



JZ CAPITAL PARTNERS LIMITED

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(a closed-end investment company incorporated with limited liability under the laws of Guernsey with registered number 48761)

Q3 2016 Interim Management Statement **19 December 2016**

JZ Capital Partners Limited (LSE: JZCP.L, the “Company” or “JZCP”), the London listed fund that invests in US and European micro-cap companies and US real estate, today releases its Interim Management Statement for the period 1 September 2016 to 30 November 2016.

Results Highlights

- Net Asset Value (“NAV”) of \$849.6 million (31/08/16: \$873.0 million)
- Pre-dividend NAV per share of \$10.28 (31/08/16: \$10.40)
- Net valuation uplift across US and European micro-cap and US real estate portfolios before expenses, finance costs and foreign exchange effects
- Semi-annual dividend of 15.5 cents per share paid on 25 November 2016
 - Including previously paid dividend of 15 cents in June 2016, implied dividend yield of approximately 4.8%, based on the stock price at 30 November 2016
- \$36.7 million invested, including:
 - \$7.5 million further investment in Peaceable Street Capital
 - \$12.9 million to acquire a prime development site in the Wynwood neighbourhood of Miami, Florida
 - \$9.6 million invested in two properties located in Brooklyn, New York
- \$27.1 million realised, including:
 - \$8.4 million from the sale of Southern Petroleum Laboratories
 - \$10.1 million from the refinancing of our US micro-cap water vertical
 - \$3.1 million from the refinancing of Metpar
- At the end of the period, the portfolio consisted of 35 micro-cap investments across nine industries and four major real estate “assemblages” (59 total properties) located in New York and South Florida

David Zalaznick, Founder and Investment Advisor of JZCP said: “We are pleased with the steady underlying performance of the portfolio, which provided an increase in NAV before finance costs, expenses and foreign exchange movements. The greatest contributor to the decline in our overall NAV was the dividend payment for the quarter.

Our strong balance sheet provides us with a robust platform to source investments with compelling value-add opportunities and we remain confident in the outlook for our diversified portfolio.”

Net Asset Value

Pre-dividend NAV per share for the quarter decreased from \$10.40 to \$10.28 as finance costs, expenses and foreign exchange movements exceeded portfolio write-ups. In addition, JZCP paid a dividend of 15.5 cents per share on 25 November 2016. For the past twelve-month period, including a previously paid dividend of 15 cents in June 2016, the implied dividend yield, based on our stock price at 30 November 2016 is approximately 4.8%.

NAV Returns

Net Asset Value per Ordinary Share as of 1 September 2016	\$10.40
<i>Increase/(decrease) in NAV per share due to Capital Gains and Income received/accrued on Investments</i>	
+ US Micro-cap	0.08
+ European Micro-cap	0.03
- Real Estate	(0.06)
- Other Investments	(0.03)
<i>Other increases/(decreases) in NAV per share</i>	
- Change in CULS fair value	(0.02)
- Finance Costs	(0.05)
- Foreign exchange effect	(0.02)
- Expenses	(0.05)
Net Asset Value per Ordinary Share (before dividends paid)	\$10.28
- Dividends Paid (25 November 2016)	(0.155)
Net Asset Value per Ordinary Share as of 30 November 2016	<u>\$10.13</u>

The US micro-cap portfolio had a net increase of 8 cents, primarily due to a write-up at our healthcare revenue cycle management vertical (12 cents) and co-investment Salter Labs (1 cent). Offsetting these uplifts in valuation were decreases in value at: co-investment Medplast, which was written down to match sale proceeds received post-period (3 cents), our legacy Nationwide Studios business (1 cent) and our ISS vertical (3 cents).

The European micro-cap portfolio had a net increase of 3 cents, primarily due to write-ups at JZI Fund III, L.P. portfolio companies Petrocorner (1 cent) and S.A.C (1 cent).

The real estate portfolio had a net decrease of 6 cents, primarily due to a new mortgage encumbering both the Williamsburg Retail and Bedford Avenue assemblages, which exceeded the value created, causing a reduction in unrealized gain.

Finally, our other investments had a net decrease of 3 cents, primarily due to: a write-up at Metpar to match refinancing proceeds received (3 cents) offset by a write-down at Spruceview (6 cents).

The chart below summarises the cumulative total NAV returns and total shareholder returns for the most recent three-month, twelve-month, three-year and five-year period. Total NAV returns for the one, three and five-year periods are diluted by the issue of Ordinary Shares (September 2015) at a discount to NAV.

	30/11/2016	Since 31/08/2016	Since 30/11/2015	Since 30/11/2013	Since 30/11/2011
Share price (in GBP)	£5.07	£4.53	£3.93	£4.45	£3.38
Dividends paid (in USD)	—	\$0.155	\$0.305	\$0.95	\$1.57
Total Shareholders' return (GBP) ¹	—	14.7%	35.7%	31.8%	90.4%
NAV per share (in USD)	\$10.13	\$10.40	\$9.51	\$9.94	\$9.08
Implied dividend yield ²	4.8%	5.2%	5.7%	4.1%	3.1%
NAV per share total returns ¹	—	(1.1)%	9.7%	12.0%	30.8%
NAV to market price discount	37%	43%	38%	27%	42%

(1) Total returns are cumulative and assume that dividends were reinvested

(2) For 30/11 dates in 2016, 2015 and 2013, implied dividend yield is calculated as the addition of the dividend paid in November and June of each respective year, divided by the stock price at such 30/11 date. For 30/11/11, implied dividend yield is calculated as the addition of the dividend paid in November 2011 and July 2011, divided by the stock price at 30/11/11. For 31/08/16, implied dividend yield is calculated as the addition of the dividend paid in June 2016 and November 2015, divided by the stock price at 31/08/16.

RECENT ACTIVITIES

On 25 November 2016, JZCP paid a semi-annual dividend of \$13 million, or 15.5 cents per share.

Significant Investments and Realisations

US Micro-cap Investments – Verticals

Industrial Services Solutions (“ISS”) Vertical

During the period, JZCP’s ISS vertical completed the add-on acquisition of Control Products Louisiana, which required no cash from JZCP. Since inception, ISS has made 26 acquisitions.

US Micro-cap Investments – Co-investments

In October 2016, JZCP invested a further \$1.8 million in Tech Industries, to fund the acquisition of a manufacturer of complex aviation components.

In September 2016, JZCP invested a further \$7.5 million in Peaceable Street Capital, a specialty real estate finance platform.

European Micro-cap Investments – JZI Fund III, L.P.

In November 2016, JZCP (through its commitment to JZI Fund III, L.P.) acquired ERSEIndustries, a one-stop shop providing engineering expertise, steel procurement, local manufacturing and on-site assembly of pre-fabricated, reinforced steel modules for major international infrastructure projects.

Real Estate Investments

In September 2016, JZCP invested \$12.9 million to acquire a prime development site in the Wynwood neighbourhood of Miami, Florida.

In September 2016, JZCP invested \$3.6 million to acquire another building on the Fulton Mall in Downtown Brooklyn, New York, adjacent to our other properties on the Fulton Mall.

Also in September 2016, JZCP invested \$6.0 million to acquire another building on North 6th Street in the Williamsburg neighbourhood of Brooklyn, New York, adjacent to our other properties on that block.

Realisations

In November 2016, JZCP received net proceeds of \$10.1 million from the refinancing of our US micro-cap water vertical.

Also in November 2016, JZCP received further proceeds of \$1.4 million from the refinancing of our original property in the Williamsburg neighbourhood of Brooklyn, New York.

In September 2016, JZCP received proceeds of \$8.4 million from the sale of SPL, a leader in oil & gas measurement and laboratory services.

In September 2016, JZCP received proceeds of \$3.1 million from the refinancing of Metpar, a manufacturer of restroom partitions, which was a significant uplift to the company's carrying value of \$0.8 million.

In December 2016 (post-period), JZCP received net proceeds of \$25.6 million from the sale below carrying value of US co-investment, Medplast.

PORTFOLIO SUMMARY

At 30 November 2016, the Company's portfolio consisted of 35 micro-cap investments across nine major industries and four major real estate "assemblages" (59 total properties) located in New York and South Florida.

(\$'000)	At 30/11/16	At 29/02/16	% Gross Assets 30/11/2016
US Micro-cap Portfolio.....	434,652	386,173	39.3%
European Micro-cap Portfolio.....	152,790	168,797	13.8%
Real Estate Portfolio.....	454,704	366,158	41.1%
Other Portfolio	21,482	64,320	1.9%
Total Private Investments.....	1,063,628	985,448	96.1%
Listed Corporate Bonds.....	12,734	13,036	1.2%
UK Treasury Gilts	-	45,608	0.0%
Cash	28,694	91,937	2.6%
Total Listed Investments (and Cash)	41,428	150,581	3.8%
Total Investments (and Cash)	1,105,056	1,136,029	99.9%
Other Current Assets.....	546	3,551	0.1%
Total Investments (and Cash)	1,105,602	1,139,580	100.0%

At 30 November 2016, 3.8% of gross assets was invested in "liquid" assets, which consists of cash and corporate bonds. These asset classes are valued at prices quoted by third parties. The remaining portion of the portfolio was invested in private investments in US or European micro-cap companies or real estate. These investments are valued at fair value by JZCP's directors each quarter.

We value our privately held businesses carefully. Our average multiple used for our US micro-cap businesses is 8.3x trailing EBITDA. In addition, we do not have substantial debt in these businesses. The multiple of debt senior to JZCP's position is approximately 3.3x EBITDA.

Top Ten Investments

Our ten largest investments as of 30 November 2016 are summarised below:

(\$000's)	<u>Asset Category</u>	<u>Valuation 30/11/2016</u>	<u>% Gross Assets 30/11/2016</u>
Design District Assemblage	Real Estate	90,214	8.2%
Industrial Services Solutions Vertical ..	US Micro-cap	82,619	7.5%
Fulton Assemblage	Real Estate	68,281	6.2%
Williamsburg Retail Assemblage	Real Estate	66,388	6.0%
Factor Energia	European	61,399	5.6%
Greenpoint	Real Estate	56,981	5.2%
Healthcare Revenue Cycle Management Vertical.....	US Micro-cap	51,964	4.7%
TierPoint.....	US Micro-cap	46,813	4.2%
RedBridg e Bedford	Real Estate	39,778	3.6%
Roebli ng Portfolio	Real Estate	34,177	3.1%
Top Ten Investments		598,614	54.3%
Remaining Assets		506,988	45.7%
Gross Assets.....		1,105,602	100.0%

Balance Sheet

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

(\$000's)	<u>30/11/2016</u>	<u>29/02/2016</u>
Cash and cash equivalents	28,694	150,581
Investments & other assets.....	1,076,906	988,999
(-) Other net liabilities	(202,502)	(185,771)
(-) ZDPs due 2016.....	-	(44,217)
(-) ZDPs due 2022.....	(53,459)	(57,854)
Net Asset Value	849,639	851,738

At 30 November 2016, "other net liabilities" includes \$56.3 million from the issuance of Convertible Unsecured Loan Stock ("CULS") in July 2014, which carries an interest rate of 6%, and \$97.2 million from a six-year term loan with Guggenheim Partners, which carries an interest rate of LIBOR plus 5.75%.

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About JZCP

JZCP is a London listed fund which invests in US and European micro-cap companies and US real estate. Its objective is to achieve an overall return comprised of a current yield and capital appreciation. JZCP receives investment advice from Jordan/Zalaznick Advisers, Inc. ("JZAI") which is led by David Zalaznick and Jay Jordan. They have worked together for 30 years and are supported by teams of investment professionals 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 for 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.