

Strategic Equity Capital plc

Q3 Factsheet – 30 September 2020



Since 1857
Gresham House
Specialist asset management

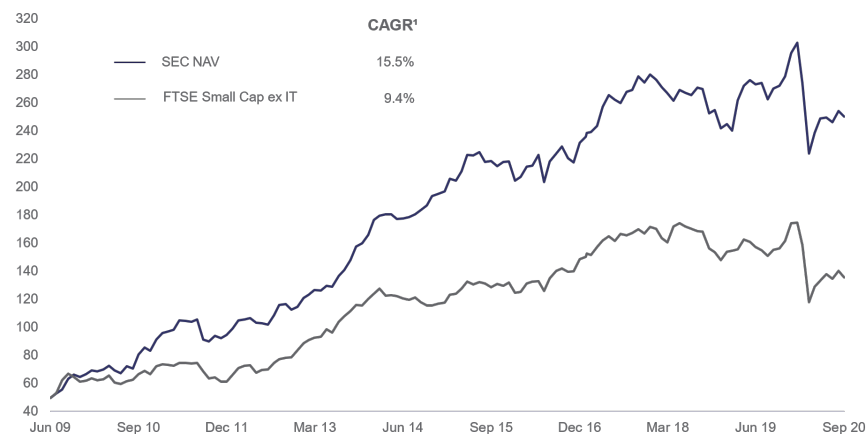
Fund objective

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 30 September 2020 - FTSE Small Cap data rebased to SEC start NAV June 2009
1. CAGR: Compound Annual Growth Rate

Discrete performance

	Q3 2020	YTD 2020	2019	2018	2017	2016	2015	2014
Share Price Total Return	-0.8	-20.7	25.9	-17.6	20.2	-9.0	14.2	32.7
NAV Total Return	0.4	-15.9	23.0	-14.1	21.7	6.3	12.1	18.0
FTSE Small Cap Total Return	-1.7	-22.2	17.7	-13.8	15.6	12.5	13.0	-2.7

Source: Financial Express, as at 30 September 2020

Fund Manager commentary

A muted headline market – the Small Cap index³ was down 1.7% - masked significant volatility driven by a tech sell-off in the US and increasing investor anxiety about a second wave driving a return to tighter lockdown conditions, which materialised in the UK post period end. Political tension also increased as Brexit negotiations stuttered and the US Presidential Election approached.

On a micro level equity markets delivered very different recovery profiles across sectors and companies. Many companies have yet to reinstate earnings guidance increasing the level of uncertainty for investors seeking to calibrate valuations. We expect these factors to drive ongoing market volatility and greater volatility in share price performance at the individual stock level.

The Net Asset Value (NAV) of the portfolio was relatively resilient, up 0.4% over Q3. Year-to-date, NAV is down 15.9% vs a 22.2% decline for the index.³ Performance was led by Ergomed (+67%) which re-rated on the back of strong trading; XPS (+19%) which re-rated following positive results in prior quarter; and Tyman (+17%) which has proven more resilient than expected. Key detractors were Equiniti (-21%) which remains out of favour following earlier downgrades; Clinigen (-13%) despite in-line results and positive guidance; and Hostelworld (-16%) which remains impacted by travel restrictions. A new investment was made in Inspired Energy, a B2B energy services specialist, where a placing was supported to finance a pipeline of acquisitions. Positions in 4Imprint (+22% IRR) and Numis (+3% IRR) were exited post period end.

Investment information²

Investment Manager:	Gresham House Asset Management Limited
Launch date:	July 2005
Net assets:	£152m
Market capitalisation:	£123m
Share price:	194.3p
Net Asset Value (NAV) per share:	240.6p
Shares in issue:	63,296,844
Current holdings:	20
Yield (historic):	0.64%
Ongoing charges:	1.11%
Gearing:	At present, the policy is "no gearing"
Discount to NAV:	19%
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.

Investments in smaller companies may carry a higher degree of risk than investments in larger, more established companies.

Uncertainty and volatility will continue to create challenges for UK equity investors well into 2021. However, we continue to see significant opportunities for long term investors to back quality companies at attractive valuations in an environment when agile smaller businesses with strong management teams can take market share and build strong long-term franchises. We will continue to focus on building a high conviction portfolio of less cyclical, high-quality, niche businesses which we believe can deliver strong returns through the market cycle.

2. Bloomberg, as at 30 September 2020

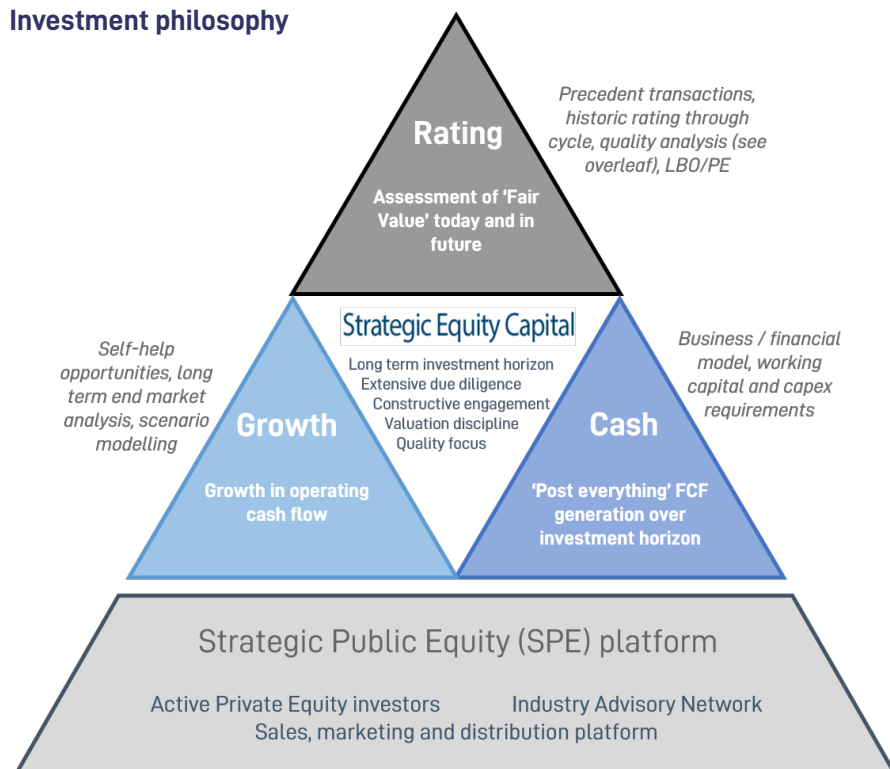
3. FTSE Small Cap Index excluding Investment Trusts; total return basis

Sector breakdown ⁴	% of NAV
Healthcare	24.7%
Business services	17.6%
Media	14.2%
Software	13.9%
Financials	8.9%
Industrial	4.5%
Property	1.6%
Net cash	14.6%

4. As at 30 September 2020

Top ten holdings ⁴	% of NAV
Clinigen Group	11.8%
Tyman	8.0%
Tribal	7.7%
XPS Pensions	7.0%
Equiniti Group	7.0%
Medica	6.8%
Wilmington	5.1%
Brooks Macdonald	4.9%
Alliance Pharma	4.4%
Benchmark	4.3%

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

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