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## Q1 2012 Interim Management Statement

4 July 2012

JZ Capital Partners Limited (LSE:JZCP.L, the "Company" or "JZCP"), the London listed private equity fund that invests in high quality US and European micro cap companies, today announces its Interim Management Statement for the period 1 March 2012 to 31 May 2012.

### Strategic Initiatives

Shareholder approval received for all proposed strategic initiatives, as announced in May, including:

- The restructuring of the Company's ordinary share capital to have a single class of ordinary shares in place of a capital structure which is divided into listed ordinary shares and unlisted limited voting ordinary shares
- The raising of the limit on investment in businesses outside the United States from 20% to 30% of the Company's gross assets

### Other Highlights

- NAV per Ordinary Share of \$9.38 (\$9.47 as at 29 February 2012)
  - Decrease in NAV driven by adverse currency movement and a valuation write down of one U.S. micro cap investment
  - Valuation write up of two US micro cap investments by \$2 million

### Investments

- \$113.8 million invested across the portfolio during the period including:
  - \$18.7 million (debt and equity) in Bay Valve Service and Engineering / \$17.5 million (debt and equity) in MedPlast
  - €13.5 million co-investment in Oro Direct (Spain)/ \$6.2 million in BSM Engenharia (Brazil)

### Realisations

- Realisations of \$42.3 million including:
  - \$3.5 million for the sale of equity in Roofing Supply Group, representing an IRR of 15.1%
  - Continued sale of TAL stake, receiving \$26.7 million for 708,320 shares

### David Zalaznick, JZCP's Founder and Investment Adviser, said:

"I'm delighted that we can move forward with the strategic initiatives proposed at the full year results, all of which are designed to enhance returns for our shareholders and will position the fund for further growth. Despite the challenging market environment, the strength of our balance sheet has again allowed us to put money to work across the micro cap sector and the realization activity has been encouraging too. We're pleased with the positive performance of the underlying assets and can look forward with confidence."

### Strategic Initiatives

JZCP announced separately yesterday shareholder approval for the restructuring of the Company's ordinary share capital to have a single class of ordinary shares in place of the former capital structure which consisted of ordinary shares and limited voting ordinary shares ("LVOS").

The last day of dealings of the ordinary shares on the premium segment of the Official List and of the ZDP Shares on the standard segment of the Official List is expected to be 30 July. Admission of the Ordinary Shares and the ZDP Shares to the Specialist Fund Market is expected to take place and dealings in such shares are expected to commence on the Specialist Fund Market at 8.00 a.m. on 31 July. Admission of the Ordinary Shares and the ZDP Shares to listing on the CISX is intended to take place at 8.00 a.m. on 31 July.

This simplified structure will be more appropriate to the mix of investors who own the Company and will remove a structural inadequacy that hitherto has restricted the Company's ability to accommodate US investors. It will also help ensure that the full market capitalization of the Company is represented by suppliers of market data (whereas previously the market capitalization was often reported without reference to the LVOS).

Mindful of the significant discount to NAV at which the Company's ordinary shares have traded and wanting to continually explore options that are aimed at providing a long-term solution to narrow this discount, the Company's dividend policy, for the current financial year and going forward, will be that it will be calculated as 3% of NAV per year (1.5% at each of the interim and final stages).

## NAV CHANGE AND RETURNS

<b>Net Asset Value per Ordinary Share as of 29 February 2012</b>	<b>\$9.47</b>
+/- Change in Private Investments (\$ per Share Impact)	(0.04)
+/- Change in Public Investments (\$ per Share Impact)	(0.05)
+/- Foreign Exchange Effect on Investments	(0.06)
+ Income from Investments (\$ per Share Impact)	0.15
- ZDP Dividend Accrual (\$ per Share Impact)	(0.03)
- Fees and Expenses (\$ per Share Impact)	(0.13)
+/- Other	0.07
<b>Net Asset value Per Ordinary Share as of 31 May 2012</b>	<b>\$9.38</b>

We take a cautious approach in our private valuations; consequently, we have reduced our valuation of Accutest, our environmental laboratory testing company, by \$2.6 million, or 4 cents per share, as the excess capacity within the industry continues to create a challenging environment for that business. On the plus side, we have written up Nielsen-Kellerman (our hand held weather device business) and Justrite (the industrial parts company) by \$2 million, or 3 cents per share.

Unfortunately, the euro / dollar exchange rate change had a negative impact on our NAV by \$0.06. As a result, we are in the process of reviewing various alternatives to hedge our exposure to the (recently) volatile euro.

Our conservative valuation approach combined with adverse currency movements led to a NAV decline of 1.0%, from \$9.47 per share to \$9.38, as seen below:

	<u>31/5/2012</u>	<u>29/2/2012</u>
Net Asset Value (\$000's) (1)	\$610,104	\$615,462
Number of Ordinary Shares Outstanding (000's)	65,019	65,019
Net Asset Value per Ordinary Share (\$)	\$9.38	\$9.47
Market Price per Share (\$)	\$5.67	\$5.83
NAV to Market Price Discount	40%	38%

(1) Per JZCP Board.

The capital markets continue to undervalue our shares and that of the broader listed private equity sector. Our shares are trading at a discount to NAV of 40%, up slightly from 38% at the end of the last fiscal year. This is despite the fact that all but four of our private investments have shown EBITDA growth in the last calendar quarter and we have a very strong balance sheet.

The chart below summarizes the total NAV returns and total shareholder returns for the most recent 3 months, most recent 12 months, and since the refinancing and restructuring (which took place in June 2009):

	<u>As of</u> <u>31/5/2012</u>	<u>29/2/2012 to</u> <u>31/5/2012</u>	<u>31/5/2011 to</u> <u>31/5/2012</u>	<u>30/6/2009 to</u> <u>31/5/2012</u>
Share Price (in GBP)	£3.68	£3.66	£4.24	£2.11
Dividends Paid (in USD)	-	0.0¢	16.0¢	46.5¢
Total Shareholder Return	-	0.5%	(12.2%)	20.9%
NAV / Share (in USD)	\$9.38	\$9.47	\$9.06	\$6.39
NAV Total Returns	-	(1.0%)	5.4%	16.5%
NAV to Market Price Discount	40%	38%	23%	47%

Russell 1000	-	(4.3%)	(3.3%)	8.0%
FTSE 1000	-	(9.4%)	(11.1%)	13.3%

## RECENT ACTIVITIES

We were active during the past quarter, making a number of significant investments in several of our business sectors. We put \$113.8 million to work, while realizing \$42.3 million:

### US Micro Cap Investments

In April 2012, we purchased Bay Valve Service and Engineering, a Seattle, Washington based refurbisher of larger valves for a variety of end users, from oil refineries to power generation plants. Bay Valve is part of our Industrial Service Solutions vertical overseen by Jim Rogers. We invested \$18.7 million in debt and equity securities, including 31% of the business's equity.

In May 2012, we invested \$1.5 million for approximately 33% of Gator Compressor, an acquisition to be folded into Southern Parts and Engineering Company ("SPECO"), which Jim Rogers manages. Gator Compressor is run by the same manager who has taken over SPECO's operations.

In June 2012, we purchased National Compressor Services, LLC; also managed by Jim Rogers. National Compressors provides air compressor services and solutions to manufacturing plants across various end-markets. We invested \$4.3 million for approximately 31% of this business.

### Co-Investments

In April 2012, we made an investment in MedPlast, a company specializing in the precision molded plastic and rubber components serving the healthcare commercial markets. Baird Capital Partners is the lead investor in this transaction; we purchased \$17.5 million in securities, including \$10.0 million of 14.5% subordinated notes, and \$7.5 million in equity securities. JZCP owns 11% of the company on a fully diluted basis.

Furthermore, in April 2012 we invested \$6.2 million in BSM Engenharia, a Brazil based infrastructure service business. BSM manages ports and other transportation focused infrastructure projects for businesses such as PetroBras, the nationally-owned oil company. Our 3.7% ownership position of BSM was purchased in conjunction with ACON, a very successful private equity group with significant Latin American experience. This is the first time JZCP has exploited its value-orientated approach in Latin America, a market with a positive demographic trend that has huge growth potential and importantly it will provide our portfolio with further geographic diversification.

### European MicroCap

The European Microcap Fund ("EMF") of which we own 75% continues to perform well. EMF purchased Oro Direct in March 2012. Oro Direct is a leading precious metals trading unit in Spain. EMF invested €13.5 million alongside a co-investor, for a 29.7% interest in this business. Based in Spain, Oro Direct produces scrap gold and silver from 1,500 pawn shops and jewelers for the spot price less a per kilo commission. This business is very scalable and opened an office in Austria immediately after the EMF transaction closed.

In addition, in order to support an ongoing EMF security business, we purchased a net \$2.6 million of Subordinated Notes to Grupo Ombuds.

### Real Estate

In April 2012, we completed the purchase of almost an entire square block in Williamsburg, Brooklyn, one of the fastest growing neighborhoods in New York City. We purchased over 100,000 square feet of retail units and 40 apartments for approximately \$64 million. JZCP invested \$16.7 million for a 75% equity ownership position.

### Cash Management

As previously announced, in order to earn additional return on our cash value, we began a program to purchase high grade bonds in well known entities. In the quarter, we purchased \$33.8 million of floating rate bonds yielding 1.3% to 2.3, assuming we hold them to maturity.

## REALIZATIONS

In March and May 2012, we continued to work down our TAL (the international container leasing

company) stock holdings, receiving \$26.7 million for 708,320 shares sold in a secondary share offering.

On 31 May 2012, JZCP received proceeds of \$3.5 million from the sale of our equity in Roofing Supply Group, creating a Multiple of Invested Equity of 2.2x, and an IRR of 15.1%. This investment was a yield enhancement in conjunction with a \$15.0 million mezzanine debt investment in Roofing Supply, which was recently redeemed at par.

In March 2012, Amptek (our non-destructive testing company) issued bank debt to refinance \$9.2 million of our \$22 million investment in Amptek.

## PORTFOLIO SUMMARY

At 31 May 2012, the Company's investment assets consisted of 44 investments totaling \$702.4 million:

(\$000's, except for number of investments)	Number of Investments as of			
	31/5/2012	31/5/2012	29/2/2012	Change - %
US Micro Cap Portfolio	20	\$245,961	\$204,582	20.2%
European Investments	5	96,903	85,129	13.8%
Mezzanine Investments	7	26,838	30,396	(11.7%)
Other	2	18,371	1,621	-
<b>Total Private Investments</b>	<b>34</b>	<b>\$388,073</b>	<b>\$321,728</b>	<b>20.6%</b>
Listed Equity	3	\$58,801	\$88,639	(33.7%)
Bank Debt	4	32,064	32,512	(1.4%)
Listed Corporate Bonds	3	66,199	32,129	NM
Cash		124,509	202,481	(38.5%)
UK Treasury Gilts		32,738	33,465	(2.2%)
<b>Total Listed Investments (including cash)</b>	<b>10</b>	<b>\$314,311</b>	<b>\$389,226</b>	<b>(19.2%)</b>
<b>Total Investment Assets</b>	<b>44</b>	<b>\$702,384</b>	<b>\$710,954</b>	<b>(1.2%)</b>

Some 45% of the portfolio is invested in "liquid" assets, which consist of cash, UK gilts, listed equities and bank debt and corporate bonds. These asset classes are valued at third party quoted prices. The remaining portion of the portfolio is invested in private investments in US or European micro cap companies or mezzanine debt. These investments are valued at fair value by JZCP's directors each quarter.

As mentioned, we value our privately held businesses conservatively. Our average multiple used for our US Micro Cap businesses is 6.7x trailing EBITDA; the highest is 8.5x. In addition, we do not have much debt on these businesses; the multiple of debt senior to JZCP's position is 1.4x; the highest is only 3.4x.

## Top Ten Investments

Our largest ten investments as of 31 May 2012 are summarized below:

(\$000's)	Asset Category	Original Cost	Valuation as of 31/5/2012	% of Portfolio Valuation as of 31/5/2012
Safety Insurance Group Inc.	Listed Equity	\$6,816	\$46,285	8.5%
Factor Energija, S.A.	European	11,648	38,576	7.1%
Accutest Holdings, Inc.	Micro-Cap	31,516	37,555	6.9%
BG Holdings, Inc.	Micro-Cap	19,790	29,297	5.4%
Dental Services Group, Inc.	Micro-Cap	27,604	24,734	4.5%
Healthcare Products Holdings, Inc.	Micro-Cap	28,803	22,866	4.2%
ISS Valves Industries, Inc.	Micro-Cap	18,690	18,992	3.5%
Kinetek, Inc.	Bank Debt	19,274	17,969	3.3%
Medplast	Micro-Cap	17,344	17,669	3.2%
Redbridge Bedford	Other	16,750	16,750	3.1%
<b>Top Ten Investments</b>		<b>\$198,235</b>	<b>\$270,693</b>	<b>49.7%</b>
<b>Remaining Investments</b>		<b>294,680</b>	<b>274,445</b>	<b>50.3%</b>
<b>Total Portfolio</b>		<b>\$492,915</b>	<b>\$545,138</b>	<b>100.0%</b>

Note that the largest non-public exposure is to Factor Energia S.A., accounting for 7.1% of the total portfolio.

## Balance Sheet

Below is a summary of JZCP's balance sheet as of the relevant dates:

(\$000's)	31/5/2012	29/2/2012
Cash	\$124,509	\$202,481
UK Treasury Gilts	32,738	33,465
Listed Equity	58,801	88,639
Listed Corporate Bonds	66,199	32,129
Bank Debt	32,064	32,512
Private Investments	388,073	321,728
Other Assets	668	451
<b>Total Assets</b>	<b>\$703,052</b>	<b>\$711,405</b>
- Liabilities	(6,908)	(8,662)
- Zero Dividend Preferred Shares	(86,040)	(87,281)
<b>Net Asset Value</b>	<b>\$610,104</b>	<b>\$615,462</b>

### For further information:

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### About JZCP

JZCP is a London listed private equity fund which invests in high quality US and European micro cap companies. Our objective is to achieve a superior overall return comprised of a current yield and significant capital appreciation. JZCP receives investment advice from Jordan/Zalaznick Advisers, Inc. ("JZAI"), founded by David Zalaznick and Jay Jordan, which has advised JZCP for twenty five years and has investment professionals and offices in New York, Chicago, London and Madrid. JZAI's experts work with the existing management of micro cap companies to help build better businesses, create value and deliver strong returns to our investors. JZCP also invests in mezzanine loans, first and second lien investments and other publicly traded securities. For more information please visit [www.jzcp.com](http://www.jzcp.com)

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