000 28/02/17
<b>Total Assets</b>	<b>1,156,472</b>	<b>1,098,763</b>
- Liabilities	(196,086)	(138,921)
- ZDP's	(62,843)	(53,935)
- CULS	(59,970)	(57,063)
<b>Net Assets</b>	<b>837,573</b>	<b>848,844</b>



# Portfolio breakdown

## Portfolio by Industry



## Portfolio by Investment Type





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## NAV Validation

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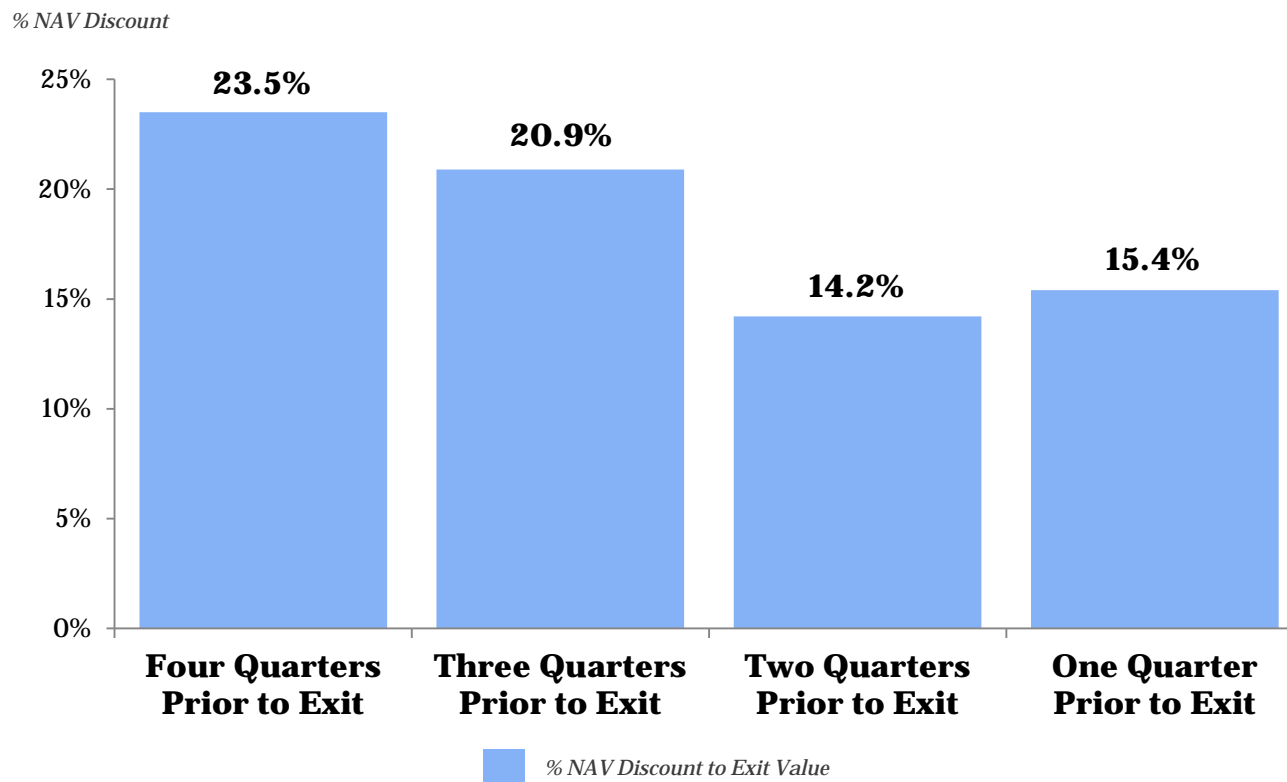


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# Discount of NAV carrying value to actual exit value

**JZCP has seen significant valuation uplift relative to historical carrying values**

Discount of NAV Carrying Value to Actual Exit Value (All US & European Micro-cap Exits 2014-2018)\*

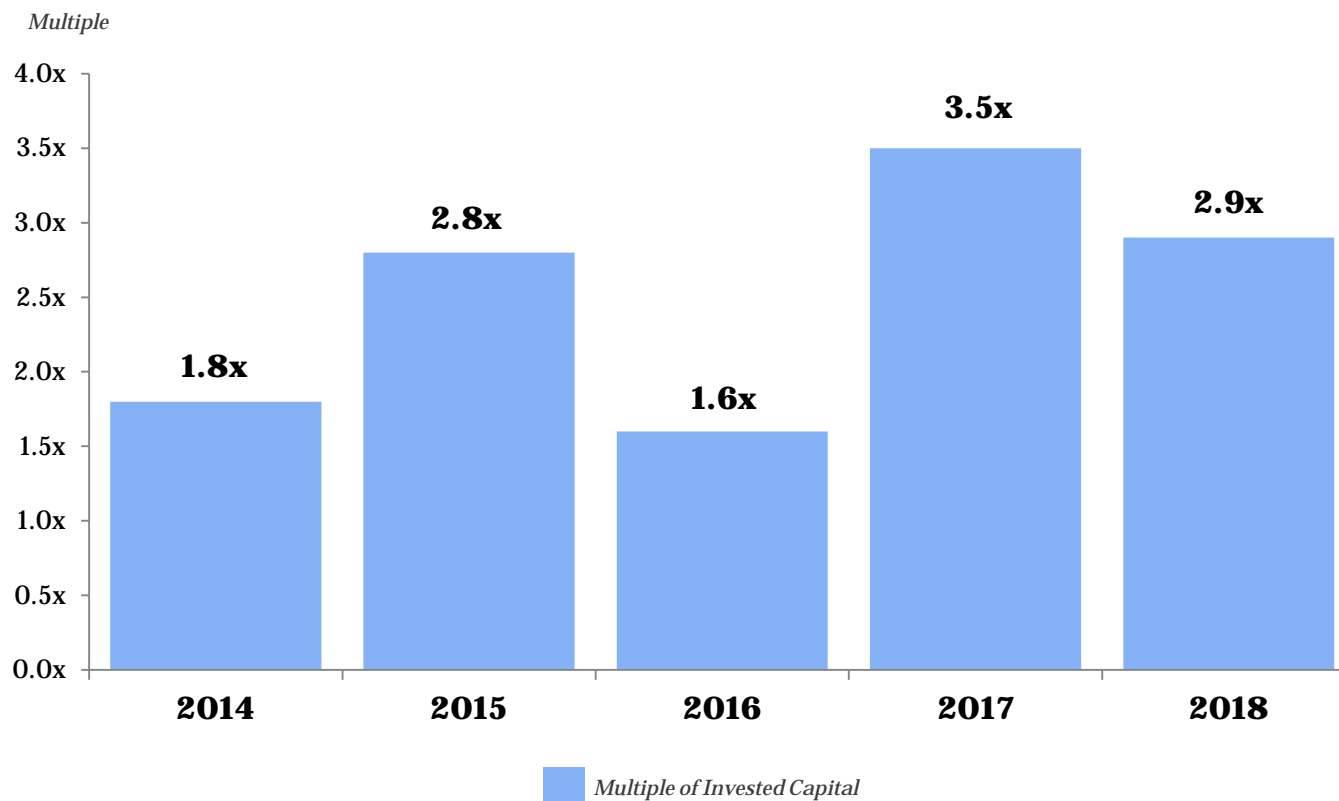


\* As of 30 April 2018. Includes Bolder Healthcare Solutions and Paragon Water Systems realizations in March 2018. Analysis includes full exits of US & European micro-cap businesses (21 full exits from 2014-2018). Excludes partial exits and re-capitalizations. Returns are presented on a “gross” basis (i.e., they do not reflect the management fees or incentive fees that may be paid by investors, which may be significant and may lower returns).



# Gross MOIC on exits

Gross MOIC on Exits (All US & European Micro-cap Exits 2014-2018)\*



\* As of 30 April 2018. Includes Bolder Healthcare Solutions and Paragon Water Systems realizations in March 2018. Analysis includes full exits of US & European micro-cap businesses (21 full exits from 2014-2018). Excludes partial exits and re-capitalizations. Returns are presented on a "gross" basis (i.e., they do not reflect the management fees or incentive fees that may be paid by investors, which may be significant and may lower returns).



# Successful realizations

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- In October 2017, JZCP realized Nielsen-Kellerman (“NK”) and K2 Towers (“K2”) for a total gross value of \$39.9m, representing a cumulative \$13.4m uplift to JZCP’s NAV as of 31 August 2017.
- **Nielsen-Kellerman (NK) – October 2017**
  - Established in 1978, NK is a designer, manufacturer and distributor of rugged, waterproof environmental and sports performance instruments for active lifestyles and technical applications.
  - JZCP received proceeds of \$8.6 million from the sale of NK, representing a 3.3x realized gross MOIC and a 19.2% realized gross IRR. JZCP first invested in NK in March 2010.
- **K2 Towers (K2) – October 2017**
  - K2 was founded in 2009 and specializes in acquiring and maintaining wireless communication towers, with portfolios stretching throughout the United States and Puerto Rico.
  - JZCP expects to receive total proceeds of \$31.3 million from the sale of K2 to a strategic buyer, representing an overall gross MOIC of 1.5x and a gross IRR of 17.6% in just over two years.
- **Factor Energia (Factor) – November 2017**
  - Founded in 1999, Factor is a leading independent supplier of electricity to small and mid-sized companies in Spain.
  - JZCP realized, at approximately net asset value, its majority equity interest in Factor held through EMC 2010.
  - Factor is being acquired by a public-sector asset manager, on behalf of a major Canadian pension fund. As part of this transaction, Fund III, in which JZCP is an approximately 18.8% limited partner, has agreed to invest €20 million alongside the majority owner and Factor management, representing approximately 25% of the business’ fully diluted equity ownership.
  - JZCP invested a total of approximately €7.6 million in Factor and is expected to receive total gross proceeds (before carry) of approximately €69.7 million from the sale (including deferred payments and interim distributions received over the course of the investment), representing an approximate gross MOIC of 9.2x and an approximate gross IRR of 42.3% in euro-denominated terms.



# Successful realizations (post-period)

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- **Bolder Healthcare Solutions (BHS) – March 2018**

- BHS was acquired by a subsidiary of Cognizant, one of the world's leading professional services companies.
- BHS offers a full suite of healthcare revenue cycle management services to the hospital and physician marketplace in the United States.
- JZCP will realize approximately \$110.0 million in gross proceeds from this sale (including escrows), which represents an increase in NAV of approximately \$37.1 million, or 4.5% of NAV, as of 31 January 2018.

- **Paragon Water Systems (Paragon) – March 2018**

- Paragon was acquired by Culligan Water, the world leader in residential, office, commercial and industrial water treatment.
- Paragon develops and produces “point-of-use” water filtration products for leading global Original Equipment Manufacturer (“OEM”) clients, big brand suppliers to specialty and big box retailers, direct sales organizations and companies with national or international water filtration dealership networks.
- JZCP expects to realize approximately \$16.2 million in gross proceeds (including escrows) from the sale, representing an increase of approximately \$3.7 million, or 29.6% on the carrying value of Paragon of approximately \$12.5 million as of 31 January 2018.
- This transaction represents a gross MOIC of approximately 1.8x and a gross IRR of approximately 18.4%.





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# Portfolio Review – Micro-cap

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# US micro-cap

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## Strategy: Verticals

- Identify and purchase smaller businesses in “verticals” where an industry executive can add value via organic growth and cross company synergies
- Sell vertical platform companies as one entity for a multiple expansion

## Strategy: Co-investments

- Co-invest with known private equity groups to leverage our infrastructure
- Allows for greater diversification of portfolio

## Portfolio

- Four separate verticals: industrial, testing, water, healthcare revenue cycle management
- 12 separate co-investments alongside seven co-investment partners
- Current portfolio purchased at average of 6.1x EBITDA; valued at average of 8.3x





# US micro-cap verticals

Industry sector driven “build-ups” created to add value through operational synergies across businesses and exit multiple expansion

	Industrial Services Solutions (ISS)	Healthcare Revenue Cycle Management*	Water Services	Testing Services
	Industrial equipment maintenance, repair and service	Revenue cycle management for hospitals and doctors' offices	Infrastructure repair, water treatment and filtration	Environmental testing services and equipment
Companies	<ul style="list-style-type: none"> <li>• 27 companies across five platforms</li> </ul>	<ul style="list-style-type: none"> <li>• MEDS</li> <li>• MedFin</li> <li>• PPMIS</li> <li>• ROI</li> <li>• Avectus</li> <li>• ACE</li> <li>• PPS</li> <li>• HRP</li> <li>• Bus. Dynamics</li> </ul>	<ul style="list-style-type: none"> <li>• Perma-liner</li> <li>• Nashville Chemical</li> <li>• Paragon**</li> <li>• LMK</li> <li>• APMCS</li> <li>• Klenzoid</li> <li>• Eldon</li> <li>• Chemco</li> <li>• Buckman</li> </ul>	<ul style="list-style-type: none"> <li>• Argus</li> <li>• Premier</li> <li>• AJ Abrams</li> <li>• Shannon</li> <li>• RAF</li> <li>• MW Gas</li> <li>• Eagle</li> <li>• EOCI***</li> <li>• Tech Safety***</li> </ul>
Manager	Jim Rogers	Mike Shea	Larry Quick	Scott Temple
Revenues	\$375.4 M	\$148.0 M	\$179.9 M	\$50.9 M
Adj. EBITDA	\$49.3 M	\$33.0 M	\$27.2 M	\$4.7 M
Invested	\$33.3 M	\$30.3 M	\$24.7 M	\$12.8 M

\* Healthcare Revenue Cycle Management was realized post-period in March 2018.

\*\* Paragon Water Systems was realized post-period in March 2018. The Revenue/EBITDA/Invested figures above include Paragon Water Systems.

\*\*\*EOCI & Tech Safety were acquired post-period in March 2018. Revenue/EBITDA/Invested figures do not include EOCI or Tech Safety.



# Significant US micro-cap co-investments

ABTB	K2 Towers II*	George Industries	Peaceable Street Capital	Sloan LED
Acquirer of fast casual and quick service restaurants	One of the largest private cell phone tower companies in North America	Manufacturer of highly engineered components for aerospace industry	Platform providing preferred equity to commercial real estate	Designer and manufacturer of LED lights and lighting systems
<b>December 2017</b>	<b>October 2017</b>	<b>July 2016</b>	<b>January 2016</b>	<b>April 2015</b>
<b>Invested: \$8.8M</b>	<b>Invested: \$4.2M</b>	<b>Invested: \$12.6M</b>	<b>Invested: \$28.0M</b>	<b>Invested: \$6.0M</b>
<b>Partner: Orangewood</b>	<b>Partner: Orangewood</b>	<b>Partner: Orangewood</b>	<b>Partner: Orangewood</b>	<b>Partner: Baird Capital</b>
TierPoint	Igloo	Suzu Happ	Salter Labs	New Vitality
Provider of IT and data centre colocation services	Designer, manufacturer and marketer of coolers and outdoor products	Manufacturer of parts for the gaming industry	Developer and manufacturer of respiratory medical products	Direct-to-consumer provider of nutritional supplements
<b>June 2014</b>	<b>April 2014</b>	<b>July 2012</b>	<b>October 2010</b>	<b>April 2010</b>
<b>Invested: \$44.3M</b>	<b>Invested: \$6.0M</b>	<b>Invested: \$2.6M</b>	<b>Invested: \$16.8M</b>	<b>Invested: \$3.6M</b>
<b>Partner: RedBird Capital</b>	<b>Partner: ACON</b>	<b>Partner: ACON</b>	<b>Partner: RoundTable</b>	<b>Partner: Baird Capital</b>

\*K2 Towers was realized in October 2017. Approximately \$4.2 million of JZCP's proceeds were rolled into a new vehicle (K2 Towers II) which is being used to fund a new portfolio of cell tower assets with the same management partners.



# Significant US micro-cap investments

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<b>Felix Storch</b>	<b>Avante</b>	<b>Orizon</b>	<b>Priority</b>
Provider of compact and specialty refrigerators and other appliances	Build-up: healthcare equipment sales, service & installation companies	Platform established to invest in aerospace and defence industries	Provider of same day express courier services
<b>March 2017</b>	<b>August 2015</b>	<b>November 2015</b>	<b>October 2013</b>
<b>Invested: \$12.0M</b>	<b>Invested: \$30.6M</b>	<b>Invested: \$15.8M</b>	<b>Invested: \$13.2M</b>



# European micro-cap

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## Strategy

- Value-oriented investment approach targeting micro-cap companies in Western Europe
- Diversified investment focus: portfolio companies in seven countries across five industries

## Management

- Strategy coordinated by an experienced management team, which has invested in European micro-cap deals (UK, Italy, Holland, Scandinavia, Germany, Portugal and Spain) for more than 15 years
- Offices in London and Madrid led by Jock Green-Armytage and Miguel Rueda

## Portfolio

- Strategically important region for JZCP
- Portfolio consists of 17 companies\*
  - Industrial: Factor Energia, Alianzas en Aceros, ERSI, Eliantus, Luxida, Bluemint
  - Financial Services: Fincontinuo and My Lender
  - Insurance: Collingwood
  - Transportation / Logistics: Petrocorner, S.A.C, Treee

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\*JZCP sold its equity stake (held through EMC 2010) in Xacom, Docout, Ombuds and Toro Finance in February 2016, but still has remaining direct debt investments in each company as of 28 February 2018.



# Fund III – significant portfolio companies

Petrocorner	Fincontinuo	S.A.C	Collingwood	My Lender
Strategic build-up to acquire 2-3% of Spain's petrol station market	Independent salary-backed consumer lending platform in Italy	Operational van leasing (lease & service) company in Denmark	Niche UK-based motor insurance company	Independent consumer lending platform in Finland
<b>July 2014</b>	<b>October 2014</b>	<b>March 2015</b>	<b>October 2015</b>	<b>November 2015</b>
<b>Invested: €6.2M</b>	<b>Invested: €5.4M*</b>	<b>Invested: €3.7M</b>	<b>Invested: €3.4M</b>	<b>Invested: €3.4M*</b>
<b>Partner:</b> Co-investor Group	<b>Partner:</b> Co-investor Group		<b>Partner:</b> CO-investor Group	
Alianzas en Aceros	ERSI	Treee	Eliantus	Factor Energia
Steel transformation business in Spain	Reinforced steel business domiciled in Luxembourg	E-waste recycling business in Italy	Build-up of solar power plants in Spain	Energy supply business in Spain
<b>July 2016</b>	<b>November 2016</b>	<b>June 2017</b>	<b>July 2017</b>	<b>November 2017</b>
<b>Invested: €2.8M*</b>	<b>Invested: €5.2M</b>	<b>Invested: €4.7M*</b>	<b>Invested: €2.8M*</b>	<b>Invested: €3.8M*</b>
	<b>Partner:</b> Boar Steel		<b>Partner:</b> Elliott	<b>Partner:</b> IMCO

- 'Invested' euros above represent 18.75% of the cost of each portfolio company on the financial statements of JZI Fund III, L.P. as of 31 December 2017.
- (\*) Fully or partially funded using JZI Fund III, L.P.'s line of credit





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# Portfolio Review – Real Estate

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# Real estate

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## Strategy

- Value-added investment strategy analogous to micro-cap investing
- Developing and repositioning retail, residential and office properties in Brooklyn and South Florida neighborhoods with strong growth demographics

## Value Add

- *Reposition:* Vacate under-market units through lease workouts/expiration and tenant buyouts
  - Design, market, renovate and lease properties to best-in-class users
- *Assemble:* Assemble contiguous, separately-owned parcels to increase size and value of development sites and frontage on major thoroughfares

## Portfolio

Portfolio	12/12	12/13	12/14	12/15	12/16	12/17
Current Residential (sf)	40,762	72,540	95,340	96,340	99,922	99,922
Current Commercial (sf)	66,723	286,315	424,015	523,268	904,938	904,938
Additional Opportunistic (sf)	107,640	751,602	808,960	1,565,109	2,468,069	2,468,069

- JZCP invested \$47.2 million across the portfolio during the period
- JZCP has appx. \$388.2 million invested in 59 properties valued at \$463.4 million



# JZCP's current real estate portfolio: Brooklyn, NY

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- **Williamsburg:** Epicenter of positive shifting demographics in North Brooklyn
  - 12 mixed-use properties, located on most trafficked retail corridors
    - 57,000 sq. ft. residential / 157,000 sq. ft. retail
  - Two development sites situated at key neighborhood junctions: 40,000 sq. ft. buildable
  - 127,000 sq. ft. iconic redevelopment project featuring Apple as anchor tenant
- **Greenpoint:** Dynamic, waterfront neighborhood with panoramic Manhattan views
  - Top waterfront development site: more than 600,000 sq. ft. buildable
- **Downtown Brooklyn:** Revitalization centered around Barclay's Center and Atlantic Ave. transportation hub
  - Top development site - significant frontage on most highly trafficked retail corridor in Brooklyn
    - 385,000 sq. ft. buildable
  - One of the most recognizable retail spaces near Barclay's Center
  - Redeveloped, cash flowing mix-used facility: 24,000 sq. ft. residential/ 20,000 sq. ft. retail
- **Bushwick:** Young, progressive neighborhood just east of Williamsburg
  - Unique, loft building in a prime location: 17,000 sq. ft. residential, 21 residential units





# Driggs Development

## Construction Capitalization (expected at completion of construction)

<b>Total Equity*</b>	\$8.1m
<b>Total Financing</b>	\$38.2m
<b>Total Cost</b>	<b>\$46.3m</b>
<b>Projected NOI at Stabilization</b>	\$2.7m
<b>Stabilized Cap Rate</b>	5.8%
<b>Base Case Exit Cap Rate</b>	4.50%
<b>Base Case Valuation*</b>	<b>\$60.0m</b>

- Two separate mixed-use buildings in prime Williamsburg with estimated construction completion by Q4 2019
- Both buildings within one block of our Apple store building



\*Peak equity of ~\$10.8m. Total distributions to date of ~\$6.0m via 2015 debt financing. Additional equity of ~\$3.4m invested post 2015 debt financing. Therefore, total equity contributions of ~\$14.2m and total distributions, inclusive of hypothetical sale, of ~\$27.8m (\$6.0m in prior distributions + \$21.8m in implied unrealized equity value from hypothetical sale at stabilization). Implied equity multiple of approximately 2.0x.



# JZCP's current real estate portfolio: South Florida

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- **Wynwood (Miami):** rapidly increasing retail rents amid a thriving arts scene
  - Three prime retail assets
  - Three top development sites with substantial air rights
- **Design District (Miami):** innovative fashion, design and architecture attracting some of the world's most prestigious brands and retailers
  - Completed assemblage comprised of 16 properties making up an entire block of Miami's Design District -- highly visible retail site with significant frontage on the neighborhood's prime retail corridor and substantial air rights
- **West Palm Beach, FL:** market with strong fundamentals poised to welcome influx of hedge funds, private equity firms and family offices relocating from the Northeast
  - Cash-flowing, trophy office building in West Palm Beach's central business district with substantial upside



# CUBE Wynwood Development

## Construction Capitalization (expected at completion of construction)

<b>Total Equity</b>	\$8.1m
<b>Total Financing</b>	\$31.2m
<b>Total Cost</b>	<b>\$39.3m</b>
<b>Projected NOI at Stabilization</b>	\$3.5m
<b>Stabilized Cap Rate</b>	8.9%
<b>Base Case Exit Cap Rate</b>	5.0%
<b>Base Case Valuation</b>	<b>\$70.0m</b>



- Estimated construction completion by Q4 2018
- 28% preleased to Spaces
- Spaces has shown interest in leasing the entire property, we're exploring other options as well





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## Share Buyback Policy

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# Implementation of share buyback policy

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- **In April 2017, JZCP's board of directors discontinued the Company's dividend policy and asked shareholders to authorize a new policy to include the repurchase of shares**
  - Our stock had been trading at a significant discount to NAV in spite of a dividend yield consistently in excess of 4.0%
  - Our stated dividend policy of paying out 3.0% of NAV had not had the desired long-term effect on our stock price
- **The board believes that the interests of shareholders would be better served through a new strategy to include the repurchase of shares**
  - JZCP represents a highly attractive investment opportunity and we hope to take advantage of the wide discount
  - If we are able to buy shares at a significant discount, it will increase our NAV per share (the ultimate mark by which our share price will be measured)
  - The board will have the option of implementing the buyback program opportunistically and where it would be accretive to shareholder value
- **Post-period, JZCP repurchased its first shares at a significant discount and plans to continue to do so during the coming fiscal year**





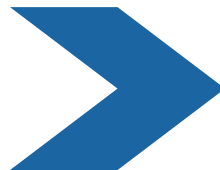
# Summary & outlook

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Strong balance sheet to take advantage of investment opportunities

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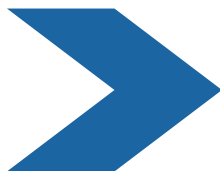


- Increased liquidity from realizations

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Consistent validation of NAV

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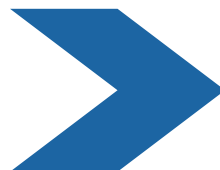


- Strong pipeline of opportunities in the US, Europe and real estate portfolios

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First share buybacks post-period

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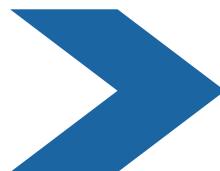


- Five realizations approximately at or above NAV

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High level of investment activity

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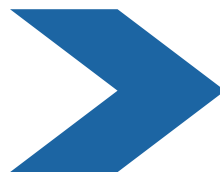


- \$96.5 million in new investments during the period

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Diversified investment portfolio

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- US micro-cap (42%), European micro-cap (9%), real estate (40%) other\* (9%)



# Appendix



# Major holdings

Company	Type	Cost (\$ 000) (28/02/2018)	Value (\$ 000) (28/02/2018)	% of gross assets
Healthcare Revenue Cycle Management vertical	US micro-cap	30,327	108,026	9.3
Design District Assemblage	Real estate	113,304	93,603	8.1
Industrial Services Solutions vertical	US micro-cap	33,174	77,885	6.7
Fulton Mall Assemblage	Real estate	48,913	68,461	5.9
Williamsburg Retail Assemblage	Real estate	64,022	66,198	5.7
Greenpoint	Real estate	39,227	63,563	5.5
TierPoint	US micro-cap	44,313	46,813	4.0
JZI Fund III, L.P.	European micro-cap	30,987	42,291	3.7
Water vertical	US micro-cap	24,730	39,126	3.4
Avante	US micro-cap	30,641	33,133	2.9
<b>Top 10 Holdings*</b>		<b>459,638</b>	<b>639,099</b>	<b>55.2</b>

\*Numbers subject to rounding





# JZCP investment activity

Since 28 February 2017	(\$ millions)
Real Estate Investments	47.2
Felix Storch	12.0
ABTB	8.8
European investments	8.7
Avante	4.5
K2 Towers II	4.2
Peaceable Street Capital	3.0
RAF (testing vertical)	1.2
Sloan LED	1.1
Others	5.8
<b>Total*</b>	<b>96.5</b>



# JZCP realisation activity

Since 28 February 2017	Gross Proceeds (\$ millions)
Factor Energia – Sale	54.7
K2 Towers – Sale	28.7
Fidor – Sale	23.5
Nielsen-Kellerman – Sale	8.6
Avante – Dividend Recap	7.6
Bright Spruce Fund – Liquidation	4.7
Esperante Distribution and 267 Flatbush Sale	2.5
Escrows	1.9
Petrocorner & Collingwood – Distribution	1.5
<b>Total*</b>	<b>133.7</b>

(\* ) Numbers subject to rounding

