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# STRATEGIC EQUITY CAPITAL PLC

Q2 Update 2019

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# Risk considerations

*Risk Factors for Strategic Equity Capital plc (the Company)* – The general risk factors set out under the heading “D.1.Key Risks” of the Prospectus apply to the Company. In addition, potential investors should note the following factors:

- There can be no guarantee that the investment objective of the Company will be achieved and neither capital nor income is guaranteed.
- You may not be able to sell your shares in the Company easily or you may have to sell at a price that significantly impacts on how much you get back.
- The share price may trade at a discount to the Net Asset Value of the Company.
- The amount that you have invested is not protected so in some unfavourable circumstances you could lose all of your investment.
- The Company may borrow money which can be used to make further investments (gearing). In a rising market, this “gearing” can magnify the gains or in a falling market, the losses on your investment.
- The Company invests in a smaller number of companies and sectors than the market, creating concentration risk.
- There is some liquidity risk, as a significant level of investment is made in companies too small for inclusion in the FTSE 250 Index. These are likely to have a low level of liquidity in some circumstances.
- The Company may invest in companies that are not listed or admitted to trading upon any recognised stock exchange. These investments can be riskier and may be illiquid and difficult to realise and more volatile than investments in larger, longer-established businesses.
- The performance of SEC will depend on the skill and expertise of the Investment Manager. The loss of key personnel could affect the performance of the Company.
- Stock market investments should be regarded as long term. The Company’s strategy, and therefore level of risk, can change over time. Economic factors, such as interest rates, inflation and supply and demand can affect all investments. Tax rules can change and the value of any benefits will depend on personal circumstances.
- Charges and expenses are taken from capital and this increases the chances of the capital value falling

These are not all the risks of an investment in the Company. For a full list of the Company’s risks, please see the Prospectus and Supplement to the Prospectus, in the section entitled “Risk Factors”.

Investors should take advice from their own independent professional financial advisers before making an investment decision and are responsible for ascertaining any income tax or other tax consequences which may affect their acquisition of any investment.

You should remember that the value of investments and the income from them may go down as well as up and is not guaranteed, and investors may not get back the amount invested. Past performance cannot be relied on as a guide to future performance.

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## **Risk considerations:**

You should remember that the value of investments, and the income from them, may go down as well as up, and is not guaranteed, and investors may not get back the amount of money invested. Past performance cannot be relied on as a guide to future performance. Exchange rate changes may cause the value of overseas investments or investments denominated in different currencies to rise or fall.

In addition, there is no guarantee that the market price of shares will fully reflect their underlying net asset value and it is not uncommon for the market price of such shares to trade at a substantial discount to their net asset value.

The unconstrained, long term philosophy and concentrated portfolios resulting from GVQIM’s investment style can lead to periods of significant short term variances of performance relative to comparative indices. GVQIM 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. Properly executed, GVQIM believes that this investment style can generate attractive long term risk adjusted returns.

These are not all the risks of an investment in Strategic Equity Capital Plc shares (“Strategic Equity Capital” or “SEC”). Investors should take advice from their own independent, professional financial advisers before making an investment decision and are responsible for ascertaining any income tax or other tax consequences which may affect their acquisition of any investment.

Morningstar 10 Year Rating of ★★★★★ as at 30<sup>th</sup> June 2019

**Runner Up 2017 and 2016, Winner 2015, Highly Commended 2014:** Money Observer Trust Awards. Category: Best UK Equity Trust

**Highly Commended 2016, Winner 2015, Highly Commended 2014:** Moneywise Investment Trust Awards . Category: UK Smaller Companies

**Winner 2015 and 2014:** What Investment Trust Awards . Category: Best UK Investment Trust

**Winner 2015:** Investment Adviser 100 Club Awards . Category: UK Smaller Companies

**Winner 2015:** Grant Thornton Quoted Company Awards . Category: Fund Manager of the Year

**Winner 2014:** PLC Awards . Category: Fund Manager of the Year

**Winner 2014:** Investment Week, Investment Company of the Year Awards . Category: UK Smaller Companies

**Highly Commended 2012:** Money Observer Trust Awards . Category: Best UK Smaller Companies Trust

**Winner 2011:** Investment Trust Magazine. Category: Best Small Companies Trust

## Q2 Update 2019

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Q2 UPDATE 2019

- SEC (the “Trust”) had another strong quarter; net assets per share increased by 4.5%<sup>1</sup>, this was above the return of the FTSE Small Cap ex IT index (the “index”) which delivered a total return of 0.9%. SEC’s share price increased by 10.4%. The discount to NAV at the end of the period was 13.8%
- Financial markets continue to be challenging with volatility in share prices. The quarter end is also the Trust’s financial year end. Over our FY19, the NAV per share increased by 2.4%<sup>1</sup>. The index decreased by 8.6% over the same period and the FTSE Aim All Share Index decreased by 13.9%
- Over the financial year, the Trust had a Morningstar upside capture ratio<sup>2</sup> of 126.7 and a downside capture ratio of 54.7, demonstrating its defensive qualities
- In our view, conditions are ripe for Private Equity activity. Valuations are low, there is significant dry powder and financing is generationally cheap. This is evidenced through an increase in takeover activity (see p16-17). SEC has benefited more recently in the take-privates of IFG Group and Servelec
- Portfolio characteristics remain attractive with a combination of c.10% weighted average GVQ cash yield, low double digit earnings growth and very low levels of gearing across the portfolio holdings; at period end, net debt/EBITDA of 0.1x compared to 1.9x for the index

**Encouraging quarter and financial year of NAV growth. Believe that the portfolio remains significantly undervalued at a time when private equity is becoming more active again**

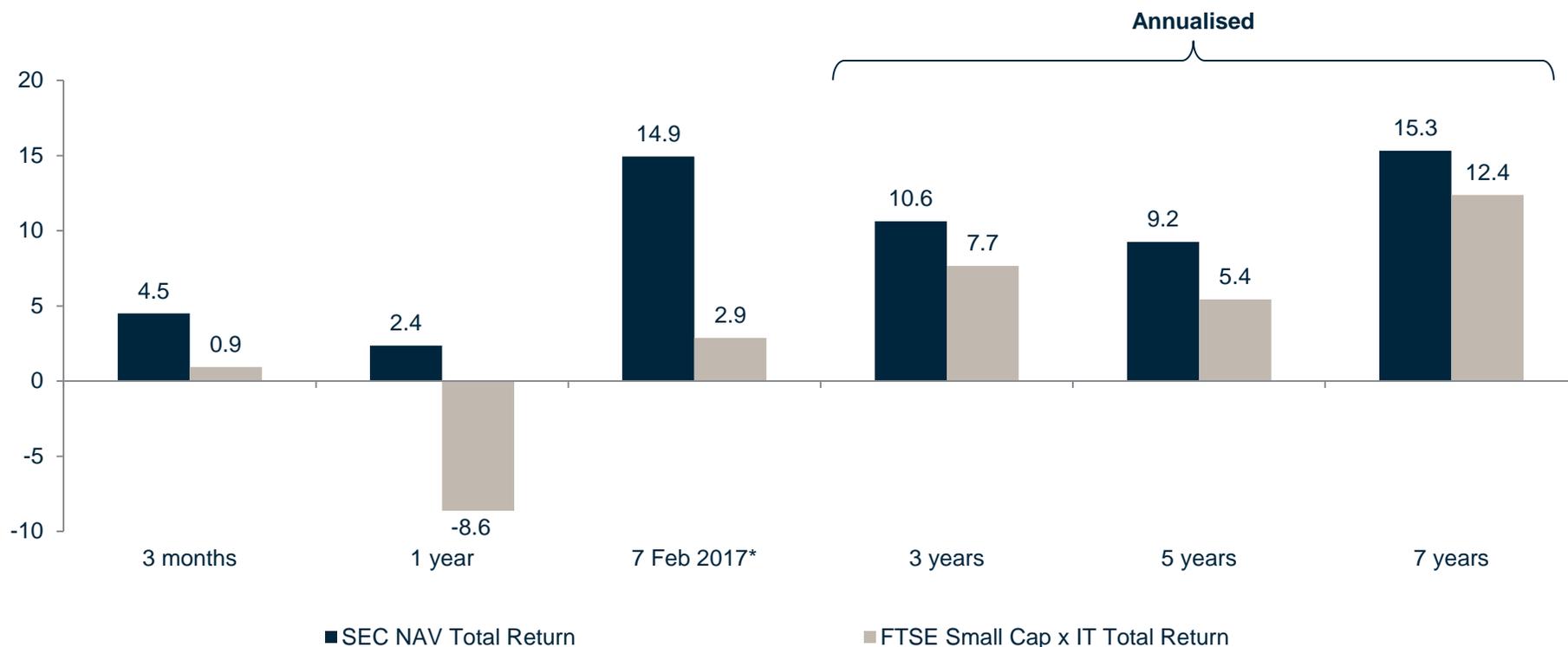
As at 30<sup>th</sup> June 2019

1. On a total return basis 2. An upside capture ratio over 100 indicates a fund has generally outperformed the benchmark during periods of positive returns for the benchmark. Meanwhile, a downside capture ratio of less than 100 indicates that a fund has lost less than its benchmark in periods when the benchmark has been in the red

Source: GVQIM, PATAAC, Bloomberg

Past performance is no guarantee of future performance and the value of investments can go down as well as up

# Fund performance



<b>Average Net Cash</b>	8.5%	7.5%	8.4%	9.4%	9.5%	9.8%
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**Strong NAV return in the short and longer term. ‘All-weather’, consistent investment process provides an anchor in what have been and remain difficult equity markets**

As at 30<sup>th</sup> June 2019. Source: Unaudited Bloomberg, PATAC, GVQIM. Notes: 1. Comparator index FTSE Small Cap ex Investment Trusts Total Return 2. On a total return basis  
\* Management change  
Past performance is no guarantee of future performance and the value of investments can go down as well as up

# Q2 Attribution analysis

Positive attribution	bps	GVQIM Comment
Ergomed	232	Positive trading update with upgrades to full year expectations. Strong new CFO hire, who, along with the Executive Chairman purchase >£850k of shares
EMIS	83	In line AGM statement
Equiniti	81	Positive AGM statement and completion of separation from Wells Fargo. Shares remain materially undervalued in our view
4imprint	67	In line AGM statement
Clinigen	54	No news
Negative attribution	bps	GVQIM Comment
Alliance Pharma	-11	In line AGM statement
Harworth	-22	In line AGM statement. Positive site visit to Iron Bridge development
Wilmington	-71	In-line pre-close trading update. Appointment of new CEO
Medica	-107	In-line AGM statement. Appointment of new CEO

**Positive share price moves across the great majority of the portfolio. Strong performance from Ergomed following an upgrade to forecasts and significant director buying. Medica de-rates on weak sentiment**

# Changes to top 10 holdings

## Top 10 Q1 2019

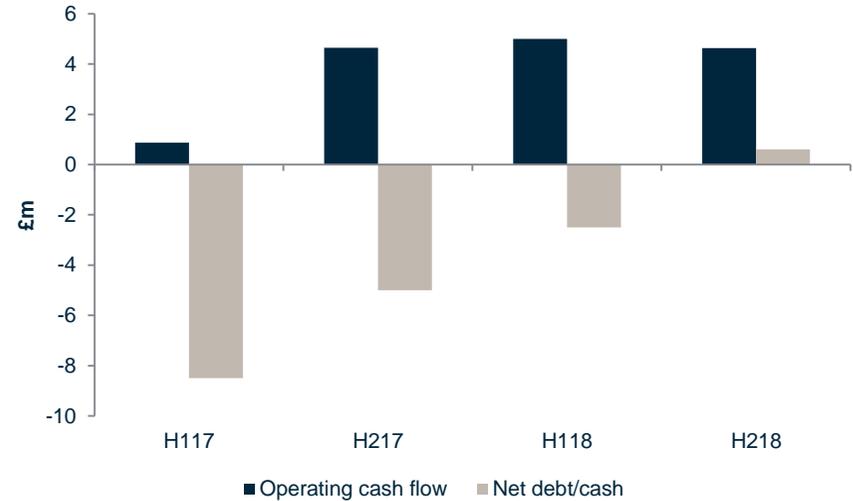
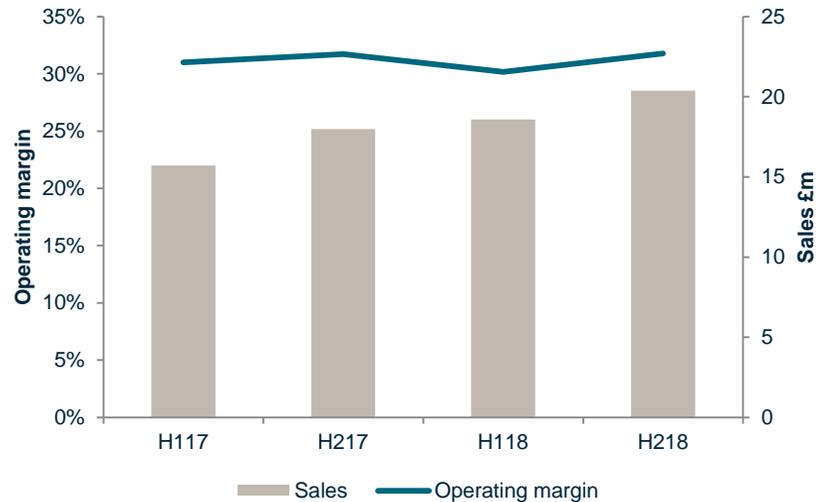
Company	% of portfolio
IFG Group	11.8
Equiniti Group	10.8
Wilmington	7.2
Tribal Group	6.7
4imprint Group	6.5
Medica	6.3
Clinigen Group	6.2
Tyman Group	5.5
EMIS Group	5.1
Alliance Pharma	4.1

## Top 10 Q2 2019

Company	% of portfolio
Equiniti Group	12.2
Tyman Group	6.6
Clinigen Group	6.5
Tribal Group	6.5
Wilmington	6.4
4imprint Group	6.3
Ergomed	5.6
EMIS Group	5.1
Medica	4.9
Brooks Macdonald	4.6

**Turnover remained low, in line with our investment philosophy. Realisation of a significant portion of our holding in IFG following the takeover approach. Positions initiated in three new holdings**

# Medica Group – a recap of the company

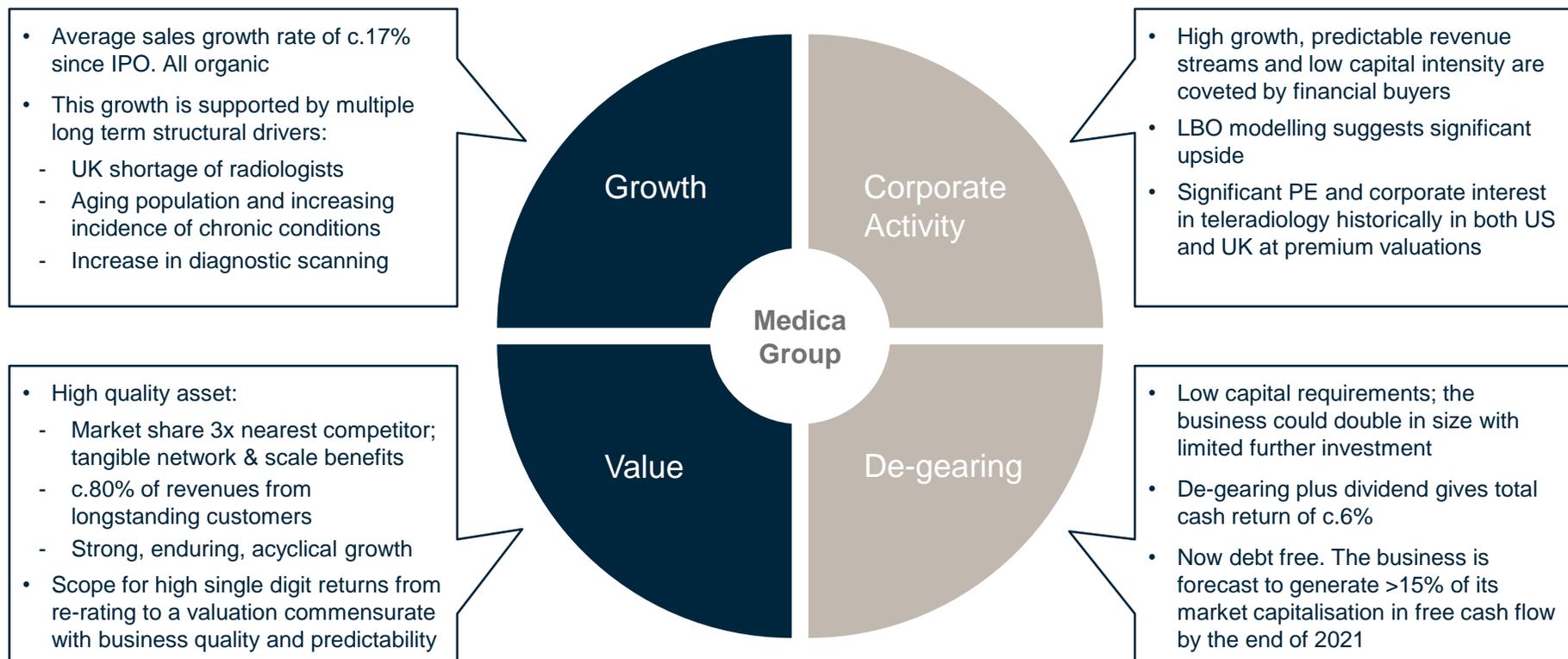


No. of radiologists			
267	306	339	362

- Since listing, the company has grown revenue organically in mid to high teens percentages and maintained a healthy operating margin
- Cash flow has been prodigious, enabling the company to pay down all of its debt with a balance sheet available to support a strategy, which may involve further internationalisation, diversification into new therapies or adoption of new technologies
- Whilst there are concerns about the impact of AI; adoption will be over many years, to different extents among the 100+ NHS Trusts and will primarily be a workflow management tool to drive efficiency and higher volumes. Medica is uniquely placed to facilitate this<sup>1</sup>
- The new CEO has a very strong background to help the company embrace the many opportunities available to it

**Medica is a stronger business today than when it IPO'd two years ago. The rating doesn't reflect this<sup>1</sup>**

## Medica Group – the UK’s leading teleradiology provider



**Medica is a technology-enabled healthcare asset with exposure to multiple long term secular growth drivers**

# Top 10 holdings<sup>1</sup>

Company	Sector	GVQIM Funds % of company	GVQIM CF yield <sup>2</sup> NTM <sup>3</sup>	Net debt/ EBITDA NTM <sup>3</sup>	Investment thesis
Equiniti Group	Support Services	c. 6%	11.2%	2.1x	Growth through demonstrable cross-sell and margin improvement through automation and offshoring and integration of WFSS acquisition; de-gearing; M&A
Tyman Group	Industrials	c. 6%	14.6%	1.9x	Integration of acquisitions; self-help through automation and footprint rationalisation; de-gearing; new CEO
Clinigen Group	Healthcare	c. 2%	9.5%	0.7x	Organic growth; de-gearing; development of technology platform and international presence
Tribal Group	Technology	c. 8%	9.4%	-1.4x	Delivery of operational improvements; new platform development; contract wins; M&A
Wilmington	Media	c. 9%	11.4%	1.4x	Organic growth and improved execution post-investments; de-gearing; M&A; New Chairman, CEO and CFO
4imprint Group	Support Services	c. 3%	6.1%	-0.8x	Continued US growth; new marketing strategy broadening addressable market; enhanced cash returns
Ergomed	Healthcare	c.7%	8.3%	-1.0x	Organic growth; M&A
EMIS Group	Technology	c. 1%	6.1%	-0.3x	Organic growth; operational restructuring; balance sheet; M&A
Medica	Technology	c. 10%	9.9%	-0.1x	Organic growth; cashflow; expansion of offering; internationalisation; new CEO
Brooks Macdonald	Financials	c. 3%	9.0%	-1.8x	Organic growth; de-gearing; M&A

## Returns from a combination of growth, cashflow and re-rating

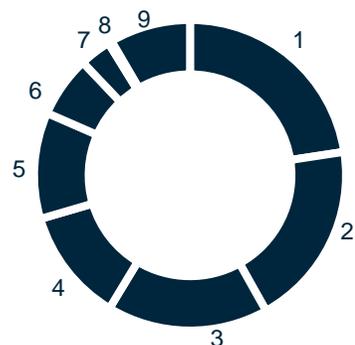
As at 30<sup>th</sup> June 2019. Source: GVQIM analysis and PATAC

Notes: 1. Top 10 holdings representing c.65% of NAV. 2. GVQIM cashflow yield: (12m forward Cash EBITDA minus maintenance capex)/(market capitalisation plus 12m forward net debt).

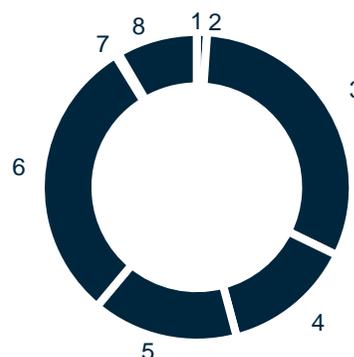
3. NTM: Next Twelve Months; negative number indicates net cash

Past performance is no guarantee of future performance and the value of investments can go down as well as up

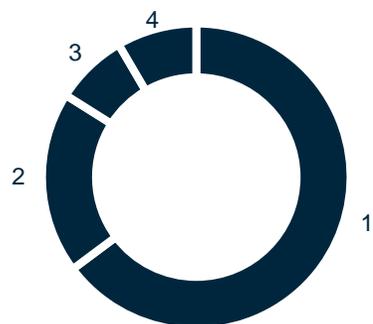
# Highly concentrated and unconstrained portfolio



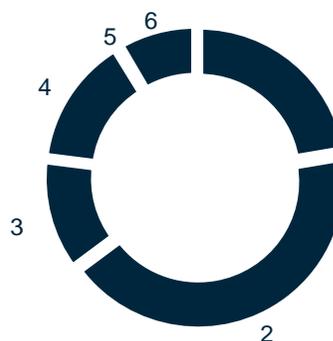
Sector exposure by value		
1	Healthcare	22.6%
2	Support services	19.3%
3	Financials	16.7%
4	Industrials	11.8%
5	Technology	11.1%
6	Media	6.4%
7	Property	3.3%
8	Unlisted	0.4%
9	Net cash	8.4%



Value by market cap band		
1	<£50m	1.1%
2	£50m - £100m	0.0%
3	£100m - £200m	31.1%
4	£200m - £300m	13.7%
5	£300m - £500m	15.2%
6	> £500m	30.2%
7	Unlisted	0.4%
8	Net cash	8.4%



Concentration		
1	Top 10	64.8%
2	Rank 11 - 15	19.2%
3	Smaller holdings	7.6%
4	Net cash	8.4%



Value by index membership		No. Holdings	
1	FTSE Small Cap	22.3%	5
2	Aim	42.5%	12
3	FTSE 250	12.2%	1
4	Other <sup>1</sup>	14.2%	3
5	Unlisted	0.4%	1
6	Net cash	8.4%	

**A highly concentrated portfolio with focus on smaller companies. Believe this part of the market remains under-researched, accentuated by MiFID II, with good opportunities for active managers**

# Portfolio valuation<sup>1</sup>

	SEC weighted average	SEC median	FTSE UK Small Cap ex investment trusts
Number of securities	20	20	157
Market cap (£m)	455	260	282
Consensus EV/EBITDA FY1	9.6x	9.8x	6.5x
Consensus price earnings FY1	15.0x	13.9x	15.1x
Consensus FY1 earnings growth	11.4%	10.6%	7.0%
Consensus dividend yield FY1	2.4%	1.9%	3.7%
Price/sales FY1	2.0x	2.2x	0.5x
Price/cash flow	17.9x	14.6x	6.7x
GVQIM cash flow yield FY1 <sup>2</sup>	9.9%	9.5%	-
Net Debt/EBITDA	0.1x	-0.2x	1.9x
Overseas sales as %	38.7%	52.2%	-

**Starting GVQ cash yield provided basis for positive NAV growth over the quarter. Prospectively, double digit GVQ cash yield, good earnings growth profile and strong balance sheet positions give reason for optimism over the medium term**

As at 30<sup>th</sup> June 2019

Source: FactSet portfolio analysis, Bloomberg, FTSE Russell

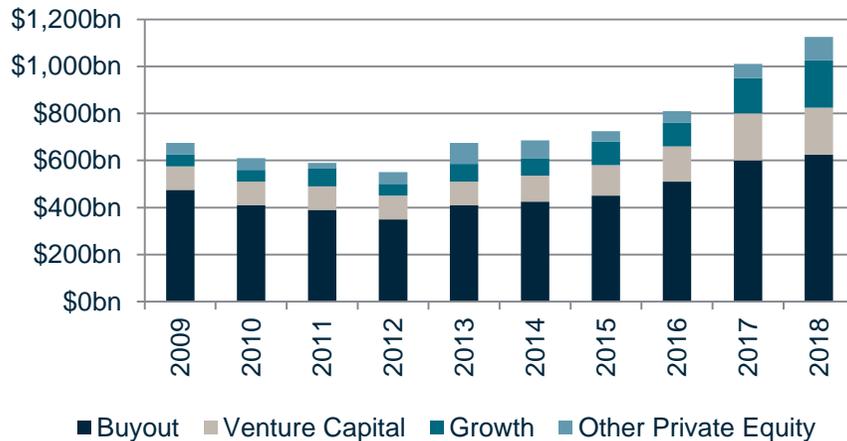
Notes: 1. Harworth & Vintage excluded from analysis. 2. GVQIM cash flow yield: (12m forward Cash EBITDA minus maintenance capex)/(market capitalisation plus 12m forward net debt)

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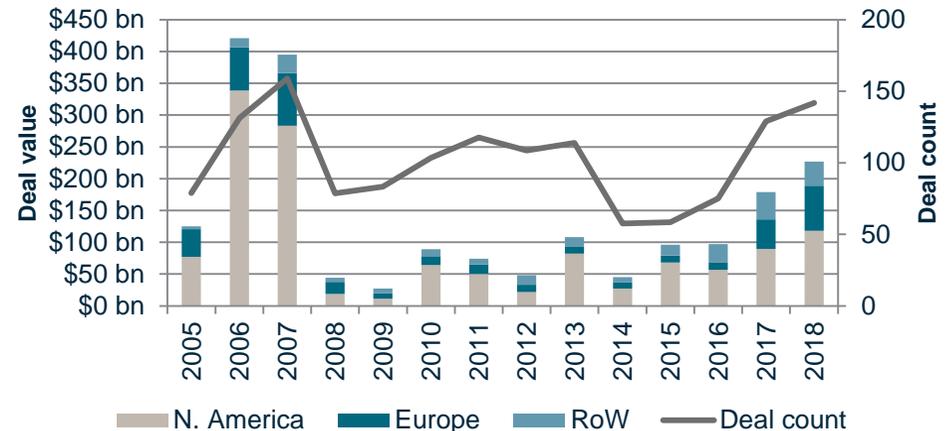
# OUTLOOK

# Global private equity dry powder levels at record highs

Private Equity Dry Powder by Fund Type, 2009 - 2018



Global public-to-private deal value



- 'Private equity races to spend \$2.5tn cash pile' (Financial Times, June 27, 2019). The level of dry powder is already 2x the levels of 2006/7<sup>1</sup>
- PE deal activity in the UK market has picked up in 2019 – approaches made for BCA Marketplace, Tarsus, RPC, PTSG, Inmarsat KCom, Manx, Merlin Entertainment and IFG Group

**The level of private equity dry powder has continued to climb; global deal-making hit an all-time record in 2018 at \$2.5tn eclipsing the previous high set in H1 2007**

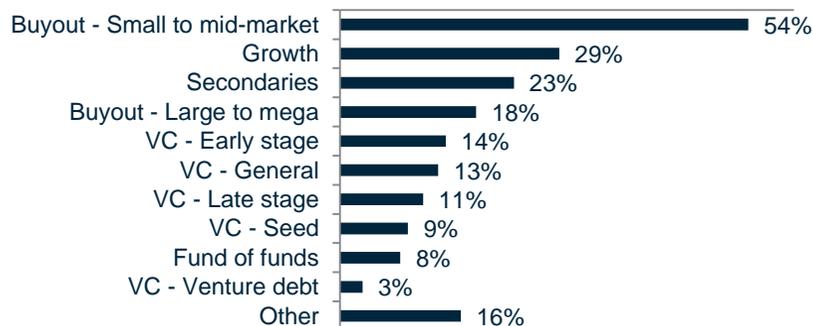
Latest data available. Note: 1. At 31<sup>st</sup> December 2018

Source: Preqin Private Equity Online, Berenberg

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# Global private equity financing is generationally low

## Investor views on funds types presenting the best opportunities<sup>1</sup>



## HY bond yields over time (Bloomberg global high yield bond index)<sup>2</sup>

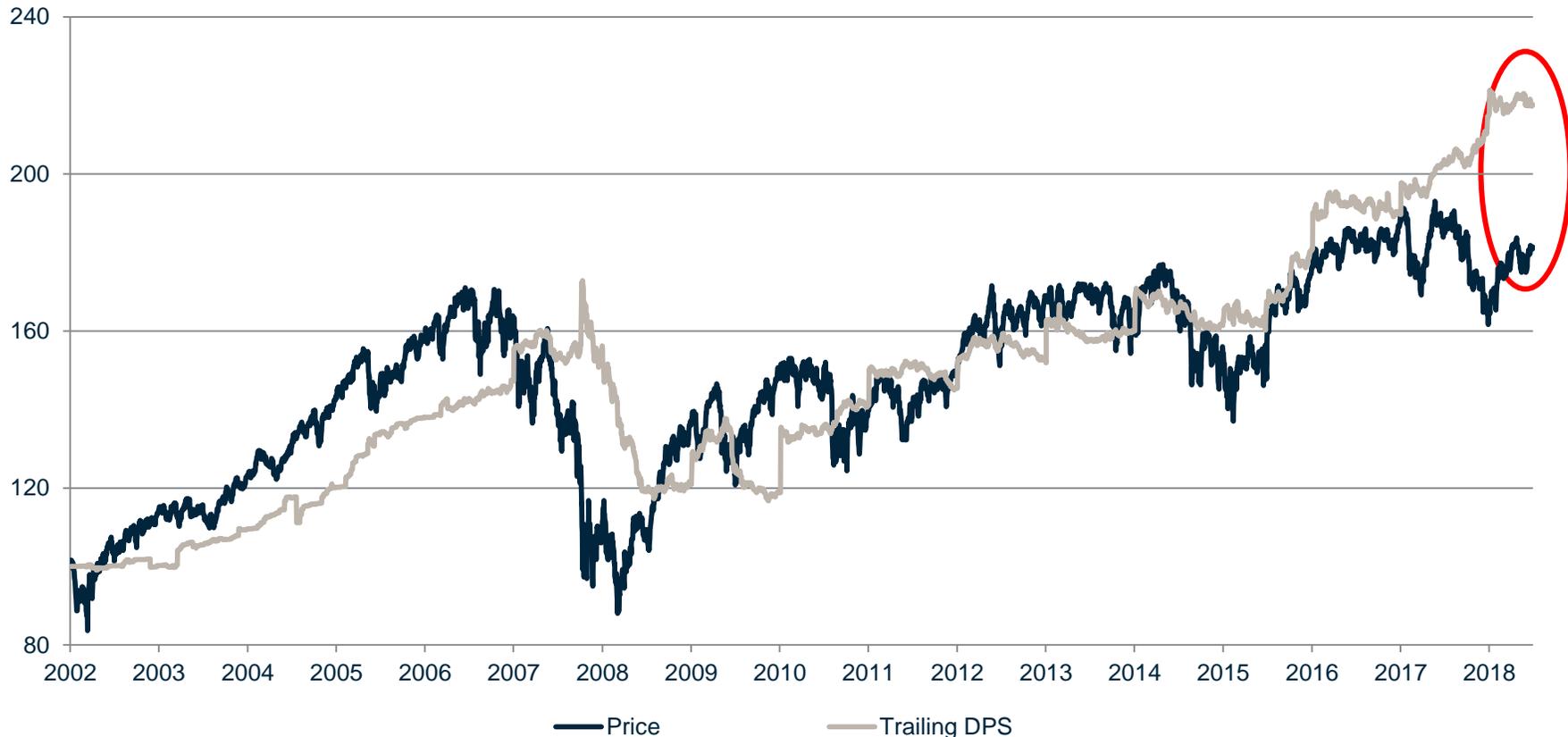


- Over 50% of investors view small to mid-market buyout funds as presenting the best opportunities in PE
- We have long believed the UK is undervalued and alongside record fund raising levels in private equity and generationally cheap levels of debt, we expect M&A activity to continue
- Where public markets often misvalue companies, this provides a significant opportunity for our process in ascribing 'real-world' valuations to companies

**Small to mid-market remains a fertile hunting ground and the cost of debt remains both generationally low, and widely available**

# Bearishness around UK equities, marginal moderation in H1

Price and trailing DPS of UK MSCI index over time



**Highly negative view of UK equities reflected in >£10bn of net outflows from UK funds since June 2016 and widespread 'underweight' allocation. Multi-year valuation opportunity or another 2008/9 economic crisis?**

# Bear market checklist

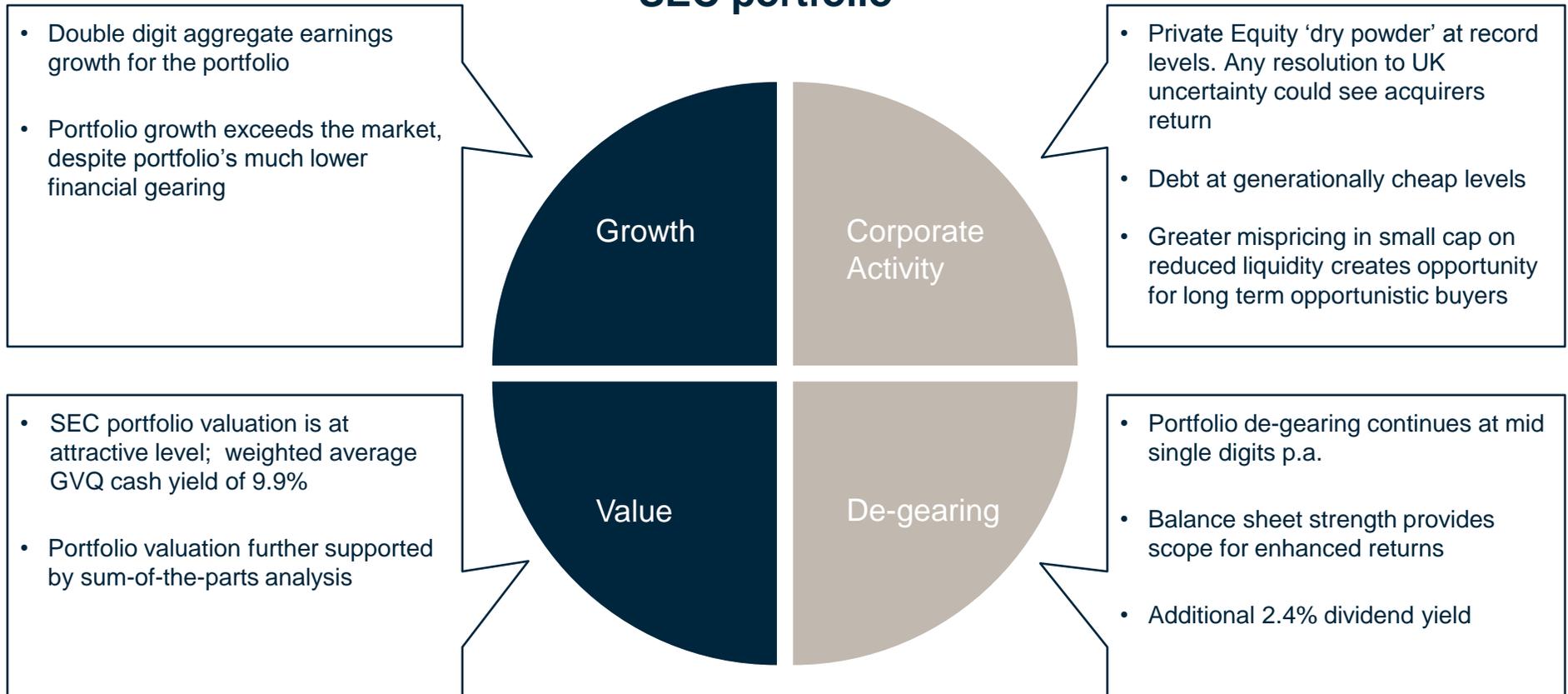
	Start of Proper Bear Markets		
	Mar-00	Oct-07	Now
<b>Global Equity Valuations</b>			
Trailing PE	33	17	18
Fwd PE	24	14	15
DY	1.3	2.1	2.5
CAPE	48	30	24
Global Equity Risk Premium	1.0%	3.3%	4.6%
<b>US Yield Curve (10Y minus 2Y)</b>	-0.5	0.0	0.2
<b>Sentiment</b>			
Global Analyst Bullishness (std dev)	1.7	1.0	0.5
US Panic Euphoria Model	1.09	0.42	-0.07
Global Equity Fund Flows (3y as % of Mkt cap) <sup>1</sup>	2.9%	0.7%	0.2%
<b>Corporate Behaviour</b>			
Global Capex Growth (YoY)	8% (1999)	11% (2007)	5% (2019e)
M&A (Previous 6m as % of Mkt cap)	11.4%	8.1%	4.8%
IPOs (Previous 12m as % of DM Mkt cap)	0.70%	0.40%	0.2%
<b>Profitability</b>			
Global RoE	12.2%	16.1%	13.1%
Global EPS (\$, % from previous peak)	35%	117%	15%
<b>Balance sheets / credit markets</b>			
Asset/Equity (US Financials)	16x	16x	10x
Net Debt/EBITDA (US ex Fins)	1.8x	1.4x	1.6x
US HY Bond Spread	600bp	600bp	457bp
US IG Bond Spread	175bp	175bp	130bp
<b># of sell signals</b>	17.5/18	13/18	4/18

Red = worrying, Amber = perhaps, White = not worrying

**Updated bear market checklist with only 4 out of 18 sell signals continues to support buying the dips**

# Earnings growth, cashflow and M&A to drive returns

## SEC portfolio



**We continue to target double digit annualised returns from the portfolio over the medium term**

As at 30<sup>th</sup> June 2019

Source: GVQIM, Preqin

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# CONCLUSION

- SEC had another strong quarter with net assets per share increasing by 4.5%<sup>1</sup>
- SEC's share price increased by 10.4%, with the discount ending the period at 13.8%
- The FTSE Small Cap ex IT index delivered a total return of 0.9%
- Markets are volatile with fragile economic indicators. The index has declined by 8.6% on a total return basis over the past 12 months. This is the Trust's financial year, over which it delivered a total return of 2.4%
- In our view, conditions are ripe for Private Equity activity. In addition; valuations are low, there is significant dry powder and financing is generationally cheap. This is demonstrated through an increase in takeover activity (see p16-17). SEC has benefited more recently in the take-privates of IFG Group and Servelec
- Portfolio characteristics remain attractive in terms of valuation, growth and financial strength. With high levels of IP positioned in long term structural growth markets, we believe the portfolio is well positioned

**Encouraging quarter and financial year of NAV growth. Believe that the portfolio remains undervalued at a time where private equity is becoming more active again**

As at 30<sup>th</sup> June 2019

1. On a total return basis

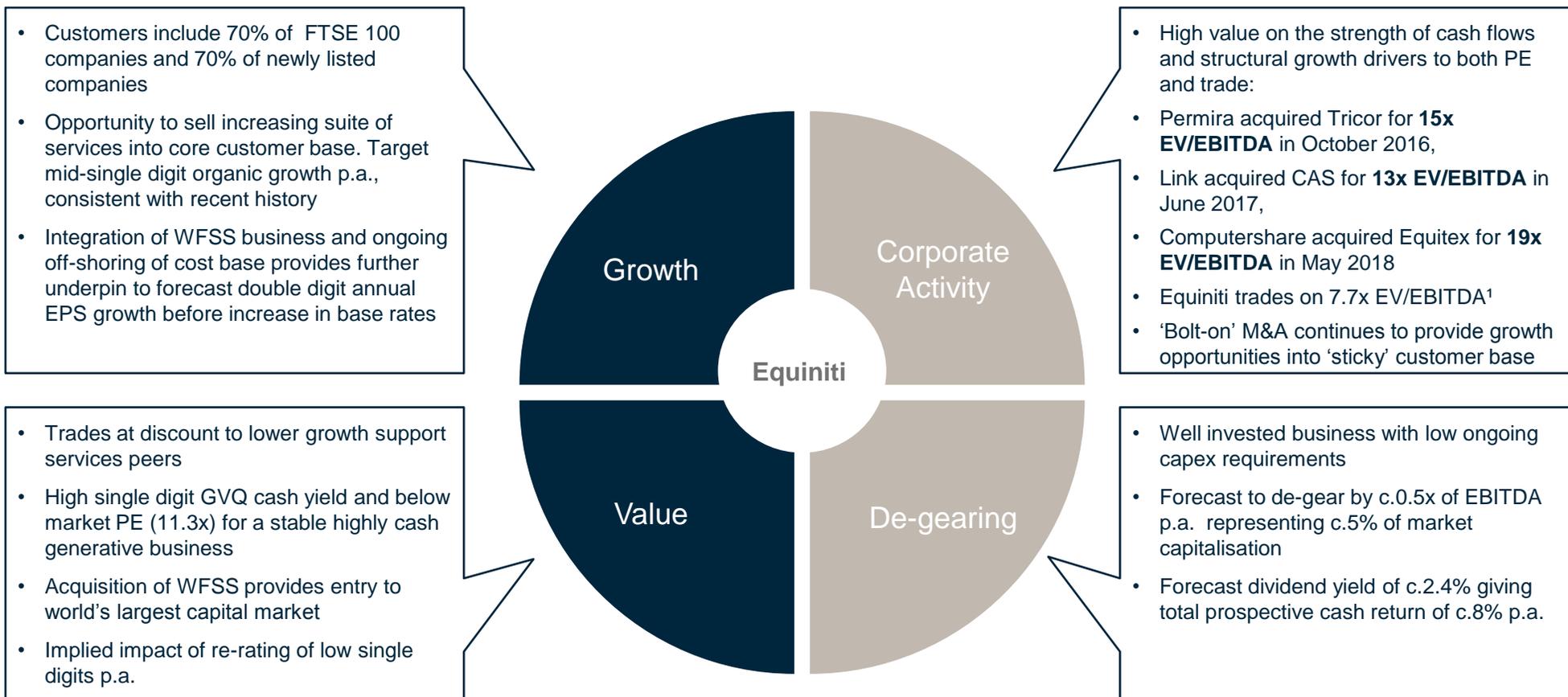
Source: GVQIM, PATAAC, Bloomberg

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# APPENDIX

# Equiniti – a reminder of the thesis

## Equiniti – a market leading specialist technology and business process outsourcer



**Equiniti is a high quality unique asset offering a rare combination of growth with cash flow in a stable industry and is trading at a discount to the market, peers and recent take-outs of comparable businesses**

# Approach for IFG Group



★ 28/03/17 - SEC increases holding to over 7%

★ 29/05/18 - SEC increases holding to just under 10%

- On 25 March, a recommended cash offer was made by Epiris Funds at 193p, a 46% premium to the closing share price, a trailing PE valuation of 21.4x. SEC owns 9.9% of the shares in issue
- The company's rating had been impacted by the aborted sale of Saunderson House in early 2018 and the emergence of a legacy issue (Elysian Fuels) and potential financial liability. Both were discrete and, in our view, didn't affect the long term quality of the business and its end markets
- We commented as such in our FY18 Annual Report:
 

*'Our view remains that the individual businesses... are independently more valuable than in the current group structure and than the prevailing share price suggests. Ongoing consolidation and an increasing incidence of listed peers in both the wealth management and platform industries demonstrate considerable valuation upside in our view.'*
- We presented our analysis and views to new management shortly after they joined in April 2018 and have been heavily engaged with the company's Executive management team and Board with a view to maximising shareholder value

# Portfolio investment themes

## DIVERSIFIED PHARMA

Demographic and population changes increase need for treatments

Access to medicines. 80% of the world's population has limited or no access to right medicines

Diversified portfolios of pharmaceutical brands. Not dependent on binary outcomes

Clinigen  
Alliance Pharma  
Ergomed

## DIGITAL HEALTH

Digital maturity agenda; replacement of legacy IT systems with modern care management systems

Converged care agenda; integrated health journey to encourage a joined up approach to case management

Remote healthcare to address shortage of clinicians and improve patient care; 'Telemedicine'

EMIS  
Medica

## REGULATION AND COMPLIANCE

Increasing compliance and regulatory burden

Need for information and reliable, auditable and cost effective technology driven solutions; 'RegTech'

Examples include MiFID II, financial crime and KYC

Equiniti  
Wilmington  
Ergomed

## PENSIONS AND SAVINGS

Increase in complexity and need to 'self-manage' investments and seek advice

Ageing populations with increased longevity of investments

IFG  
Brooks Macdonald

## INFRASTRUCTURE AND BUILDING

US single family housing activity remains behind long term levels. 2.5 new homes per thousand inhabitants compared to c.60 year average of 4 new homes

Increasing demand for well-connected industrial and logistics space and regeneration of brownfield sites for housing development in the UK

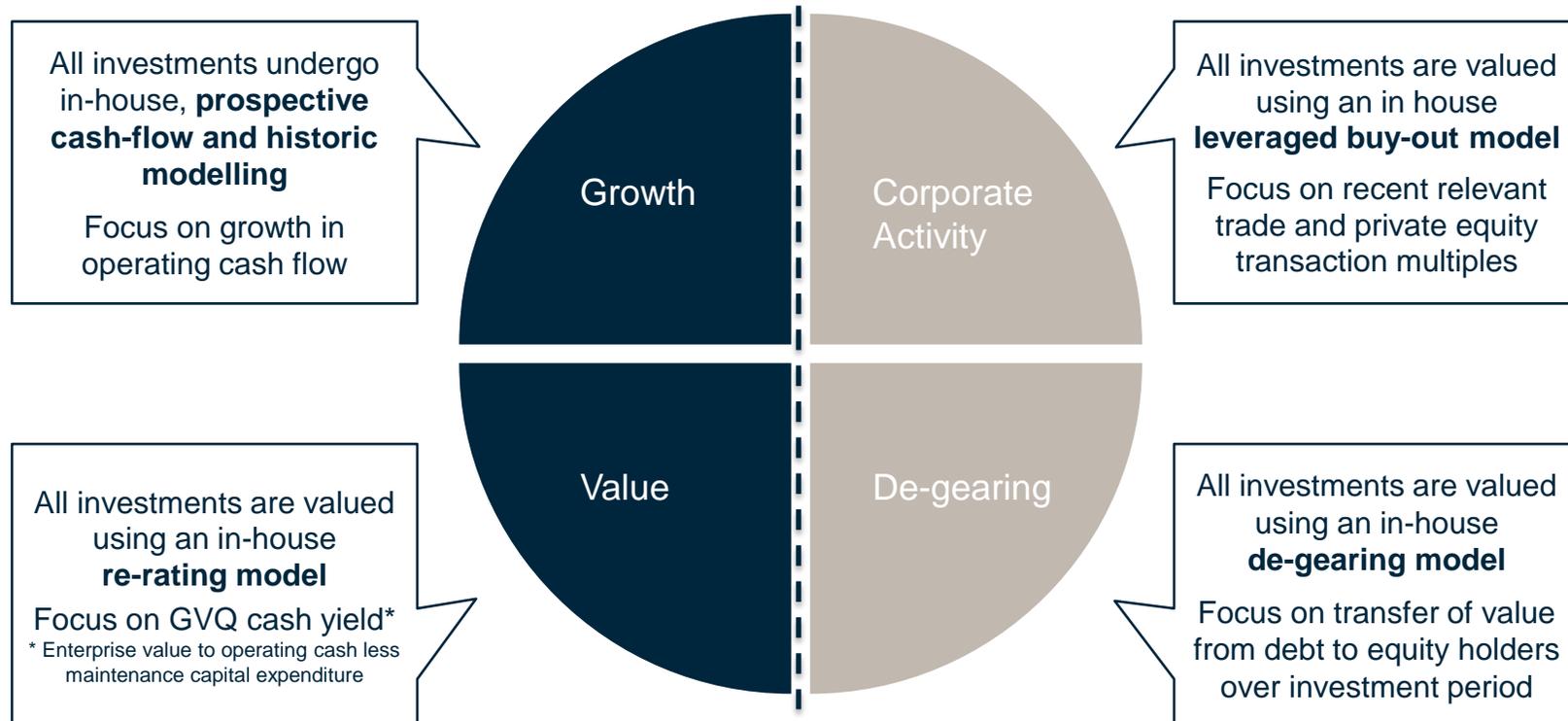
Tyman  
Harworth

**We target companies with strong positions in markets supported by long term structural growth**

# How we identify value in potential investments

## Main focus of most PUBLIC EQUITY INVESTORS

## Main focus of most PRIVATE EQUITY INVESTORS



**We focus on four key drivers of shareholder value creation to maximise the chance of success**

# There are strict criteria for inclusion in our funds



**GVQIM's research process aims to identify high quality coveted assets with attractive cash flows**

Source: GVQIM

Note: 1. Growth at a reasonable price

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# How we identify coveted assets

We look for characteristics which GVQIM believes potential acquirers value highly

Qualitative	Quantitative
<ul style="list-style-type: none"><li>• Niche market leaders</li><li>• Orderly end markets, with some growth</li><li>• Sustainable business model/franchise/uniqueness</li><li>• Overseas earnings</li><li>• Able to pass on price increases</li><li>• Intellectual property</li><li>• Operational know-how</li><li>• High barriers to entry</li></ul>	<ul style="list-style-type: none"><li>• High and/or improving ROCE</li><li>• Strong cash conversion</li><li>• Limited capex or working capital investment needed to finance growth</li><li>• Recurring revenues/profits/cashflows</li><li>• Ideally achieving, or has potential to achieve double digit operating profit margin</li><li>• Realisable surplus tangible fixed assets and/or working capital</li></ul>

We believe coveted assets retain value even in tough times, and are more likely to be acquired

# Our Black List screens out companies with fundamental business risks

## Operational

- Excessive reliance on a single product, customer, supplier or distributor
- The primary driver of profitability cannot be influenced by management (e.g. resources)
- Inherently low margins
- Structurally declining markets

## Financial

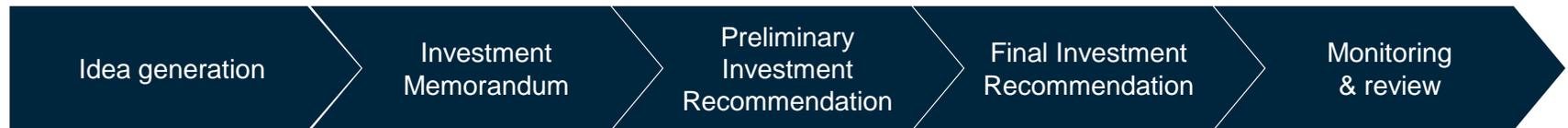
- Poor accounting systems or controls
- Weak cash flows – especially when reported profits look good!
- Excessive gearing

## Governance

- Controlling shareholder with misaligned interests
- Below average/deteriorating governance practices
- Stakeholders unwilling to engage constructively

## We have learnt what to avoid from previous experiences

# Research Committee ensures consistency of approach



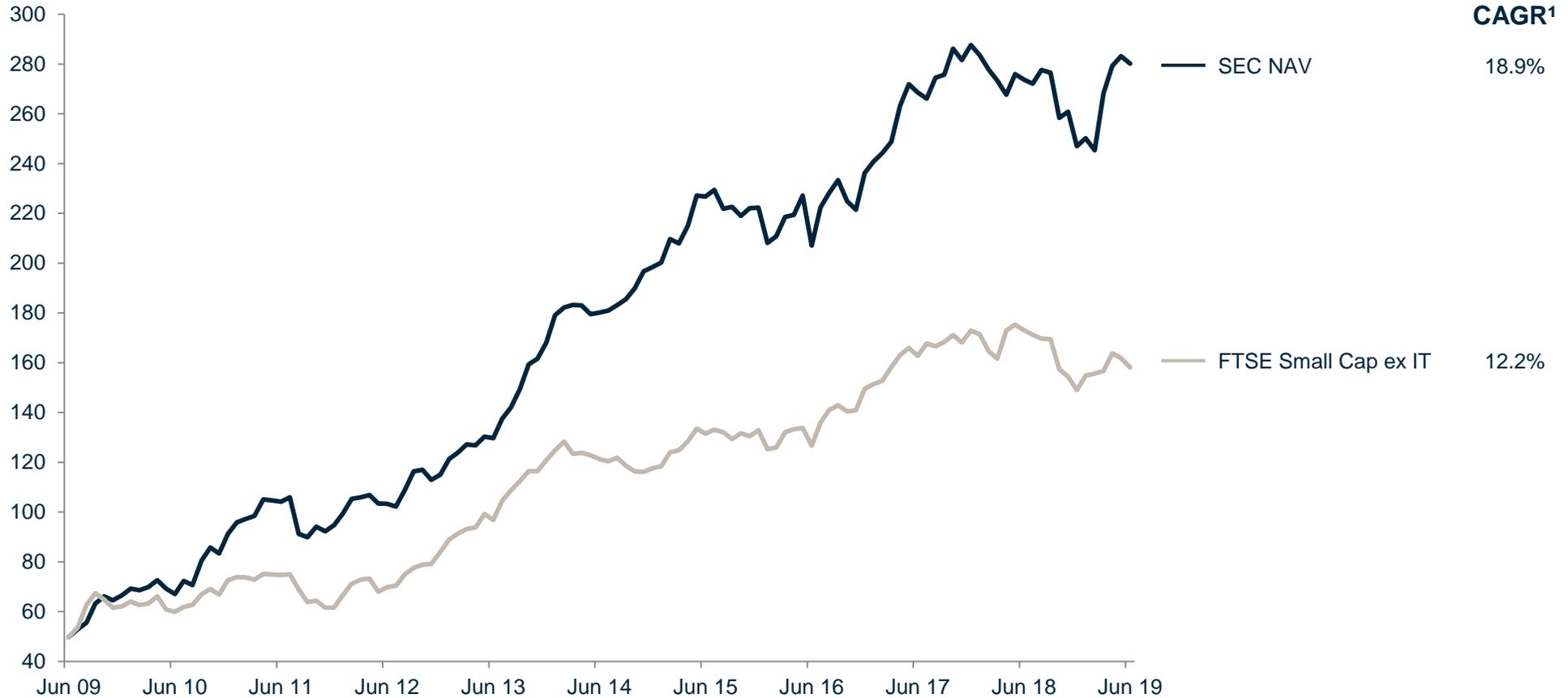
	Idea generation	Investment Memorandum	Preliminary Investment Recommendation	Final Investment Recommendation	Monitoring & review
<b>Materials</b>	<ul style="list-style-type: none"> <li>• Watch list</li> <li>• M&amp;A transactions</li> <li>• Cash flow screen</li> <li>• Yield screen</li> <li>• Four drivers screen</li> <li>• LBO screen</li> <li>• Directors dealing</li> </ul>	<ul style="list-style-type: none"> <li>• Company description</li> <li>• Investment thesis</li> <li>• Cash flow model</li> <li>• LBO model</li> </ul>	<ul style="list-style-type: none"> <li>• Company meeting</li> <li>• Management analysis</li> <li>• Stakeholder analysis</li> <li>• Qualitative financial analysis</li> <li>• Feasibility</li> </ul>	<ul style="list-style-type: none"> <li>• Counterparty analysis</li> <li>• Due diligence verification</li> <li>• Bespoke research</li> <li>• Forensic accounting</li> <li>• Management referencing</li> </ul>	<ul style="list-style-type: none"> <li>• Progress against original investment thesis</li> <li>• Proposed changes to target price</li> <li>• Changes to consensus estimates</li> </ul>
<b>Debate</b>	<ul style="list-style-type: none"> <li>• Are we focusing on the right stocks/sectors?</li> <li>• What is happening in trade and private equity?</li> </ul>	<ul style="list-style-type: none"> <li>• Is there are credible case for investment?</li> <li>• Does the company meet our basic criteria?</li> </ul>	<ul style="list-style-type: none"> <li>• Peer group review</li> <li>• Work together to identify key due diligence questions and investment risks</li> </ul>	<ul style="list-style-type: none"> <li>• Have we properly answered all of the key questions?</li> </ul>	<ul style="list-style-type: none"> <li>• Automatic review against thesis every 12 months or earlier as required</li> </ul>
<b>Output</b>	<ul style="list-style-type: none"> <li>• New idea</li> </ul>	<ul style="list-style-type: none"> <li>• Initial Target Price</li> </ul>	<ul style="list-style-type: none"> <li>• Due diligence questions</li> </ul>	<ul style="list-style-type: none"> <li>• Final Target Price</li> </ul>	<ul style="list-style-type: none"> <li>• Watch list</li> </ul>

**Industrial Advisory Panel involvement**

**Multi-stage research process; fully documented and scrutinised using a variety of methods and people**

# Long term track record

Cumulative rebased total returns<sup>1</sup>



**Strong cumulative performance since process improvements in June 2009. No use of gearing or derivatives**

As at 30<sup>th</sup> June 2019

Source: Bloomberg, PATAAC

Notes: Data rebased to SEC start NAV June 2009 1. CAGR: Compound Annual Growth Rate

Past performance is no guarantee of future performance and the value of investments can go down as well as up

## Calendar Year annual performance

	YTD 2019	2018	2017	2016	2015	2014	2013	2012
Share Price Total Return	16.6%	-17.6%	20.2%	-9.0%	14.2%	32.7%	61.5%	25.6%
NAV Total Return	13.5%	-14.1%	21.7%	6.3%	12.1%	18.1%	46.1%	21.3%
FTSE Small Cap ex Investment Trusts Total Return	6.1%	-13.8%	15.6%	12.5%	13.0%	-2.7%	43.9%	36.3%

## Established track record of successfully employing private equity techniques in the quoted market

As at 30<sup>th</sup> June 2019

Source: GVQIM, PATAAC, Bloomberg, Trustnet

Note: 1. Preliminary estimates based on Trustnet & Morningstar data

Past performance is no guarantee of future performance and the value of investments can go down as well as up

# Contact details

For further information regarding the SEC please contact the GVQ Investment Management marketing team below, or visit the Company's website: [www.strategicequitycapital.com](http://www.strategicequitycapital.com)

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