



STRATEGIC EQUITY CAPITAL PLC
**HALF-YEARLY REPORT &
FINANCIAL STATEMENTS**

for the six month period to 31 December 2018

Investment Objective

The investment objective of Strategic Equity Capital plc (“the Company”) is to achieve absolute returns (i.e. growth in the value of investments) rather than relative returns (i.e. attempting to outperform selected indices) over a medium-term period, principally through capital growth.

The Company’s investment policy can be found on page 2.

Investment Manager’s Strategy

The strategy of GVQ Investment Management Limited (“GVQIM” or the “Investment Manager”) is to invest in publicly quoted companies which will increase their value through strategic, operational or management change. GVQIM follows a practice of constructive corporate engagement and aims to work with management teams in order to enhance shareholder value.

A more detailed explanation can be found in the Investment Manager’s Report on page 5.

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Financial Summary

STRATEGIC EQUITY CAPITAL
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| | As at 31 December 2018 | As at 30 June 2018 | As at 31 December 2017 | Six months % change to 31 December 2018 |
|-----------------------------------------------------------------------------|------------------------------|--------------------------|------------------------------|--------------------------------------------------|
| Capital return | | | | |
| Net asset value ("NAV") per Ordinary share [†] | 233.72p | 260.16p | 273.28p | (10.2)% |
| Ordinary share price | 196.00p | 220.00p | 239.00p | (10.9)% |
| Discount ¹ of Ordinary share price to NAV | 16.1% | 15.4% | 12.5% | |
| Average discount ¹ of Ordinary share price to NAV for the period | 14.8% | 13.5% | 13.4% | |
| Total assets (£'000) | 152,510 | 175,224 | 185,934 | (13.0)% |
| Equity Shareholders' funds (£'000) | 152,022 | 174,281 | 185,374 | (12.8)% |
| Ordinary shares in issue with voting rights | 65,045,291 | 66,990,660 | 67,833,324 | (2.9)% |

| | Six month period to 31 December 2018 | Year ended 30 June 2018 | Six month period to 31 December 2017 |
|-----------------------------------------------------------------------|-----------------------------------------------|-------------------------------|-----------------------------------------------|
| Performance | | | |
| Total return for the period ² | (9.5%) | 1.8% | 7.2% |
| Ongoing charges – annualised ³ | 1.12% | 1.14% | 1.19% |
| Ongoing charges (including performance fee) – annualised ³ | 1.12% | 1.14% | 1.19% |
| Revenue return per Ordinary share | 0.81p | 1.65p | 0.38p |
| Dividend yield ⁴ | n/a | 0.5% | n/a |
| Proposed dividend for period | n/a | 1.00p | n/a |

| Interim period's Highs/Lows | High | Low |
|-----------------------------|---------|---------|
| NAV per Ordinary share | 270.18p | 228.84p |
| Ordinary share price | 232.0p | 189.0p |

[†] Net asset value or NAV. The value of total assets less current liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.

Alternative Performance Measures

¹ Discount. The amount by which the Ordinary share price is lower than the net asset value per Ordinary share. The discount is normally expressed as a percentage of the net asset value per share.

² Total return. Total return is the increase/(decrease) in NAV per share plus the dividends paid, which are assumed to be reinvested at the time the share price is quoted ex-dividend.

³ Ongoing charges. Ratio of expenses as a percentage of average daily shareholders' funds calculated as per the Association of Investment Companies industry standard method.

⁴ Dividend yield. The proposed annual dividend expressed as a percentage of the share price.

Investment Policy

The Company invests primarily in equity and equity-linked securities quoted on markets operated by the London Stock Exchange where the Investment Manager believes the securities are undervalued and could benefit from strategic, operational or management initiatives. The Company also has the flexibility to invest up to 20% of the Company's gross assets at the time of investment in securities quoted on other recognised exchanges.

The Company may invest up to 20% of its gross assets at the time of investment in unquoted securities, provided that, for the purpose of calculating this limit, any undrawn commitments which may still be called shall be deemed to be an unquoted security.

The maximum investment in any single investee company will be no more than 15% of the Company's investments at the time of investment.

The Company will not invest more than 10%, in aggregate, of the value of its total assets at the time the investment is made in other listed closed-end investment funds.

Other than as set out above, there are no specific restrictions on concentration and diversification. The Board does expect the portfolio to be relatively concentrated, with the majority of the value of investments typically concentrated in the securities of 10 to 15 issuers across a range of industries. There is also no specific restriction on the market capitalisation of securities into which the Company will invest, although it is expected that the majority of the investments by value will be invested in companies too small to be considered for inclusion in the FTSE 250 Index.

The Company's Articles of Association permit the Board to take on borrowings of up to 25% of the NAV at the time the borrowings are incurred for investment purposes.

Introduction

From January to September 2018 investors witnessed a further polarisation of performance within the UK smaller companies sector as markets were led higher by a small number of highly rated stocks whilst many lower growth, but stable companies with excellent long term track records, saw their shares de-rated.

This phenomenon is not new. Momentum led stock markets occur from time to time and result in the overvaluation of a few companies but the undervaluation of many more. This offers a great opportunity for fundamental investors who focus on cash flows, gearing and asset value.

We appear to be in the early stages of a market rebalancing where cheap stocks are gradually rising from the depths while their expensive counterparts are beginning their descent.

The Company's portfolio consists of 18 carefully selected investments that are inexpensive according to our valuation methodology. In fact, most are trading well towards the bottom end of their 5 year range and we believe offer exceptional value. As investors return to assessing companies purely on fundamentals, we expect the inherent value within our portfolio to be released. More recent performance suggests that this inflection point has already been reached.

Performance

Over the period to 31 December 2018, the Company's share price fell by 10.9% to 196.0 pence. The NAV per share fell by 10.2% and the NAV total return per share was minus 9.5%. The share price discount to NAV ended the period at 16.1%. Although it is disappointing to report negative returns our Investment Manager's performance compares well to the decrease in the FTSE Small Cap ex Investment Companies Total Return Index ("FTSE Small Cap Index"), which fell by 13.9% over the same period. This performance is discussed more fully in the Investment Manager's Report on page 5.

The Company's NAV total return performance from 7 February 2017, the date the new management team took on the responsibility for the portfolio, to 31 December 2018 was 0.5% while the share price fell by 3.3% on the same basis. These returns compare favourably with the equivalent from the FTSE Small Cap Index of minus 3.6%.

The Company's long term track record remains encouraging. Over five years, the Company has delivered annualised growth in NAV per share of 8.0%, exceeding the return from the FTSE Small Cap Index by 3.7% per annum. Once again it is notable that the growth in the Company's NAV has been delivered without the use of gearing.

Other than one notable disappointment with Wilmington early in the period, it has been an encouraging six months for our portfolio companies, with a number of upgrades to growth forecasts and positive strategic developments. However, the portfolio was not immune to the wider market de-rating and as such, suffered a decrease in value. Additional commentary on the investment portfolio is available in the Investment Manager's Report.

Dividend

The Directors continue to expect that returns for Shareholders will derive primarily from the capital appreciation of the shares rather than from dividends. In line with previous years, the Board does not intend to propose an interim dividend.

Development of the Company

I am pleased to announce that following the retirement of Sir Clive Thompson, the Board has been strengthened by the addition of David Morrison who has considerable experience in the smaller companies arena and who will make a significant contribution to the Company.

Gearing and Cash Management

The Company operates without a debt or overdraft facility, a policy that is periodically reviewed by the Board in conjunction with the Investment Manager. The Board and the Investment Manager have a conservative approach to gearing as a result of the concentrated nature of the Company's portfolio. No gearing has been in place at any point during the period. Cash positions are generally maintained to take advantage of suitable investment opportunities as they arise.

Chairman's Report *(continued)*

Discount and Discount Management

During the period, the Company's shares continued to trade at a discount to NAV. In the six months to 31 December 2018, the discount to NAV averaged 14.8% and ended the period at 16.1%. Over the period, the Company bought back 1,945,369 shares. The Board will continue to monitor closely the premium/discount to NAV at which the Company's shares trade and will take further action if necessary.

Outlook

It is often said that the man with the plan wins. Our plan is to follow rigorously and consistently our disciplined investment process. We sense more than ever that investors are also now concentrating on fundamental valuations, which in these volatile and uncertain times should offer the best protection and prospects. We therefore expect our portfolio to benefit from a positive re-rating.

Richard Hills

Chairman

14 February 2019

Investment Strategy

Our strategy is to invest in publicly quoted companies that we believe will increase their value through strategic, operational or management change. We follow a practice of constructive corporate engagement and aim to work with management teams in order to enhance shareholder value. We seek to build a consensus with other stakeholders and prefer to work alongside like-minded co-investors as leaders, followers or supporters. We try to avoid confrontation with investee companies as we believe that there is strong evidence that overtly hostile activism generally produces poor returns for investors.

We are long-term investors and typically aim to hold companies for the duration of rolling three-year investment plans that include an entry and exit strategy and a clearly identified route to value creation. The duration of these plans can be shortened by transactional activity or lengthened by adverse economic conditions. 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. These include a focus on cash flows, the potential value of the company to trade or financial buyers and potentially beneficial changes in capital structure over the investment period.

The typical investee company, at the time of initial investment, is too small to be considered for inclusion in the FTSE 250 Index. We believe that smaller companies provide the greatest opportunity for our investment style as they are relatively under-researched, often have more limited resources, and frequently can be more attractively valued.

We believe that this approach, if properly executed, has the potential to generate favourable risk-adjusted returns for shareholders over the long term.

Market Background

The second half of 2018 saw very weak global financial markets against a backdrop of concerns over a slowdown in global growth, a tightening of monetary policy and increased economic and political tensions among global superpowers. In the UK this was set against limited progress in the negotiations of the withdrawal from the European Union and significant outflows from funds, leading to weak returns for UK equity markets.

For smaller companies, the FTSE Small Cap Index fell by 13.9% in total return terms and the FTSE AIM Index fell by 20.2% over the reporting period. This was particularly marked at the tail end of 2018 with the weakest quarterly performance for UK small caps in over seven years. Cyclical stocks, for example industrials and retailers, were hard hit, particularly those who reported lacklustre trading or a weak outlook for 2019, with some high-profile high-street names going out of business.

Additionally, many highly rated, largely AIM-listed, growth stocks suffered large falls in their share prices in a reversal of the 'momentum' trend that has driven the market over recent years. For example, on the FTSE AIM Index, over sixty companies saw their shares more than half in Q4 2018. Often, weak company financial characteristics and high valuations leave little margin of safety.

Events like those described above should lead to an increased market focus on company fundamentals, detailed financial analysis and valuation discipline, rather than on share price momentum.

Whilst investing in volatile and uncertain markets is challenging, oftentimes it is periods of market stress and uncertainty that offer the best opportunities for high conviction, patient investors. Our consistent process and strategy of identifying undervalued assets and engaging heavily with companies and stakeholders to improve this value over time, gives us confidence, particularly in these conditions. We will continue to invest for the long-term in high quality businesses that are trading at a discount to their fundamental (and strategic) value. We believe that this consistency of process and strategy will deliver strong returns in the fullness of time.

Performance Review

The Company had limited exposure to industrials and retailers; however, it was not immune to the wide sell-off. With the exception of Wilmington at the beginning of the period, company results and developments were generally positive. Starting portfolio valuations were modest; as such the de-rating suffered was, in our view, fairly indiscriminate and has left several holdings trading at multi-year valuation lows. Whilst understandable given the broader context, we believe this is unmerited and neglects the specific virtues of the portfolio holdings.

Investment Manager's Report *(continued)*

Top 5 contributors to performance

| Company | Valuation at period end £'000 | Period attribution (basis points) |
|----------------|-------------------------------------|-----------------------------------------|
| 4imprint Group | 12,193 | 55 |
| Proactis | 9,018 | 47 |
| EMIS Group | 7,694 | 24 |
| Vintage I | 735 | 3 |
| Oxford Metrics | 4,610 | (2) |

4imprint delivered strong results and upgrades. Despite owning shares in the company since 2003, following meetings with management and ongoing diligence, the position has been increased over the last year following bouts of share price weakness. The company delivered strong results and upgrades over the period. Its new marketing initiatives appear to be going ahead of plan and supported the progress of the core business. This will grow the addressable market which remains highly fragmented providing further growth opportunity for the company. Cashflow remains prodigious.

Proactis recovered well with its full year results demonstrating the virtues of its business. New customer logos (wins) and upsells were healthy evidencing the quality of its proposition and recurring revenue continues to be high at 86% of total sales. Towards the end of the period, a European peer, Basware, received a 'conditional takeover offer' at a rumoured valuation of EV/Sales of 4.5x. This represents a c.60% premium to Proactis' rating (on a similar EV/Sales basis), despite the target having a lower proportion of cloud based revenues and not generating meaningful profit or cash. In our view, this and previous transactions in the space, demonstrate the inherent value in the company.

EMIS's interim results saw a return to organic growth. The new CEO gave an overview of the company's strategy at a very well attended capital markets day. Their ambition is to be at the centre of a more integrated digital healthcare environment. Encouragingly, the company's plans appear to be highly complementary with the long term technology vision for the NHS, as announced by the Health Secretary during the period. The company also defined its medium term financial ambitions with both revenue and profit targets significantly ahead of current market expectations. The company has a strong

starting position and has made encouraging progress. Successful execution will continue to enhance the strategic value of the company.

Vintage I has been an exceptional investment since 2007 and is in distribution.

Oxford Metrics delivered good full year results remaining on track to meet long term profitability and recurring revenue targets. The progress in Vicon, their motion measurement business was very pleasing with double digit growth and improving margins. As the technology becomes more widely adopted across entertainment, sports and life sciences, the intellectual property becomes increasingly valuable in our view.

Bottom 5 Contributors to Performance

| Company | Valuation at period end £'000 | Period attribution (basis points) |
|------------------|-------------------------------------|-----------------------------------------|
| Wilmington Group | 10,752 | (199) |
| Tyman Group | 8,112 | (189) |
| Numis | 2,910 | (117) |
| Equiniti Group | 18,436 | (111) |
| Brooks Macdonald | 4,258 | (108) |

Wilmington's shares were weaker following a downgrade to profit expectations at the start of July owing to weak organic growth and a requirement to increase investment. Whilst disappointing, we believe the event has catalysed a more thorough review of strategy and execution within the business to be led by the new chairman who we introduced to the company. In our view, better capital allocation, appropriate key performance measures and stronger execution will help unlock value in the assets.

Tyman de-rated to its lowest valuation in seven years (a PE of c.7x) on concerns over the growth outlook in North America. Whilst cognisant of a moderation in the market, Tyman has self-help measures to improve profitability including footprint rationalisation, greater use of automation and market share gains through readdressing their route to market. The company released an in-line trading statement in November, as well as announcing the planned retirement of their longstanding CEO. An external successor has been announced and will join the company shortly.

Numis's shares were weaker owing to increased investment and the wider market slowdown towards the end of the year. A long term strategic decision has been taken by management to invest in the business whilst peers are struggling to adapt to the changes brought about by MiFID II. Increasing market share and a growing corporate and institutional client list improves the strategic value of the company.

Equiniti de-rated over the period. Despite upgrades to profitability in both the interim results and November trading statement, the shares were weaker due in part to a general malaise over the broad support services sector and, in our view, some misrepresentations of the company. We are encouraged by ongoing market share gains in the core UK market, continuing cross-sell into a growing client base, margin improvement through internal measures and progress post the completion of the acquisition of the North American business. We believe the current valuation represents a compelling opportunity to buy into a high quality, resilient, market leading business; we significantly increased our stake in the company during the period. We noted with interest the acquisition of North American employee share plans business Solium by Morgan Stanley at a high multiple post the period end.

Brooks Macdonald de-rated to its lowest valuation since the company's IPO in 2006. Organic growth in its first financial quarter update was solid but concerns over the broader growth outlook weighed on the share price. The focus of the CEO is to improve the operational efficiency of the business, with a view to increasing profit margins.

Dealing activity

The level of portfolio activity was in line with the typical long term portfolio turnover and investment strategy. Disposals netted £11.9m (excluding distributions from unlisted investments) representing around 7% of the weighted average NAV. In addition, £0.2m of net distributions were received from unlisted investments. £10.7m of purchases were made, representing 6% of the weighted average NAV.

The primary use of capital was in Equiniti (£5.8m). As outlined in the annual report, the position was materially reduced in early 2018. However, following a severe de-rating which ran contrary to the operational and strategic progress of the company, share price weakness was used to buy back what is, in our view, a more valuable company. The acquisition of Equatex by Computershare in May 2018 for 19x EV/EBITDA supports our view on the valuation opportunity.

Top-ups were made to two more recent investments, Ergomed (£1.2m) and Proactis (£0.8m) at what we believe were attractive valuations. A further investment was made in Oxford Metrics (£1.0m) following the encouraging progress made in their strategy.

The main sources of capital were realising profit in investments where, despite strong progress being made, better relative valuation, in our view, existed elsewhere in the portfolio. Sales were made in EMIS (£4.8m), Tribal (£2.0m) and Harworth (£1.4m) over the period.

Portfolio Review

At the end of the financial period, the portfolio remained highly focused, with a total of 18 holdings and the top 10 holdings accounting for 71.6% of the NAV. The portfolio was 99.5% invested in quoted companies. The percentage of the portfolio invested in unlisted securities reduced slightly to 0.5%. 6.8% of the NAV was invested in cash.

On the whole, the sector weightings were largely unchanged from the end of the previous period. Exposure to Support Services rose from 15.2% to 20.1% with the re-investment in Equiniti. Larger sector weightings are in Technology – Software & Services and Healthcare which finished the period at 22.2% and 17.7% respectively. The portfolio has zero exposure to consumer facing sectors.

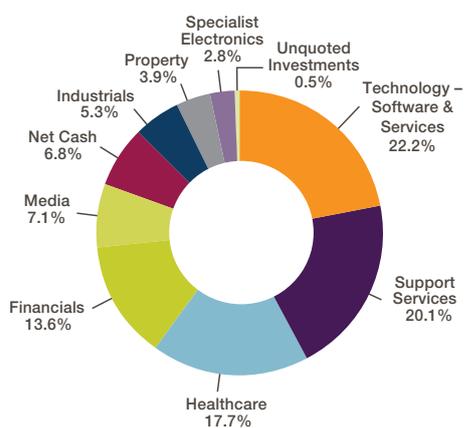
Investment Manager's Report *(continued)*

Portfolio as at 31 December 2018 – Top 10 Largest Investments

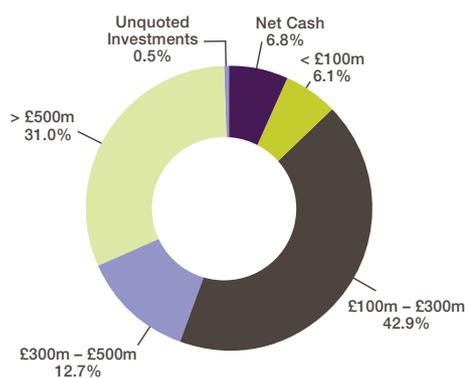
| Company | Sector classification | Date of first investment | Cost £'000 | Valuation £'000 | % of invested portfolio at 31 December 2018 | % of invested portfolio at 30 June 2018 | % of net assets |
|------------------|----------------------------------|--------------------------|---------------|--------------------|---------------------------------------------|-----------------------------------------|-----------------|
| Equiniti Group | Support Services | Mar 2016 | 16,297 | 18,436 | 13.0% | 8.9% | 12.1% |
| IFG Group | Financials | Apr 2015 | 14,678 | 13,439 | 9.5% | 8.4% | 8.8% |
| Tribal Group | Technology – Software & Services | Dec 2014 | 11,980 | 12,396 | 8.7% | 9.5% | 8.2% |
| 4imprint Group | Support Services | Feb 2006 | 3,890 | 12,193 | 8.6% | 7.5% | 8.0% |
| Wilmington Group | Media | Oct 2010 | 12,375 | 10,752 | 7.6% | 9.2% | 7.1% |
| Proactis | Technology | Nov 2017 | 10,261 | 9,018 | 6.4% | 4.6% | 5.9% |
| Clinigen Group | Healthcare | Jul 2014 | 6,177 | 8,737 | 6.2% | 7.8% | 5.7% |
| Medica Group | Healthcare | Mar 2017 | 9,673 | 8,237 | 5.8% | 5.5% | 5.4% |
| Tyman Group | Industrials | Apr 2007 | 7,519 | 8,112 | 5.7% | 7.1% | 5.3% |
| EMIS Group | Technology – Software & Services | Mar 2014 | 6,656 | 7,694 | 5.4% | 7.5% | 5.1% |

Portfolio as at 31 December 2018

Sector split by industry



Size split by market capitalisation



Portfolio Characteristics as at 31 December 2018

| Consensus Median portfolio characteristics | Strategic Equity Capital | FTSE Small Cap ex Investment Trusts |
|--------------------------------------------|-----------------------------|----------------------------------------|
| Price/Earnings ratio (FY1) | 11.4x | 9.4x |
| Dividend yield | 2.8% | 3.9% |
| Price/Sales ratio | 1.5x | 0.5x |
| Price/Cashflow ratio | 17.9x | 10.0x |
| GVQIM Cashflow yield* | 11.4% | n/a |
| Forecast earnings growth (FY1) | 12.5% | 2.4% |
| Forecast net debt to EBITDA | -0.0x | 1.9x |

SOURCE: FACTSET PORTFOLIO ANALYSIS SYSTEM, BLOOMBERG. PORTFOLIO EXCLUDES VINTAGE AND HARWORTH GROUP.

* GVQIM CASHFLOW YIELD: (12 MONTH FORWARD CASH EBITDA MINUS MAINTENANCE CAPEX)/(MARKET CAPITALISATION PLUS 12 MONTH FORWARD NET DEBT).

Consistent with previous periods, the portfolio's aggregate valuation is higher than the constituents of the broader FTSE Small Cap Index. However, the portfolio companies have higher forecast earnings growth and much lower levels of financial gearing. Over 40% of portfolio company sales are international.

Unlisted Investments

Over the period, the Company received a total of £0.2m from Vintage I. The outstanding commitment relating to Vintage I is €1,560,000 and its adviser has communicated that it does not expect to make any further net draw downs.

Outlook

We are mindful of the apprehension surrounding UK equity markets. In the near term, it is likely to remain testing as share prices are beholden to negative macro sentiment and a slowing down of the accommodative conditions of the post crisis environment. There has also been a harsh reminder around the importance of the valuation discipline when investing.

At the smaller end of the market the impact of current conditions has been exacerbated by decreasing liquidity and reduced dissemination of research. This poses a challenge to

price discovery and has led to increased volatility of share prices; but it has also created anomalies which provide opportunity for investors with a long term horizon, or opportunistic acquirers.

In our view, the recent de-rating of the portfolio was fairly indiscriminate and has created a situation where many holdings are trading at, or near, multi-year valuation lows despite the operational, strategic and financial progress being made. This is evidenced by the positive revisions in growth expectations, balance sheet strength and the highest (cheapest) aggregate GVQ cashflow yield since mid 2013.

Considerable short term uncertainty will remain a feature, and there may be a resetting of market-ascribed valuation bars against this backdrop. Whilst this may challenge returns, in our view, portfolio assets are trading materially below their intrinsic value. Over a multi-year time frame we expect this to revert, and as such we remain cautiously optimistic on the long term prospects for the Company.

Jeff Harris/Adam Khanbhai
 GVQ Investment Management Limited
 14 February 2019

Top 10 Investee Company Review

(as at 31 December 2018)

4imprint Group is a leading direct marketer of promotional products with an international network of companies primarily in North America. It processed over one million customised orders in 2017. We have been involved with the company since a change of management in 2003. Virtually all of the profits of the group are generated by the fast growing US business which remains highly fragmented. In 2018, the company announced a new market strategy exploring other media channels to supplement the growth of the core market. The company has a significant net cash balance and paid a special dividend in 2018. Funds managed by the Investment Manager currently hold over 3% of the company's equity.

Clinigen Group is a speciality pharmaceutical and services company. It has three business units – Clinical Trial Services, Unlicensed Medicines and Commercial Medicines. Activities undertaken by these businesses include: acquiring, licencing and revitalising hospital-only critical care medicines; and providing patient access to its own or other pharmaceutical companies' products, whether to meet unmet medical needs or for use in clinical trials. The company has grown strongly since its IPO in 2012, both organically and through targeted acquisitions. In 2015 it acquired Idis, a peer, and Link Healthcare, a specialist pharmaceutical and medical business focused on the Asia, Africa and Australasia region. The company has recently broadened its portfolio through acquisitions of Quantum Pharma and CSM. We believe the cash flow characteristics are underappreciated which should see the company de-gear over the next two years. The company has a leading position in a multi-year growth market. Funds managed by the Investment Manager hold c. 2% of the company's equity.

EMIS Group is a specialist healthcare software and services provider. It is the UK market leader in the provision of electronic patient records for GPs, with a 55% market share, and over 80% of total revenues are recurring. It also supplies electronic patient records to other healthcare organisations including community pharmacies, community and mental health trusts and accident & emergency departments. With solutions across every major healthcare setting, we believe EMIS is uniquely positioned to benefit from the NHS's connected care strategy. The company has an investment in Patient, an online platform with 18 million unique monthly users to provide high quality healthcare information and solutions. EMIS is highly cash generative with a strong balance sheet providing future opportunity. Funds managed by the Investment Manager currently hold over 3% of the company's equity.

Equiniti Group is a business services and technology company providing administration, processing payments services and technology products typically to FTSE 350 companies and large public sector organisations. It is one of the three main share registrars for UK quoted companies. It administers company benefits schemes and share savings schemes. It also provides software and services to help manage the administration of company and public sector pension funds. We believe the business has a strong combination of stable, long-term repeatable non-discretionary corporate services alongside offering technology based solutions to growing regulatory requirements. The business was founded with the buyout of Lloyds TSB Share Registrars by private equity house Advent International in 2007. Following the buyout the company added to its product and service capability through a number of targeted acquisitions. The company IPO'd in October 2015. Whilst it was well invested under private equity ownership, there are significant medium to long term opportunities through increased automation, rationalising its UK office footprint as well as offshoring more activities to its base in India. Together with moderate organic growth we believe that the company has the potential to deliver high single digit/low double digit earnings growth, which should not be significantly impacted by the broad market cycle. Despite its quality, the company trades at a moderate rating, a discount to precedent M&A. The acquisition of Wells Fargo's Share Services business in North America is a positive development in our view and a low risk entry into the world's largest capital market. Funds managed by the Investment Manager currently hold c.6% of the company's equity.

IFG Group is a financial services holding company with two operating assets. London-based Saunderson House is a wealth manager with £5bn of assets under advice. James Hay is an investment platform, originally a pioneer in the provision of Self-Invested Pension Plans ("SIPPs") with c.£25bn of assets under management. We believe that both of these businesses offer long-term structural sales growth, as well as scope to make higher margins. The shares are dual-listed in Dublin and London, with the primary listing in Dublin. Comparative M&A multiples suggest that IFG shares trade at a considerable discount to its Sum-of-Parts valuation. Funds managed by the Investment Manager currently hold 10% of the company's equity.

Medica Group is the leading provider of teleradiology services in the UK. The company provides outsourced interpretation and reporting of MRI, CT and plain film X-ray images. This is

Top 10 Investee Company Review

(as at 31 December 2018) *(continued)*

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delivered through three primary services to UK hospital radiology departments: Nighthawk out-of-hours service; Routine cross-sectional reporting on MRI and CT scans; and Routine plain film reporting on x-ray images. Teleradiology as a service aims to improve patient care through faster response and overcoming the challenge hospitals face in the increasing volume in scanning activity. Medica was previously owned by Close Brothers Private Equity following a 2013 buyout. The company was IPO'd in March 2017 on the London Stock Exchange and admitted to the FTSE Small Cap index in June 2017. Funds managed by the Investment Manager currently hold c.10% of the company's equity.

Proactis is a global provider of eProcurement, Spend Control, and Accounts Payable Automation software. The company, through its cloud-based 'Procure-2-Pay' software solutions, enables corporates and public sector organisations to reduce costs through process efficiency, improved sourcing and ensuring compliance with internal procurement rules. This software is largely provided on a subscription basis, leading to high quality of earnings with over 85% of the revenue base recurring in nature. Following the acquisition of Perfect Commerce in 2017, Proactis is the 5th largest player by revenue globally with operations in the UK, US and Europe. Funds managed by the Investment Manager currently hold c.7% of the company's equity.

Tribal Group is a global provider of products and services to the international education, training and learning markets. Today, the company focuses its activities on student records and administration systems and quality review inspection services. It has a high market share in a number of product niches and geographies. We believe that the company has the potential to grow through increasing its international sales, as well as updating and upselling to its existing UK customer base. The company has effectively reduced its overhead and we believe, has the ability to make higher margins. It is currently developing its next generation software platform

which will help improve the quality of revenue in the business. Funds managed by the Investment Manager currently hold 8% of the company's equity.

Tyman Group is a leading international supplier of engineered components to the door and window industry in the new build and repair and maintenance (RMI) markets. We originally invested in the company following the fall in residential activity around the financial crisis in 2009. The company has, through organic and inorganic investment, increased its market leadership, strengthened the product proposition and delivered significant cost and sales synergies. We believe future upside exists in the company's ability to replicate its North American manufacturing template to its operations in Europe and the Rest of the World to achieve material efficiencies, and in the recovery of U.S. single family housing activity to long term historical levels. Funds managed by the Investment Manager currently hold c.6% of the company's equity.

Wilmington Group provides business information and training services to professional business customers in the financial services, medical and white-collar professional service sectors. More than 80% of revenues in the main publishing and information divisions are delivered digitally, typically on a subscription basis, and with high levels of client retention. The company has a valuable offering in Risk and Compliance information. Through better capital allocation and improved execution following significant systems investment, the company has the potential to improve its growth profile. Funds managed by the Investment Manager currently hold c.6% of the company's equity.

GVQ Investment Management Limited
14 February 2019

The unconstrained, long-term philosophy and concentrated portfolios resulting from the Investment Manager's investment style can lead to periods of significant short-term variances of performance relative to comparative indices. The Investment Manager believes that evaluating performance over rolling periods of no less than three years, as well as assessing risk taken to generate these returns, is most appropriate given the investment style and horizon. The Investment Manager believes that this investment style, properly executed, can generate attractive long-term risk adjusted returns.

All statements of opinion and/or belief contained in this Investment Manager's report and all views expressed and all projections, forecasts or statements relating to expectations regarding future events or the possible future performance of the Company represent the Investment Manager's own assessment and interpretation of information available to it at the date of this report. As a result of various risks and uncertainties, actual events or results may differ materially from such statements, views, projections or forecasts. No representation is made or assurance given that such statements, views, projections or forecasts are correct or that the objectives of the Company will be achieved.

Statement of Directors' Responsibilities, Going Concern, Principal Risks and Uncertainties

Statement of Directors' Responsibilities

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements contained within the Half-Yearly Report has been prepared in accordance with International Accounting Standard ("IAS") 34, 'Interim Financial Reporting' issued by the International Accounting Standards Board ("IASB") as adopted by the EU, and gives a true and fair view of the assets, liabilities, financial position and profit of the Company as required by Disclosure Guidance and Transparency Rule ("DTR") 4.2.4R;
- the Half-Yearly Report includes a fair review of the information required by:
 - (a) DTR 4.2.7 of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8 of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

This Half-Yearly Report was approved by the Board of Directors on 14 February 2019 and the above responsibility statement was signed on its behalf by Richard Hills, Chairman.

Going Concern

The Company has adequate financial resources to meet its investment commitments and, as a consequence, the Directors believe that the Company is well placed to manage its business risks. After making appropriate enquiries and due consideration of the Company's cash balances, the liquidity of the Company's investment portfolio and the cost base of the Company, the Directors have a reasonable expectation that the Company has adequate available financial resources to continue in operational existence for the foreseeable future and accordingly have concluded that it is appropriate to continue to adopt the going concern basis in preparing the Half-Yearly Report, consistent with previous periods.

Principal Risks and Uncertainties

For the Company, the overriding risks and uncertainties to an investor relate to the markets on which the Company's shares trade, and the shares of the companies in which it invests trade, may move outside the control of the Board.

The principal risks and uncertainties are set out on pages 17 and 18 of the Annual Report for the year ended 30 June 2018, which is available at www.strategiequitycapital.com.

The Company's principal risks and uncertainties have not changed since the date of the Annual Report and are not expected to change for the remaining six months of the Company's financial year.

Statement of Comprehensive Income

for the six month period to 31 December 2018

STRATEGIC EQUITY CAPITAL
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| | Note | Six month period to 31 December 2018 unaudited | | | Year ended 30 June 2018 audited | | | Six month period to 31 December 2017 unaudited | | |
|----------------------------------------------------------------------------------|------|------------------------------------------------------|----------------------------|-----------------|---------------------------------------|----------------------------|----------------|------------------------------------------------------|----------------------------|----------------|
| | | Revenue return £'000 | Capital return £'000 | Total £'000 | Revenue return £'000 | Capital return £'000 | Total £'000 | Revenue return £'000 | Capital return £'000 | Total £'000 |
| Investments | | | | | | | | | | |
| (Losses)/gains on investments held at fair value through profit or loss | 6 | - | (17,968) | (17,968) | - | 1,631 | 1,631 | - | 11,679 | 11,679 |
| Currency gains | | - | 2 | 2 | - | 9 | 9 | - | 10 | 10 |
| | | - | (17,966) | (17,966) | - | 1,640 | 1,640 | - | 11,689 | 11,689 |
| Income | | | | | | | | | | |
| Dividends | 2 | 1,434 | - | 1,434 | 3,156 | - | 3,156 | 1,349 | - | 1,349 |
| Interest | 2 | 32 | - | 32 | 36 | - | 36 | 14 | - | 14 |
| Total income | | 1,466 | - | 1,466 | 3,192 | - | 3,192 | 1,363 | - | 1,363 |
| Expenses | | | | | | | | | | |
| Investment Manager's fee | 8 | (631) | - | (631) | (1,449) | - | (1,449) | (785) | - | (785) |
| Other expenses | 3 | (304) | - | (304) | (592) | - | (592) | (288) | - | (288) |
| Total expenses | | (935) | - | (935) | (2,041) | - | (2,041) | (1,073) | - | (1,073) |
| Net return before taxation | | 531 | (17,966) | (17,435) | 1,151 | 1,640 | 2,791 | 290 | 11,689 | 11,979 |
| Taxation | | - | - | - | (30) | - | (30) | (30) | - | (30) |
| Net return and total comprehensive income for the period | | 531 | (17,966) | (17,435) | 1,121 | 1,640 | 2,761 | 260 | 11,689 | 11,949 |
| | | pence | pence | pence | pence | pence | pence | pence | pence | pence |
| Return per Ordinary share | | | | | | | | | | |
| Basic | 5 | 0.80 | (27.17) | (26.37) | 1.65 | 2.41 | 4.06 | 0.38 | 17.12 | 17.50 |

The total column of this statement represents the Statement of Comprehensive Income. The supplementary revenue and capital return columns are both prepared under guidance published by the AIC.

All items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

The notes on pages 17 to 22 form an integral part of these Half-Yearly financial statements.

Statement of Changes in Equity

for the six month period to 31 December 2018

| | Note | Share capital £'000 | Share premium account £'000 | Special reserve £'000 | Capital reserve £'000 | Capital redemption reserve £'000 | Revenue reserve £'000 | Total £'000 |
|---------------------------------------------------------------|------|------------------------|-----------------------------------|-----------------------------|-----------------------------|-------------------------------------------|-----------------------------|----------------|
| For the six month period to 31 December 2018 unaudited | | | | | | | | |
| 1 July 2018 | | 6,986 | 31,737 | 32,521 | 98,945 | 2,264 | 1,828 | 174,281 |
| Net return and total comprehensive income for the period | | - | - | - | (17,966) | - | 531 | (17,435) |
| Dividend paid | 4 | - | - | - | - | - | (661) | (661) |
| Share buy-backs | | - | - | (4,163) | - | - | - | (4,163) |
| 31 December 2018 | | 6,986 | 31,737 | 28,358 | 80,979 | 2,264 | 1,698 | 152,022 |
| For the year to 30 June 2018 audited | | | | | | | | |
| 1 July 2017 | | 6,986 | 31,737 | 36,814 | 97,305 | 2,264 | 1,238 | 176,344 |
| Net return and total comprehensive income for the year | | - | - | - | 1,640 | - | 1,121 | 2,761 |
| Dividend paid | 4 | - | - | - | - | - | (531) | (531) |
| Share buy-backs | | - | - | (4,293) | - | - | - | (4,293) |
| 30 June 2018 | | 6,986 | 31,737 | 32,521 | 98,945 | 2,264 | 1,828 | 174,281 |
| For the six month period to 31 December 2017 unaudited | | | | | | | | |
| 1 July 2017 | | 6,986 | 31,737 | 36,814 | 97,305 | 2,264 | 1,238 | 176,344 |
| Net return and total comprehensive income for the period | | - | - | - | 11,689 | - | 260 | 11,949 |
| Dividend paid | 4 | - | - | - | - | - | (531) | (531) |
| Share buy-backs | | - | - | (2,388) | - | - | - | (2,388) |
| 31 December 2017 | | 6,986 | 31,737 | 34,426 | 108,994 | 2,264 | 967 | 185,374 |

The notes on pages 17 to 22 form an integral part of these Half-Yearly financial statements.

Balance Sheet

as at 31 December 2018

STRATEGIC EQUITY CAPITAL
HALF-YEARLY REPORT &
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| | Note | As at 31 December 2018 unaudited £'000 | As at 30 June 2018 audited £'000 | As at 31 December 2017 unaudited £'000 |
|-------------------------------------------------------|------|----------------------------------------------------|----------------------------------------------|----------------------------------------------------|
| Non-current assets | | | | |
| Investments held at fair value through profit or loss | 6 | 141,698 | 161,055 | 173,705 |
| Current assets | | | | |
| Trade and other receivables | | 413 | 75 | 275 |
| Cash and cash equivalents | | 10,399 | 14,094 | 11,954 |
| | | 10,812 | 14,169 | 12,229 |
| Total assets | | 152,510 | 175,224 | 185,934 |
| Current liabilities | | | | |
| Trade and other payables | | (488) | (943) | (560) |
| Net assets | | 152,022 | 174,281 | 185,374 |
| Capital and reserves: | | | | |
| Share capital | 7 | 6,986 | 6,986 | 6,986 |
| Share premium account | | 31,737 | 31,737 | 31,737 |
| Special reserve | | 28,358 | 32,521 | 34,426 |
| Capital reserve | | 80,979 | 98,945 | 108,994 |
| Capital redemption reserve | | 2,264 | 2,264 | 2,264 |
| Revenue reserve | | 1,698 | 1,828 | 967 |
| Total shareholders' equity | | 152,022 | 174,281 | 185,374 |
| | | pence | pence | pence |
| Net asset value per share | | | | |
| Basic | | 233.72 | 260.16 | 273.28 |
| | | number | number | number |
| Ordinary shares in issue | 7 | 65,045,291 | 66,990,660 | 67,833,324 |

The notes on pages 17 to 22 form an integral part of these Half-Yearly financial statements.

Statement of Cash Flows

for the six month period to 31 December 2018

| | Six month period to 31 December 2018 unaudited £'000 | Year ended 30 June 2018 audited £'000 | Six month period to 31 December 2017 unaudited £'000 |
|----------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------------------------|
| Operating activities | | | |
| Net return before taxation | (17,435) | 2,791 | 11,979 |
| Adjustment for losses/(gains) on investments | 17,968 | (1,631) | (11,679) |
| Currency gains | (2) | (9) | (10) |
| Irrecoverable withholding tax | – | (30) | (30) |
| Operating cash flows before movements in working capital | 531 | 1,121 | 260 |
| (Increase)/decrease in receivables | (338) | 54 | (145) |
| Decrease in payables | (40) | (2,241) | (2,212) |
| Purchases of portfolio investments | (11,088) | (47,839) | (24,897) |
| Sales of portfolio investments | 12,117 | 51,869 | 25,914 |
| Net cash flow from operating activities | 1,182 | 2,964 | (1,080) |
| Financing activities | | | |
| Equity dividend paid | (661) | (531) | (531) |
| Shares bought back in the period | (4,218) | (4,239) | (2,336) |
| Net cash flow from financing activities | (4,879) | (4,770) | (2,867) |
| Decrease in cash and cash equivalents for period | (3,697) | (1,806) | (3,947) |
| Cash and cash equivalents at start of period | 14,094 | 15,891 | 15,891 |
| Revaluation of foreign currency balances | 2 | 9 | 10 |
| Cash and cash equivalents at end of the period | 10,399 | 14,094 | 11,954 |

The notes on pages 17 to 22 form an integral part of these Half-Yearly financial statements.

Notes to the Financial Statements

for the six month period to 31 December 2018

1.1 Corporate information

Strategic Equity Capital plc is a public limited company incorporated and domiciled in the United Kingdom, registered in England and Wales under the Companies Act 2006 whose shares are publicly traded. The Company is an investment company as defined by Section 833 of the Companies Act 2006.

The Company carries on business as an investment trust within the meaning of Sections 1158/1159 of the Corporation Tax Act 2010.

1.2 Basis of preparation/statement of compliance

The condensed interim financial statements of the Company have been prepared on a going concern basis and in accordance with IAS 34, 'Interim financial reporting' issued by the International Accounting Standards Board (as adopted by the EU). They do not include all the information required for a full report and financial statements and should be read in conjunction with the report and financial statements of the Company for the year ended 30 June 2018, which have been prepared in accordance with IFRS as adopted by the EU. Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trust companies and venture capital trusts issued by the AIC is consistent with the requirements of IFRS, the Directors have sought to prepare financial statements on a basis compliant with the recommendations of the SORP.

The condensed interim financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial statements for the six month periods to 31 December 2018 and 31 December 2017 have not been either audited or reviewed by the Company's Auditor. Information for the year ended 30 June 2018 has been extracted from the latest published Annual Report and financial statements, which have been filed with the Registrar of Companies. The report of the Auditor on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

Convention

The financial statements are presented in Sterling, being the currency of the Primary Economic Environment in which the Company operates, rounded to the nearest thousand.

Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business.

1.3 Accounting policies

The accounting policies, presentation and method of computation used in these condensed financial statements are consistent with those used in the preparation of the financial statements for the year ended 30 June 2018.

1.4 New standards and interpretations not applied

Implementation of changes and accounting standards in the financial periods, as outlined in the financial statements for the year ended 30 June 2018, had no significant effect on the accounting or reporting of the Company.

Notes to the Financial Statements

for the six month period to 31 December 2018 *(continued)*

2. Income

| | Six month period to 31 December 2018 unaudited | | | Year ended 30 June 2018 audited | | | Six month period to 31 December 2017 unaudited | | |
|--------------------------|------------------------------------------------------|----------------------------|----------------|---------------------------------------|----------------------------|----------------|------------------------------------------------------|----------------------------|----------------|
| | Revenue return £'000 | Capital return £'000 | Total £'000 | Revenue return £'000 | Capital return £'000 | Total £'000 | Revenue return £'000 | Capital return £'000 | Total £'000 |
| Income from investments: | | | | | | | | | |
| UK dividend income | 1,434 | - | 1,434 | 3,008 | - | 3,008 | 1,201 | - | 1,201 |
| Overseas dividend income | - | - | - | 148 | - | 148 | 148 | - | 148 |
| | 1,434 | - | 1,434 | 3,156 | - | 3,156 | 1,349 | - | 1,349 |
| Liquidity interest | 32 | - | 32 | 36 | - | 36 | 14 | - | 14 |
| | 1,466 | - | 1,466 | 3,192 | - | 3,192 | 1,363 | - | 1,363 |
| Total income comprises: | | | | | | | | | |
| Dividends | 1,434 | - | 1,434 | 3,156 | - | 3,156 | 1,349 | - | 1,349 |
| Liquidity interest | 32 | - | 32 | 36 | - | 36 | 14 | - | 14 |
| | 1,466 | - | 1,466 | 3,192 | - | 3,192 | 1,363 | - | 1,363 |
| Income from investments: | | | | | | | | | |
| Listed UK | 1,434 | - | 1,434 | 3,008 | - | 3,008 | 1,201 | - | 1,201 |
| Listed overseas | - | - | - | 148 | - | 148 | 148 | - | 148 |
| Liquidity interest | 32 | - | 32 | 36 | - | 36 | 14 | - | 14 |
| | 1,466 | - | 1,466 | 3,192 | - | 3,192 | 1,363 | - | 1,363 |

3. Other expenses

| | Six month period to 31 December 2018 unaudited | | | Year ended 30 June 2018 audited | | | Six month period to 31 December 2017 unaudited | | |
|-----------------------------|------------------------------------------------------|----------------------------|----------------|---------------------------------------|----------------------------|----------------|------------------------------------------------------|----------------------------|----------------|
| | Revenue return £'000 | Capital return £'000 | Total £'000 | Revenue return £'000 | Capital return £'000 | Total £'000 | Revenue return £'000 | Capital return £'000 | Total £'000 |
| Secretarial services | 57 | - | 57 | 113 | - | 113 | 55 | - | 55 |
| Auditors' remuneration for: | | | | | | | | | |
| Audit services | 12 | - | 12 | 20 | - | 20 | 13 | - | 13 |
| Directors' remuneration | 67 | - | 67 | 135 | - | 135 | 70 | - | 70 |
| Other expenses | 168 | - | 168 | 324 | - | 324 | 150 | - | 150 |
| | 304 | - | 304 | 592 | - | 592 | 288 | - | 288 |

4. Dividend

The Company paid a final dividend of 1.00p in respect of the year ended 30 June 2018 (30 June 2017: 0.78p) per Ordinary share on 66,135,700 (30 June 2017: 68,108,396) shares, amounting to £661,357 (30 June 2017: £531,245). The dividend was paid on 14 November 2018 to Shareholders on the register at 12 October 2018. In line with previous years, the Board does not intend to propose an interim dividend.

5. Return per Ordinary share

| | Six month period to 31 December 2018 | | | Year ended 30 June 2018 | | | Six month period to 31 December 2017 | | |
|---------------------------|-----------------------------------------|----------------------------|----------------|----------------------------|----------------------------|----------------|-----------------------------------------|----------------------------|----------------|
| | Revenue return pence | Capital return pence | Total pence | Revenue return pence | Capital return pence | Total pence | Revenue return pence | Capital return pence | Total pence |
| Return per Ordinary share | 0.80 | (27.17) | (26.37) | 1.65 | 2.41 | 4.06 | 0.38 | 17.12 | 17.50 |

Returns per Ordinary share are calculated based on 66,120,529 (30 June 2018: 67,919,623 and 31 December 2017: 68,297,684) being the weighted average number of Ordinary shares, excluding shares held in treasury, in issue throughout the period.

6. Investments

| | 31 December 2018 £'000 |
|-----------------------------------------------------------|---------------------------|
| <i>Investment portfolio summary</i> | |
| Listed investments at fair value through profit or loss | 140,963 |
| Unlisted investments at fair value through profit or loss | 735 |
| | 141,698 |

The Company is required to classify its investments using a fair value hierarchy that reflects the subjectivity of the inputs used in measuring the fair value of each asset. The fair value hierarchy has the following levels:

Investments whose values are based on quoted market prices in active markets are classified within level 1 and include active listed equities. The Company does not adjust the quoted price for these instruments.

The definition of level 1 inputs refers to 'active market' which is a market in which transactions take place with sufficient frequency and volume for pricing information to be provided on an ongoing basis. Due to the liquidity levels of the markets in which the Company trades, whether transactions take place with sufficient frequency and volume is a matter of judgement, and depends on the specific facts and circumstances. The Manager has analysed trading volumes and frequency of the Company's portfolio and has determined these investments as level 1 of the hierarchy.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Notes to the Financial Statements

for the six month period to 31 December 2018 *(continued)*

6. Investments *(continued)*

Level 3 instruments include private equity, as observable prices are not available for these securities the Company has used valuation techniques to derive the fair value. In respect of unquoted instruments, or where the market for a financial instrument is not active, fair value is established by using recognised valuation methodologies, in accordance with International Private Equity and Venture Capital ("IPEV") Valuation Guidelines.

The underlying funds primarily invest in private companies which are recorded at cost or Fair Value derived from private equity valuation models and techniques. The main inputs into the valuation models of the underlying funds include industry performance, company performance, quality of management, the price of the most recent financing round or prospects for the next financing round, exit opportunities which are available, liquidity preference and net present value analysis.

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value of the investment.

Financial instruments at fair value through profit and loss as at 31 December 2018

| | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|------------------------------------------------------|------------------|------------------|------------------|----------------|
| Equity investments and limited partnership interests | 140,963 | – | 735 | 141,698 |
| Liquidity funds | – | 9,978 | – | 9,978 |
| Total | 140,963 | 9,978 | 735 | 151,676 |

The below table presents the movement in level 3 instruments for the period ended 31 December 2018.

| | £'000 |
|------------------------------------------------------------------------------------------------|--------------|
| Opening balance at 1 July 2018 | 857 |
| Proceeds from disposals during the period | (225) |
| Gains on disposals during the period | 216 |
| Decrease in unrealised profit for the period included in the Statement of Comprehensive Income | (113) |
| Closing balance at 31 December 2018 | 735 |

Investments in unquoted investment funds are generally held at the valuations provided by the managers of those funds. The valuation for Vintage I is as at 30 November 2018.

There were no transfers between levels for the period ended 31 December 2018.

6. Investments *(continued)*

A list of the top ten portfolio holdings by their aggregate market values is given in the Investment Manager's Report on page 8.

| | 31 December 2018 |
|--------------------------------------------|-------------------------|
| | Total |
| | £'000 |
| <i>Analysis of capital gains/(losses):</i> | |
| Gains on sale of investments | 3,942 |
| Movement in investment holding gains | (21,910) |
| | (17,968) |

7. Share capital

| | Number | 31 December 2018 |
|-----------------------------------------------------------------|-------------------|-------------------------|
| | | £'000 |
| Allotted, called up and fully paid Ordinary shares of 10p each: | | |
| At 1 July 2018 | 69,858,891 | 6,986 |
| Ordinary shares of 10p each held in treasury | (2,868,231) | (287) |
| Ordinary shares in circulation at 1 July 2018 | 66,990,660 | 6,699 |
| Share buy-backs during the period to be held in treasury | (1,945,369) | (194) |
| Ordinary shares in issue per Balance Sheet | 65,045,291 | 6,505 |
| Shares held in treasury | 4,813,600 | 481 |
| Ordinary shares in circulation at 31 December 2018 | 69,858,891 | 6,986 |

During the period to 31 December 2018 1,945,369 Ordinary shares were bought back by the Company and held in treasury.

8. Investment Manager's fee

A basic management fee is payable to the Investment Manager at the annual rate of 0.75% of the NAV of the Company. The basic management fee accrues daily and is payable quarterly in arrears.

The Investment Manager is also entitled to a performance fee, details of which are set out below.

9. Performance Fee Arrangements

The Company's performance is measured over rolling three-year periods ending on 30 June each year, by comparing the NAV total return per share over a performance period against the total return performance of the FTSE Small Cap (ex Investment Companies) Index. A performance fee is payable if the NAV total return per share (calculated before any accrual for any performance fee to be paid in respect of the relevant performance period) at the end of the relevant performance period exceeds both:

- (i) the NAV per share at the beginning of the relevant performance period as adjusted by the aggregate amount of (a) the total return on the FTSE Small Cap (ex Investment Companies) Index (expressed as a percentage) and (b) 2.0% per annum over the relevant performance period ("Benchmark NAV"); and
- (ii) the high watermark (which is the highest NAV per share by reference to which a performance fee was previously paid).

Notes to the Financial Statements

for the six month period to 31 December 2018 *(continued)*

9. Performance Fee Arrangements *(continued)*

The Investment Manager is entitled to 10% of any excess of the NAV total return over the higher of the Benchmark NAV per share and the high watermark. The aggregate amount of the Management Fee and the Performance Fee in respect of each financial year of the Company shall not exceed an amount equal to 1.4% per annum of the NAV of the Company as at the end of the relevant financial period.

No performance fee has been accrued in respect of the six months ended 31 December 2018 (30 June 2018: £nil; 31 December 2017: £nil).

10. Taxation

The tax charge for the half year is £nil (30 June 2018: £30,000; 31 December 2017: £30,000). The estimated effective corporation tax rate for the year ended 30 June 2019 is 0%. This is because investment gains are exempt from tax owing to the Company's status as an investment company and there is expected to be an excess of management expenses over taxable income.

11. Capital commitments and contingent liabilities

The Company has a commitment to invest €1,560,000 in Vintage I (30 June 2018: €1,560,000; 31 December 2017: €1,560,000).

12. Related party transactions

The Investment Manager is regarded as a related party of the Company.

The amount payable to the Investment Manager, in respect of management fees, during the period to 31 December 2018 was £631,000 (30 June 2018: £1,449,000; 31 December 2017: £785,000), of which £302,500 (30 June 2018: £329,000; 31 December 2017: £401,000) was outstanding at 31 December 2018. The amount due to the Investment Manager for performance fees at 31 December 2018 was £nil (30 June 2018: £nil; 31 December 2017: £nil).

Directors

Richard Hills (Chairman)
Richard Locke (Deputy Chairman)
William Barlow
Josephine Dixon
David Morrison

Auditor

KPMG LLP
319 St. Vincent Street
Glasgow G2 5AS

Broker

Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

Custodian

J.P. Morgan Chase Bank N.A.
25 Bank Street
Canary Wharf
London E14 5JP

Depository

J.P. Morgan Europe Limited
25 Bank Street
Canary Wharf
London E14 5JP

Investment Manager

GVQ Investment Management Limited
16 Berkeley Street
London W1J 8DZ
Tel: 020 3907 4190

Registrar

Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol BS99 6ZY
Tel: 0370 707 1285
Website: www.computershare.com

Company Secretary and Administrator

PATAC Limited
21 Walker Street
Edinburgh EH3 7HX
Tel: 0131 538 6610

Solicitor

c/o Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

Shareholder Information

Financial calendar

| | |
|-------------------------------|-------------|
| Company's year-end | 30 June |
| Annual results announced | September |
| Annual General Meeting | November |
| Company's half-year | 31 December |
| Half-yearly results announced | February |

Share price

The Company's Ordinary shares are premium listed on the main market of the London Stock Exchange. The share price is quoted daily in the Financial Times under 'Investment Companies'.

Share dealing

Shares can be traded through your usual stockbroker.

Share register enquiries

The register for the Ordinary shares is maintained by Computershare Investor Services plc ("Registrar"). In the event of queries regarding your holding, please contact the Registrar, on 0370 707 1285. Changes of name and/or address must be notified in writing to the Registrar, whose address is shown on page 23.

NAV

The Company's NAV is announced daily to the London Stock Exchange.

Website

Further information on the Company can be accessed via the Company's website: www.strategicequitycapital.com

An investment company as defined under Section 833 of the Companies Act 2006
REGISTERED IN ENGLAND No. 5448627

A member of the Association of Investment Companies

STRATEGIC EQUITY CAPITAL PLC

www.strategicequitycapital.com