

Strategic Equity Capital plc

Q4 Factsheet – 31 December 2020



Gresham House
Specialist asset management

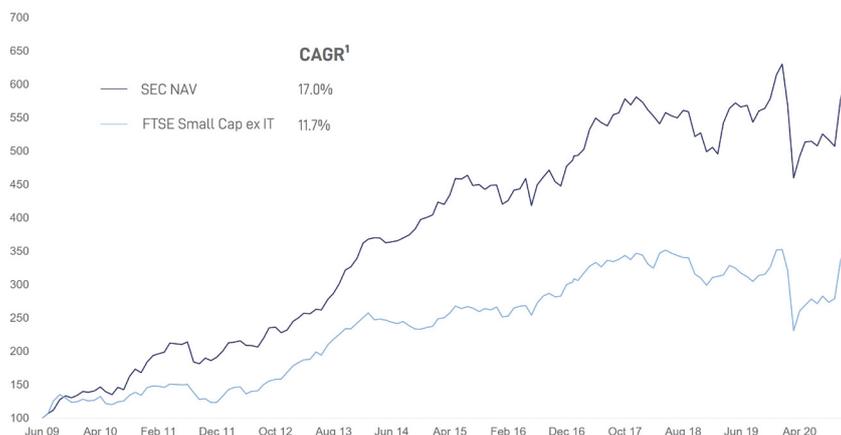
Fund objective

Strategic Equity Capital plc (SEC or Trust) is a London-listed investment trust investing predominately in small cap UK equities. The Trust is not constrained by market indices and aims to maximise returns for investors over the medium term.

Investment strategy

The Investment Manager, Gresham House Asset Management Limited employs a strategy to invest predominantly in publicly quoted companies which can create value through strategic, operational and management change - applying private equity style techniques to public companies. The process is based on private equity disciplines including a team approach and an Investment Committee that includes experienced executives and practitioners of public and private market investing. We aim for significant engagement with investee company stakeholders in support of a clear equity value creation plan over the long term.

Long term cumulative rebased total performance



Source: Bloomberg, PATAC as at 31 December 2020, net of charges - FTSE Small Cap data rebased to SEC start NAV June 2009

Discrete performance

	Q4 2020	2020	2019	2018	2017	2016	2015	2014
Share Price Total Return	20.2	-4.7	25.9	-17.6	20.2	-9.0	14.2	32.7
NAV Total Return	17.8	-0.9	23.0	-14.1	21.7	6.3	12.1	18.0
FTSE Small Cap Total Return	30.7	1.7	17.7	-13.8	15.6	12.5	13.0	-2.7

Source: Financial Express, as at 31 December 2020

Fund Manager commentary

Animal spirits returned to the market with a vengeance as vaccine approvals drove optimism that COVID-19 restrictions could soon be lifted. The FTSE Small Cap Index⁴ rose an astonishing 30.7% over the quarter, outperforming the FTSE All Share (+12.6%) and FTSE AIM (+20.9%). The market⁵ was driven by financials, resources, 'hard' industrials (e.g. mining equipment) and telecoms.

The portfolio NAV increased by 17.8%, a pleasing absolute figure albeit lagging the Index. This was in part due to limited exposure (by design) to the sectors noted above. In addition, the 10% average net cash position, in line with historical levels, was a drag on relative performance.

Whilst we often expect underperformance in strong markets – a feature of our quality bias – the scale of this was surprising given investee companies largely reported positive updates. Top contributors were Tyman (+58%) which reported strong trading in its key US market; Tribal (+45%) which won a large, strategically important contract with NTU in Singapore; and Hyve (+75%) which rebounded

2. Bloomberg, as at 31 December 2020
3. Includes Manager's performance fee accrual

on improving investor sentiment and the acquisition of Retail Meetup, an online event platform. Detractors were Clinigen (-3%), which reported trading in line with expectations; Equiniti (-3%), which continues to experience weak trading and announced a change of CEO post-period end; and XPS (-4%), despite reporting resilient interim results. The muted share price performance of some holdings, despite positive developments, gives us optimism for 2021.

The quarter ended with the market taking the COVID-19 resurgence in its stride. Instead the focus is firmly on the expectation of a rebound of activity later in 2021 with easing restrictions combined with fiscal and monetary stimulus contributing to a rosy (relative to 2020) economic outlook. Whilst there appears to be light at the end of the tunnel, the recent return to lockdowns globally suggests we are not out of the woods just yet. Our focus will continue to be on building a high conviction portfolio of less cyclical, high-quality, niche businesses which we believe can deliver strong returns through the market cycle.

4. FTSE Small Cap Index excluding Investment Trusts; total return basis
5. Bloomberg Q4 sector performance of FTSE All Share constituents

Investment information²

Investment Manager:	Gresham House Asset Management Limited
Launch date:	July 2005
Net assets:	£178m
Market capitalisation:	£147m
Share price:	232.0p
Net Asset Value (NAV) per share:	281.9p
Shares in issue:	63,296,844
Current holdings:	20
Yield (historic):	0.54%
Ongoing charges:	1.35% ³
Gearing:	At present, the policy is "no gearing"
Discount to NAV:	18%
Performance fee:	10% above rolling 3-year FTSE Small Cap ex IT Total Return + 2% p.a., subject to high watermark
Dividend:	Annual (November)
Asset class:	UK Smaller Companies
Comparator index:	FTSE Small Cap ex IT Total Return
Trust codes:	SEDOL: B0BDCB2 Ticker: SEC.LN ISIN: GB00B0BDCB21

Capital at risk:

The value of investments may fall as well as rise and investors may not get back the original amount invested.

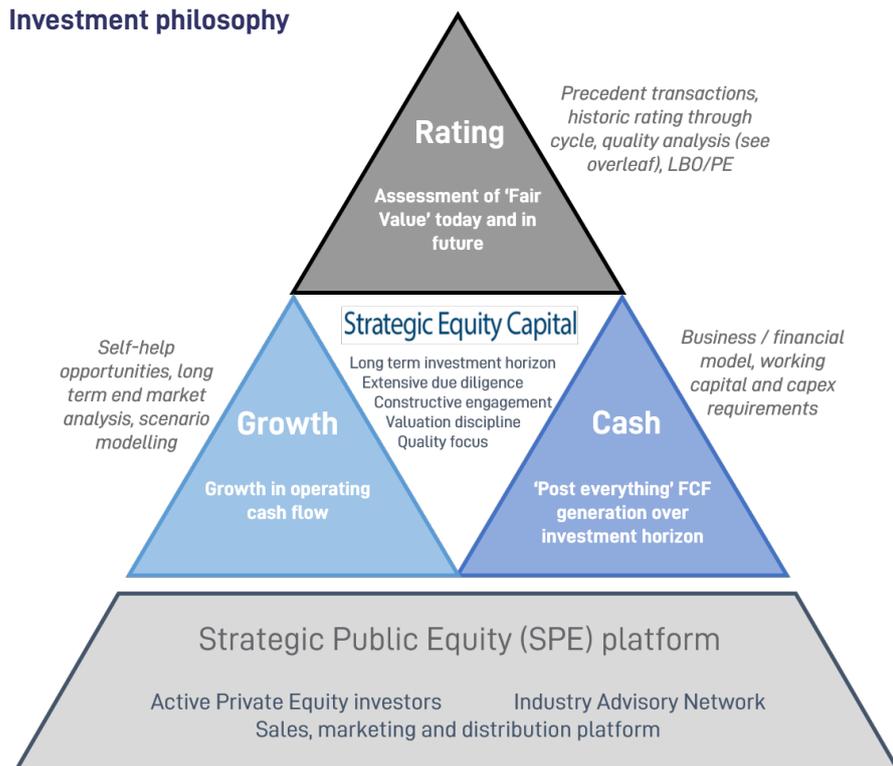
Past performance is not necessarily a guide to future performance. Portfolio investments in smaller companies typically involve a higher degree of risk.

Sector breakdown ⁴	% of NAV
Healthcare	26.9%
Business services	21.8%
Media	10.0%
Software	15.4%
Financials	4.1%
Consumer	2.1%
Industrial	10.0%
Property	2.2%
Net cash	7.5%

4. As at 31 December 2020

Top ten holdings ⁴	% of NAV
Tribal	9.8%
Clinigen Group	9.0%
Tyman	8.2%
Medica	8.1%
XPS Pensions	7.7%
Equiniti Group	5.8%
Wilmington	5.5%
Benchmark	5.4%
Inspired Energy plc	5.2%
Hyve	4.5%

Investment philosophy



Investment process

Before investing we undertake an extensive due diligence process, assessing market conditions, management and stakeholders. Our investments are underpinned by valuations, which we derive using private equity-based techniques, including a focus on cash flows, the potential value of the company to trade or financial buyers and the capital structure.

We typically aim to hold companies for the duration of our rolling three-year investment plans that include an entry and exit strategy and a clearly identified route to value creation.

During our investment holding periods, we engage constructively with portfolio companies. The primary objective of this engagement is to promote further value creation for all investors. However, we will vigorously defend the interests of our investors if we believe they risk being threatened. Our engagement is undertaken in private and involves discussions and submission of written commentary and proprietary analysis to portfolio company managers, their advisers and, where required, other shareholders.

The Trust will invest in up to 25 smaller companies in the FTSE Small Cap and AIM indices, with the majority of the portfolio by value typically invested in 10-15 holdings.



Ken Wotton

Fund Manager

Over 20 years' experience in Public Equity. Fund Manager for Gresham House UK Micro and Multi Cap funds. Previously at Livingbridge.



Adam Khanbhai

Fund Manager

Over 12 years' experience in Public Equity. Previously at GVQ Investment Management, OC&C Strategy Consultants. Qualified CFA Charterholder.

CONTACT

For further information regarding SEC plc, please visit the Company's website: www.strategicequitycapital.com

Gresham House Asset Management Limited
info@greshamhouse.com
 +44 (0)20 3837 6270

Ken Wotton, Fund Manager
k.wotton@greshamhouse.com

Adam Khanbhai, Fund Manager
a.khanbhai@greshamhouse.com

Secretary and Registered Office

PATAC Limited
 21 Walker Street, Edinburgh, EH3 7HX
 Tel +44 (0)1315 386608

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