Henderson
GLOBAL INVESTORS

Questions & Answers

relating to the change in investment strategy for Henderson Private Equity Investment Trust plc

The Board of Directors and the Portfolio Manager (Henderson Global Investors Limited) have proposed a change of investment strategy for Henderson Private Equity Investment Trust plc ("HPEQ" or "the Company"), a fund of funds currently focused on the European mid-market buy-out sector. The proposed strategy involves the orderly realisation of the portfolio over a reasonable period, expected to be in the region of two years, to maximise value for shareholders.

Background to the proposal

The Board of Directors and the Portfolio Manager believe that the time is now right to change the Company's strategy. Its share price continues to trade at a significant discount to Net Asset Value (NAV) per share, a situation which, despite the efforts of the Board and the Portfolio Manager, appears unlikely to change in the short to medium term.

The Company was formerly known as the August Equity Trust, a small private equity investment trust. In July 2007 August Equity Trust combined with a similar vehicle, Rutland Trust. The enlarged entity was renamed New Star Private Equity Investment Trust PLC, adopted a fund of funds approach and was placed under New Star's portfolio management.

Following Henderson's takeover of New Star in April 2009, the portfolio management of the Company was transferred to Henderson's existing private equity fund of funds business, with effect from 1 May 2009.

Whilst the Company's share price has improved since Henderson took over the portfolio management role on 1 May 2009 (increase of 33% in the period 1 May 2009 to 1 August 2010), it has proved difficult to grow what is generally regarded as a sub-scale and illiquid vehicle which still suffers from a historic concentration of exposure to August and Rutland.

Having explored various fund-raising opportunities and corporate initiatives whilst at the same time seeking to raise the Company's profile with existing and potential shareholders, the Board and the Portfolio Manager have now concluded that it is in the best interests of shareholders to maximise cash proceeds to investors over time by undertaking an orderly realisation of assets. This will ultimately lead to the voluntary liquidation of the Company.

A significant achievement of the Portfolio Manager since 1 May 2009 has been to improve the liquidity position of the Company by negotiating the extension of its banking facilities through to 1 May 2012. This meant that the Company did not have to sell some of its limited partnership investments, when such sales would have been at the large discounts prevailing in the secondary markets last year.

The potential to grow the Company has, however, continued to be constrained by the share price discount and, more recently, the difficult outlook for many of Europe's economies.

While proactively recommending a strategy that will result in the loss of management fee income for Henderson, the Portfolio Manager strongly believes that it is now in the best interests of shareholders to receive cash through an orderly asset realisation programme.

Questions relating to the change of strategy of the company

Q: Who has instigated this change of investment strategy?

The Board and the Portfolio Manager together with the Company's advisers have decided that the orderly realisation of the Company's assets is now the correct strategic option to pursue.

Q: The Board and Portfolio Manager have proposed the change to the investment strategy. Why was that necessary?

Since 1 May 2009, the Portfolio Manager has worked with the Board to identify ways of increasing the size of the Company in order to create a more liquid vehicle with sufficient scale to attract more and larger investors and also in order to give greater scope for increasing portfolio diversification. Given the large discount to NAV per share which has prevailed during this period, the fund-raising or corporate solutions which were considered were either unfeasible or economically unattractive. For example, a discounted equity fund-raising would have been highly dilutive for existing shareholders who did not take-up their pro rata share of any rights issue and mergers with other Trusts would involve shareholders meeting substantial costs.

Significant efforts have been made over the last year to reduce the Company's discount and increase liquidity in its shares through sustained marketing and investor relations activity. The Company's discount has, however, remained one of the widest of its peer group, an inevitable consequence of being small and illiquid in an unfashionable sector.

Q: Why is the Board and the Portfolio Manager doing this now?

During the global financial crisis, some of the Company's fund of funds peer group sold limited partnership interests at significant discounts to NAV. The Portfolio Manager declined to follow the same strategy, thereby preserving portfolio value during 2009.

Since then, secondary pricing for limited partnership interests has considerably improved. The Board and the Portfolio Manager believe that a carefully managed process of divesting limited partnership and other private equity assets now will return the maximum value to shareholders.

In addition, the Company will be able to do this against the back-drop of a liquidity position strengthened by the recent extension of its committed bank facilities through to 1 May 2012.

Q: What happens to the Company's banking facilities?

Lloyds Banking Group have confirmed their full support for the proposed change of strategy. The existing £30 million of senior secured committed facilities will remain in place, if necessary, through to 1 May 2012, but it is anticipated that, given the priority claim of the banking facilities, repayment and cancellation of the facilities will occur as the orderly realisation of the portfolio generates cash proceeds prior to any cash distributions to Shareholders (with the exception of any dividends required for the Company to maintain its investment trust status).

Q: Will shareholders be able to vote on the change of strategy proposal?

A Shareholder Circular and notice of General Meeting will be distributed to shareholders in early September and will also be made available on the Company's website **www.hendersonprivateequity.com** A form of proxy allowing shareholders to vote on the resolutions to be proposed at the General Meeting will be also be sent with the Circular.

Q: What if shareholders vote against the proposal?

The Board and the Portfolio Manager regard the orderly realisation of the Company's assets as the best strategic option at the present time. Should, however, shareholders reject the proposed change, the Board and the Manager will seek to continue to deliver the existing investment strategy and work to identify other options for developing the Company going forward.

Q: How is Henderson managing the realisation process?

The Manager will be managing the orderly realisation process over time by seeking appropriate values for the underlying limited partnership interests and all other assets. The key to maximising value will be the identification of the largest number of potential buyers, the creation of competitive tension and the choosing of the optimal market timing to execute sales.

The Board believes that the continued appointment of the Manager is important to achieving these aims and the Board has agreed, subject to Shareholder approval, to restructure the Manager's management and performance fee arrangements in light of the proposed change in strategy to align fully the interests of the Company and the Manager throughout the controlled realisation process. The current fee arrangements are not designed to accommodate the management of an orderly realisation process. Full details of the current and new performance fee structure will be detailed in the aforementioned Circular.

Q: Can shareholders buy and sell shares during the managed realisation process?

Since HPEQ will remain listed throughout the realisation process existing and prospective shareholders will, subject to market conditions, be able to buy and sell the Company's shares.

Q: When can shareholders expect to receive cash proceeds?

Being overly prescriptive on the timeframe could prove detrimental to the competitive realisation process. Sensitive, however, to the on-going costs of running the portfolio, the Manager aims to realise the portfolio and return cash proceeds as quickly as possible but in any event with a targeted time frame in the region of two years.

Q: When will Henderson cease to be involved?

The Board will propose the formal winding-up of the Company when substantially all assets have been realised. This will lead to one or more final cash distributions to shareholders. This will coincide with the delisting of the Company's shares and a cessation of Henderson's involvement.

Q: What are the tax ramifications for shareholders?

The Company should maintain its investment trust status during this managed realisation process.

The realisation proposals are designed to ensure that returns of cash to most shareholders (other than the normal dividends which the Company is obliged to pay to retain investment trust status) will be in the form of capital and not income for tax purposes. The precise form of how these returns will be made will be determined once the realisation process has been approved by shareholders and has commenced.

Shareholders are advised to take their own independent tax advice in relation to their holdings and receipt of disposal proceeds.

Q: Where can shareholders find out more?

Additional information, including the media announcement and the Shareholder Circular, will be made available on the Company's website at **www.hendersonprivateequity.com**

Contact us

General enquiries 0800 856 5656

Website www.hendersonprivateequity.com

Important Information

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