STRATEGIC EQUITY CAPITAL PLC

Q1 Update 2018

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 5 Year Rating of ★★★★ as at 31st March 2018
Money Observer: Rated Fund as at 31st March 2018

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

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Q1 UPDATE 2018

Executive summary

- Net assets per share decreased by 5.0% during Q1. FTSE Small Cap ex IT index (the "index"[1]) decreased by 6.5% over the same period

- Net assets per share have increased by 9.9% over the last 12 months, 7.7% ahead of the return from the index, supporting the long term performance track record

- Quarter was more challenging for equity markets. The UK market remains out of favour and concerns over a normalisation of monetary policy and global trade wars cause unease

- It is too early to draw extensive conclusions on the impact of the introduction of MiFID II on UK stock markets. We look at this in greater detail on slides 14-16

- Corporate engagement remains a key tenet of our strategy. Announcement in February of former CEO of DMGT Plc. Martin Morgan as the new Chairman of portfolio holding Wilmington. GVQ led the process to bring Martin in as Chairman and believe this to be a very positive development for the company

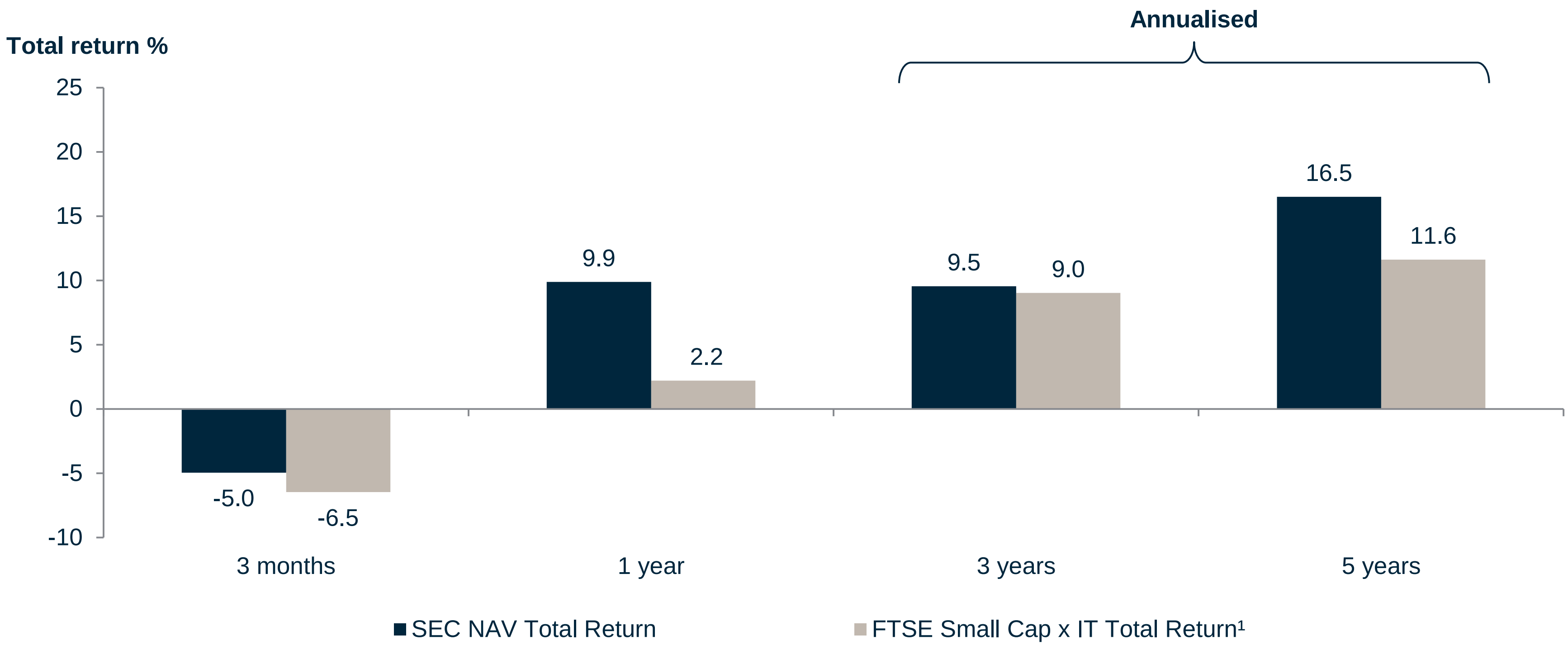
- De-rating of portfolio over the quarter. GVQ cash yield now back >9%. Growth and cash flow prospects remain strong, with increased engagement where share prices have come under pressure

A more challenging quarter with markets fragile, but reporting from portfolio companies and broader de-rating of the UK market supports investment theses and positive medium term outlook

As at 31st March 2018
1. On a total return basis
Source: GVQIM, PATAC, Bloomberg, FactSet
Past performance is no guarantee of future performance and the value of investments can go down as well as up

Fund performance

SEC NAV performance against comparator index[1]



Average Net Cash	9.5%	9.1%	10.7%	10.6%

Strong long term outperformance achieved without gearing and with low volatility. Good short term performance over the past 12 months driven by consistent Private Equity derived research process

As at 31st March 2018. Source: Unaudited Bloomberg, PATAC, GVQIM. Notes: 1. Comparator index FTSE Small Cap ex Investment Trusts Total Return
Past performance is no guarantee of future performance and the value of investments can go down as well as up

Q1 Attribution analysis

Positive attribution (top five)	bps	GVQIM Comment
PROACTIS Holdings	41	New holding initiated in November last year at what we believe is an attractive valuation. Shares respond positively to trading update demonstrating continued growth and on-track integration of prior year acquisition
Equiniti Group	34	Very strong full year results with significant market share gains and positive outlook
Wilmington	29	In-line interim results and positive reaction to new Chairman announcement
Oxford Metrics	27	AGM statement with Group trading slightly ahead of market expectations
Numis Corporation	25	Half year trading update significantly ahead of comparable period last year. Anders Povlsen builds stake to 15%
Negative attribution (bottom five)	**bps**	
4imprint Group	-68	Full year results ahead of market expectations and US tax reforms to benefit future year earnings. Cash generation results in significant supplemental dividend announced, giving total yield of c.5%. Market responds negatively to strategic marketing spending initiatives to further strengthen their leading market position
Clinigen Group	-103	Negative response to broadly in-line interim results and marginal downgrades owing to FX and weakness in the small Clinical Trials division
Tyman	-112	In line full year results. Placing to acquire North American peer. Market concerns over UK and US economies
EMIS Group	-115	One-off exceptional and modest downgrades to address legacy service issue. Shares de-rate following strong performance toward the end of prior period post the acquisition of listed peer Servelec and possibility of ongoing consolidation in healthcare IT market
Medica Group	-251	Large de-rating of shares following full year results. Organic revenue growth of 18% marginally behind market expectations leading to single digit profit downgrades. We believe consistent high acyclical organic growth, leading market position and prodigious cash flow is underappreciated

Negative attribution concentrated among a few holdings. Fragile markets saw strong reactions to undesirable news. We remain cautious, maintaining a healthy cash balance, but cerebral

As at 31st March 2018
Source: Attribution estimates based on FactSet Portfolio Analysis and GVQIM
Past performance is no guarantee of future performance and the value of investments can go down as well as up

Changes to top 10 holdings

Top 10 Q4 2017

Company	% of portfolio
Equiniti Group	9.0
IFG Group	8.9
Servelec Group	8.6
Tribal Group	8.2
Wilmington	7.5
Clinigen Group	7.3
EMIS Group	7.0
Tyman	5.9
4imprint Group	5.8
Medica Group	5.5

Top 10 Q1 2018

Company	% of portfolio
IFG Group	9.7
Equiniti Group	9.0
Tribal Group	8.6
Wilmington	8.4
Clinigen Group	7.0
4imprint Group	6.4
EMIS Group	6.2
Tyman	5.9
Alliance Pharma	5.6
PROACTIS Holdings	4.6

Portfolio turnover was in-line with previous quarters with conviction retained in constituents. Proceeds received from Servelec invested in building positions in Alliance Pharma and Proactis

As at 31st March 2018
Source: PATAC, GVQIM
Past performance is no guarantee of future performance and the value of investments can go down as well as up

Top 10 holdings[1]

Company	Vintage	Sector	GVQIM Funds % of company	Progress vs thesis	GVQIM CF yield[3] NTM[4]	Net debt/ EBITDA NTM[4]	Investment thesis	Market leader[2]
IFG Group	2015	Financials	>5%	Behind	9.8%	(2.1x)	Margin improvement in James Hay; increase in interest rates; strategic review	#2 in high end SIPPs
Equiniti Group	2016	Support Services	<5%	Ahead	6.7%	2.4x	Delivery of organic growth and cashflow. Integration of WFSS acquisition	Yes – niche
Tribal Group	2014	Technology	>5%	In line	8.4%	(1.4x)	Delivery of operational improvements; new platform development; contract wins; M&A	Yes
Wilmington	2010	Media	>5%	Behind	11.6%	1.2x	Organic growth; de-gearing; M&A; New Chairman	Yes – niche
Clinigen Group	2014	Healthcare	<3%	In line	7.1%	1.1x	Continued organic growth; degearing; spec pharma M&A; development of technology platform	Yes – niche
4imprint Group	2006	Support Services	>3%	Ahead	7. 8%	(0.8x)	Continued US growth; enhanced cash returns	Yes - US niche
EMIS Group	2014	Technology	>3%	Behind	9.3%	(0.3x)	Organic growth; operational restructuring; new CEO; Patient; balance sheet; M&A	Yes – UK
Tyman	2009	Industrials	>5%	In line	12.5%	1.6x	Integration of acquisitions; growth and de-gearing	Yes - niche
Alliance Pharma	2017	Healthcare	>5%	In line	8.5%	1.8x	Organic growth; degearing; M&A	Yes – niche
PROACTIS Holdings	2017	Technology	<5%	Early	8.4%	1.1x	Integration; organic growth; M&A	Yes - niche

Returns derived from combination of growth and re-rating underpinned by strong cash flow. Greater engagement on portfolio holdings which are behind thesis

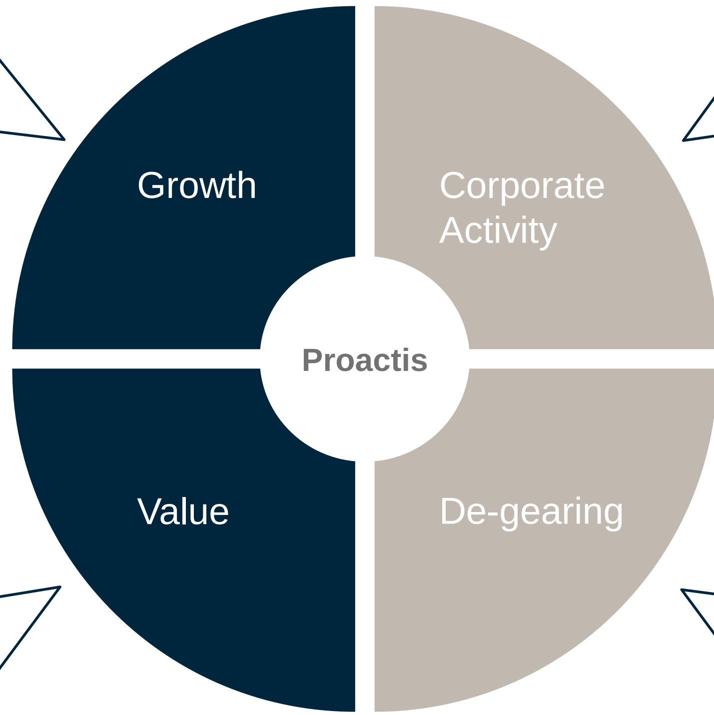
As at 31st March 2018. Source: GVQIM analysis and PATAC
Notes: 1. Top 10 holdings representing c.71% of NAV. 2. In the opinion of GVQIM. 3. GVQIM cashflow yield: (12m forward Cash EBITDA minus maintenance capex)/(market capitalisation plus 12m forward net debt). 4. NTM: Next Twelve Months; negative number indicates net cash
Past performance is no guarantee of future performance and the value of investments can go down as well as up

Recent investment: Proactis Holdings

Proactis – a global provider of e-procurement and spend control software as a service (SaaS)

- High quality and complementary product suite drives strong organic growth. Strong customer references taken
- Structurally growing market[1]
- Acquisition of Perfect Commerce in 2017 strategically important with significant integration benefits
- EPS growth of c.20% p.a. FY17-20 forecast through growth and delivery of cost synergies

- Large, but fragmented market with benefits of scale; further consolidation likely
- Recent acquisitions, largely self financed[2] at accretive multiples. Balance sheet capacity to support further deals
- Significant interest in the space from both PE and trade players; precedent transactions at 20+x EBITDA



- High quality of earnings: 85%+ recurring revenue and 95%+ customer retention. 30%+ EBITDA margins
- Increasing scale and international presence yet to be reflected in rating
- Trades on FY18 GVQ Cash Yield of 8.4% and <3x EV/Sales.
- Substantial discount to SaaS sector. Listed (loss-making) competitor Basware trades on 4.3x Sales

- Capital light model with strong cash characteristics; expect c.95% cash conversion FY18-FY20
- Cash generation and growth expected to drive de-gearing from c.1.5x net debt to EBITDA to c.0.2x by FY20 in the absence of further M&A
- Total cash return (incl. 0.8% div yield) of c.£35m to FY20; represents c.20% of current MCap and c.7% return p.a.

Proactis offers attractive growth and cash flow characteristics at a discount to peers and precedent M&A

[1] As per industry reports, 7% IDC, 9% Forrester, 12% Gartner. A Proactis commissioned report from PMSI forecasts market growth of 10%pa
[2] Millstream Associates (Nov 2016) and Perfect Commerce (Aug 2017) both partially funded by over subscribed placings
Source: GVQIM - As at 31st March 2018
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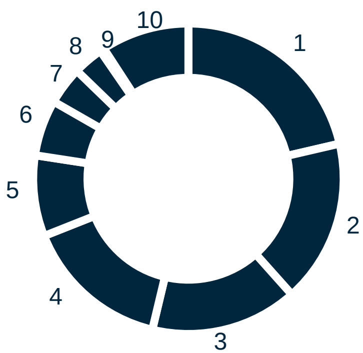
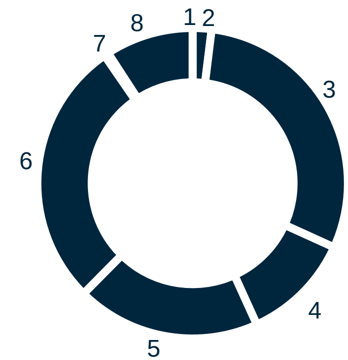
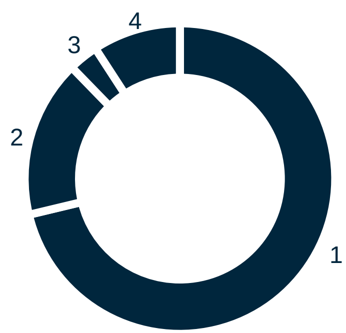
Highly concentrated and unconstrained portfolio



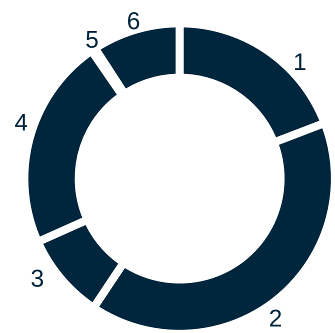
Sector exposure by value		
1	Technology – software & services	21.4%
3	Healthcare	17.0%
3	Support Services	15.3%
4	Financials	15.3%
5	Media	8.4%
6	Industrials	5.9%
7	Property	4.0%
8	Electronics	3.1%
9	Unlisted	0.4%
10	Net cash	9.2%



Value by market cap band		
1	<£50m	0.0%
2	£50m - £100m	2.0%
3	£100m - £200m	29.8%
4	£200m - £300m	11.4%
5	£300m - £500m	19.2%
6	> £500m	28.0%
7	Unlisted	0.4%
8	Net cash	9.2%



Concentration		
1	Top 10	71.3%
2	Rank 11 - 15	16.5%
3	Smaller holdings	3.1%
4	Net cash	9.2%



Value by index membership			No. Holdings
1	Small Cap	19.2%	4
2	Aim	40.2%	9
3	FTSE 250	9.0%	1
4	Other[1]	22.1%	3
5	Unlisted	0.4%	1
6	Net cash	9.2%	

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

As at 31st March 2018
Source: GVQIM
Note: 1. "Other": UK listed companies which are not eligible for inclusion in indices either due to liquidity or dual listed with only standard list on the LSE, with market cap. of £150-£350m
Past performance is no guarantee of future performance and the value of investments can go down as well as up

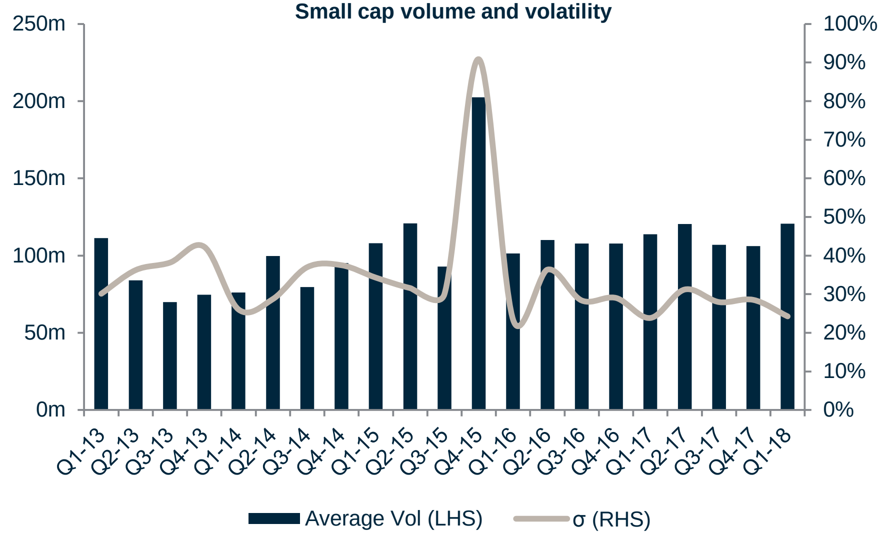
Portfolio valuation[1]

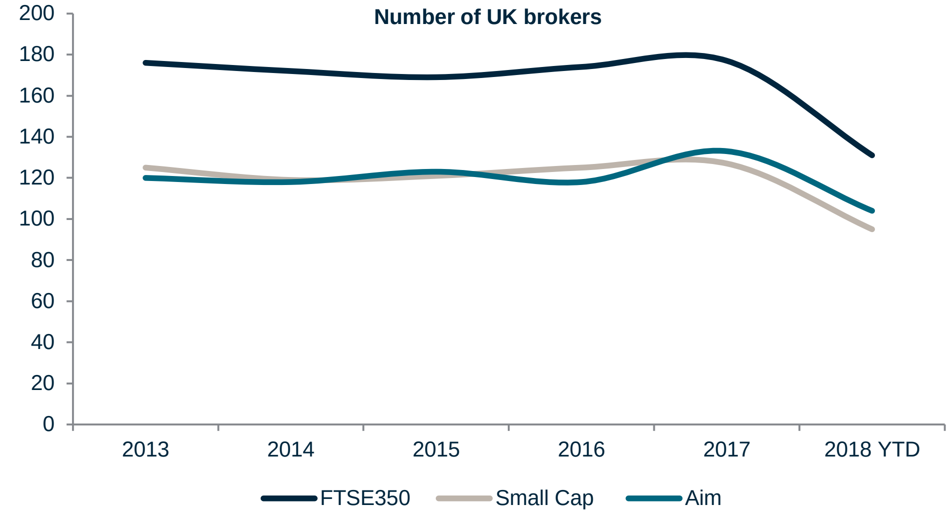
	SEC weighted average	SEC median	FTSE UK Small Cap ex investment trusts
Number of securities	17	17	156
Market cap (£m)	425	253	348
Consensus EV/EBITDA FY1	10.2x	9.6x	7.3x
Consensus price earnings FY1	15.5x	16.1x	12.9x
Consensus FY1 earnings growth	13.6%	12.9%	7.6%
Consensus dividend yield FY1	2.2%	2.0%	4.0%
Price/book FY1	3.3x	2.5x	1.3x
Price/sales FY1	2.1x	2.2x	0.7x
Price/cash flow	17.7x	17.8x	11.2x
GVQIM cash flow yield FY1[2]	9.2%	9.3%	-
Net Debt/EBITDA	0.1x	-0.7x	2.1x
Overseas sales as %	40.0%	44.0%	-

Portfolio de-rated over the quarter. Attractive valuation and growth profile, supported by strong balance sheets

As at 31st March 2018
Source: FactSet portfolio analysis, Bloomberg, FTSE Russell
Notes: 1. Harworth Estates & Vintage excluded from analysis. 2. GVQIM cash flow yield: (12m forward Cash EBITDA minus maintenance capex)/(market capitalisation plus 12m forward net debt)

Market volume analysis for Q1 2018





- Although it is still too early to assess its impact, the introduction of MiFID II at the start of 2018 appears yet to have had an impact on market volumes and volatility[1]
- However, this masks trends at individual stock levels
  - We estimate that c.15% of listed companies saw their share prices fall by more than 20% in the first quarter
  - One portfolio company saw a £32m (16%) change in market capitalisation on 110k (0.1%) shares traded!

- The number of brokers advertising business has reduced
- Some brokers are no longer providing their analyst estimates to compilers of consensus such as Bloomberg, which has further reduced available market information on listed companies
- With institutions now having to make separate payment for research, we believe fewer have access to all research written on companies
- There has been a divergence of charging models for external research. GVQ bears this cost on its own P&L

Too early to draw any firm conclusions. We continue to believe that over the medium term, MiFID II will provide an opportunity as 3rd party research becomes less economic

As at 31st March 2018
1. Volatility is deduced from taking the closing exchange volume figure for every session from January 2nd 2013 to March 29th 2018 and looking at the variance of volumes within those periods. The standard deviation across the periods shows the changes in volatility.
Source: Winterflood, Bloomberg, FTSE Russell, FT
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MiFID II could exacerbate a number of well documented issues in small cap markets

Impact of MiFID II on Small Caps

- Decreasing resources (and therefore effectiveness) on the 'sell-side' for small caps. Limited traditional 'broking' of stocks
- Decrease in the dissemination of sell side research. Certain brokers no longer provide estimates to 3rd party compliers of consensus

- Heightened volatility on low volumes, and often in response to low level (or no) news flow. Prices potentially driven by retail investors?
- Pricing anomalies can take a long time to correct
- Price discovery is difficult; 'true' prices are opaque. Often little or no volume available at the price on the screen
- Greater vulnerability to opportunistic acquirers?

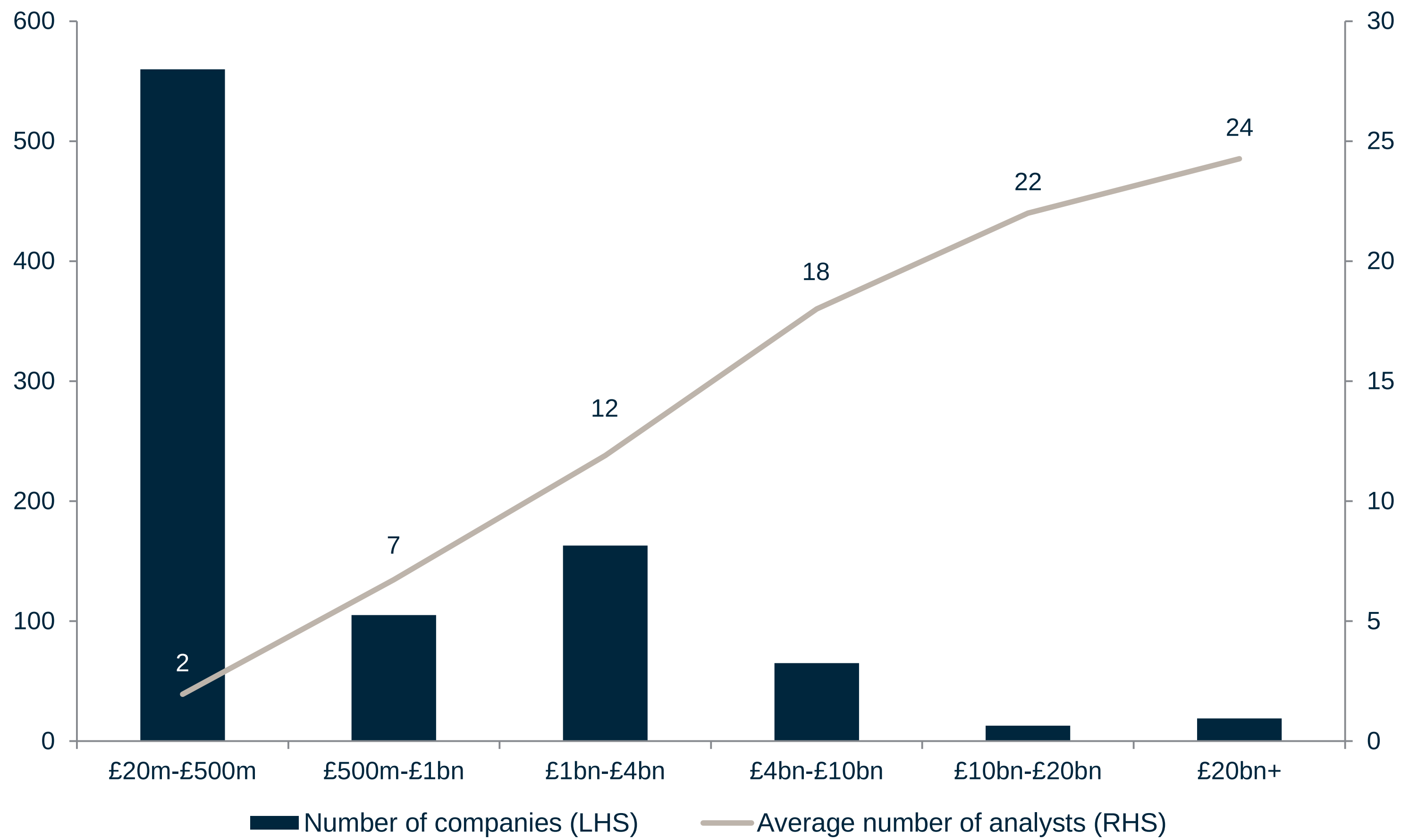
Implications for SEC and Portfolio

- For portfolio companies: Increasing importance of proper investor relations, corporate broking, market guidance and focus of the Board on shareholder value creation
- Our engagement approach: Proactive engagement with portfolio companies is essential
  - Chair / Board engagement or personnel change, e.g. **WIL**, **IFG**, **TRB**, **MGP**
  - Engagement with management to maximise financial and operating efficiency, e.g. **EMIS**, **WIL**
  - IR / broking / analyst introductions, e.g. **MGP**, **IFG**
  - Interactions with other shareholders to build consensus, and increase knowledge of the company, e.g. **EMIS**, **WIL**
  - Sharing best IR practices, e.g. **IFG**, **MGP**, **WIL**
- Research implications: High value of GVQ proprietary research platform including primary research (e.g. customer / industry references, product demos, site visits), 6 member research committee and access to Industry Advisory Panel
- Investment opportunities: Permanent capital, cash balance and in-house research capability enables SEC to deploy capital opportunistically in quality companies that trade at a discount to intrinsic long term value

We remain focused on the long term, fundamental, 'real world' valuation of businesses. We continue to invest on this basis, and are engaging proactively to ensure the potential of portfolio holdings is realised

Source: GVQIM

Covering sell-side analysts by Market Capitalisation



There are a large number of smaller companies with limited sell-side analyst research. We expect this to worsen as coverage becomes less economic post the changes resulting from MiFID II

As at 31st March 2018
Data relates to the FTSE All Share ex-Investment Trusts
Source: Liberum
Past performance is no guarantee of future performance and the value of investments can go down as well as up

Outlook

Outlook

Positives:

- UK equities have been allocated 'underweight' for 47 consecutive months and have experienced outflows in 5 of the last 6 years
- After the significant funds raised over recent years (PE funds raised a record $453bn in 2017), Private Equity is active again in the UK market (Servelec, Laird, Exova). Preqin estimates over $1trn in Private Equity 'dry powder' at the end of 2017
- Inbound M&A into the UK market increases significantly from $11bn in Q417 to $67bn in Q118
- UK corporate balance sheets in aggregate are strong. Debt financing remains generationally cheap

Negatives:

- Although market rating has reduced since the start of the year, pockets of small cap are trading at peak multiples often at a premium to precedent transactions
- Fiscal stimulus and tightening labour markets with increasing inflationary expectations. Start of interest rate tightening cycle. Normalisation increases risk of capital losses
- Brent crude oil reaches its highest price since December 2014
- Significant uncertainty remains in the UK and global geopolitical system e.g. Russia, Syria, trade wars etc.
- Global debt ratios materially higher than a decade ago. Potential adverse impact of tightening on US dollar denominated debt
- Potential reforms of tax relief could have significant impact on the AIM market

Whilst cognisant of wider market risks, focus remains on individual companies and sensible deployment of capital

As at 31st March 2018
Source: Preqin, EY, FT, BAML Survey, EPFR
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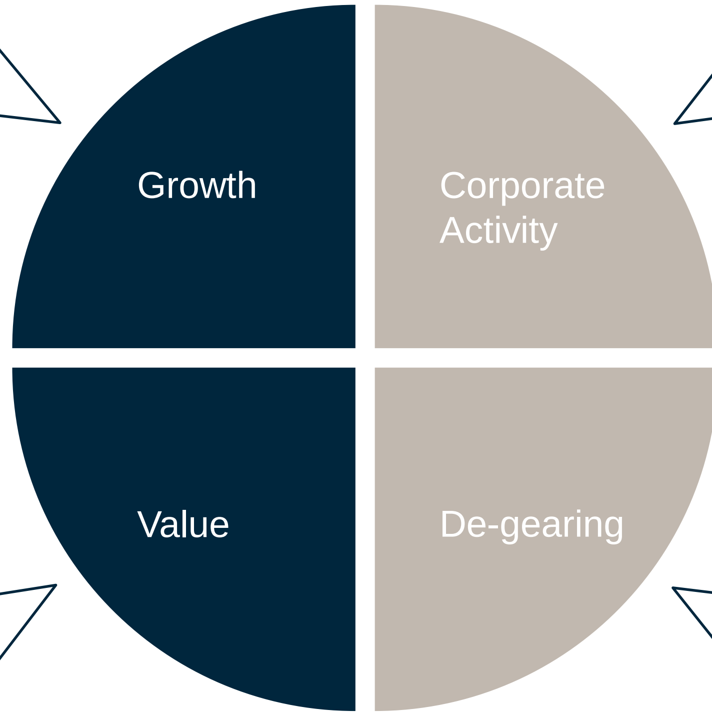
Earnings growth, cashflow and M&A to drive returns

GVQ INVESTMENT MANAGEMENT

SEC portfolio

- Mid teens aggregate earnings growth for the portfolio
- Portfolio growth exceeds the market, despite portfolio's much lower financial gearing

- Private Equity 'dry powder' at record levels
- Debt at generationally cheap levels
- Greater mispricing in small cap on reduced liquidity creates opportunity for long term opportunistic buyers



- We are not assuming wholesale re-ratings
- SEC portfolio valuation remains attractive; weighted average GVQ cash yield of 9.2%
- Some holdings trade at material discounts to sum-of-parts value

- Portfolio de-gearing continues at mid single digits p.a.
- Balance street strength provides scope for enhanced returns
- Additional 2.2% dividend yield

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

As at 31st March 2018
Source: GVQIM, Preqin

Bear market checklist

	Start of Proper Bear Markets Mar-00	Oct-07	Now
Global Equity Valuations			
Trailing PE	33	17	19
Fwd PE	24	14	15
DY	1.3	2.1	2.4
CAPE	48	30	24
Global Equity Risk Premium	1.0%	3.3%	3.5%
US Yield Curve (10Y minus 2Y)	-0.5	0.0	0.5
Sentiment			
Global Analyst Bullishness (std dev)	1.7	1.0	0.5
US Panic Euphoria Model	1.09	0.42	0.15
Global Equity Fund Flows (3y as % of Mkt cap)[1]	2.9%	0.7%	0.5%
Corporate Behaviour			
Global Capex Growth (YoY)	8% (1999)	11% (2007)	4% (2018e)
M&A (Previous 6m as % of Mkt cap)	6.1%	4.2%	2.8%
IPOs (Previous 12m as % of DM Mkt cap)	0.70%	0.40%	0.2%
Profitability			
Global RoE	12.2%	16.1%	11.8%
Global EPS ($, % from previous peak)*	35%	117%	3%
Balance sheets / credit markets			
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	395bp
US IG Bond Spread	175bp	175bp	110bp
# of sell signals	17.5/18	13/18	2.5/18

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

Updated bear market checklist with only 2.5 out of 18 sell signals continues to support buying the dips

As at 31st March 2018
Source: Citi Research
Note: 1. Consensus
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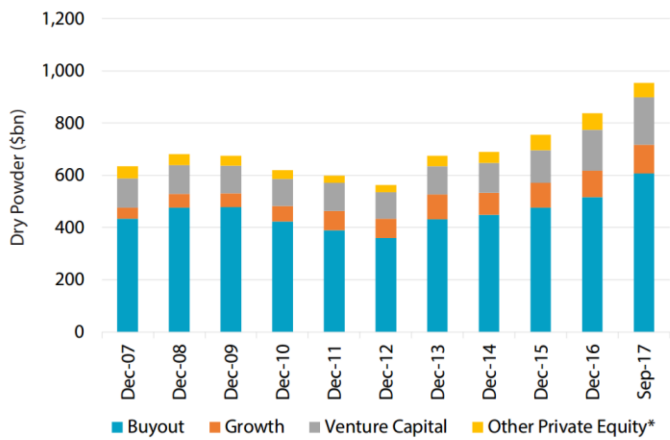
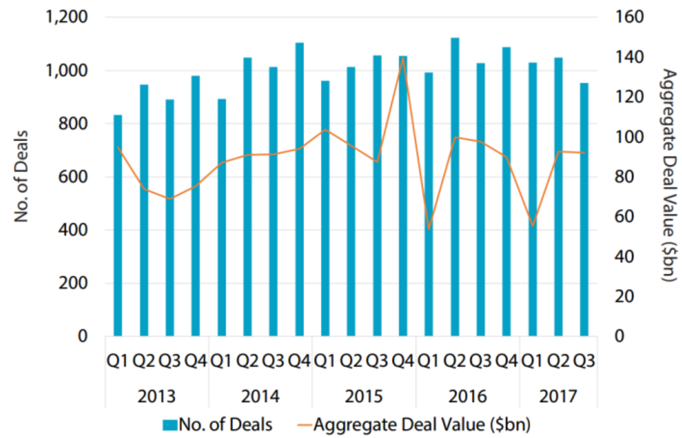
Global private equity dry powder levels at record highs

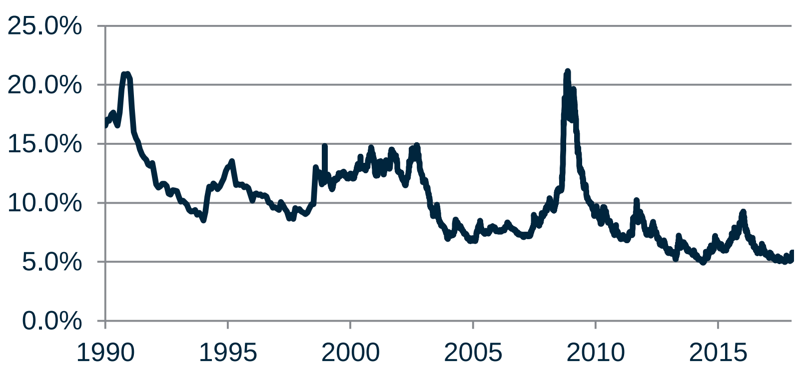
Private Equity Dry Powder by Fund Type, 2008 - 2017



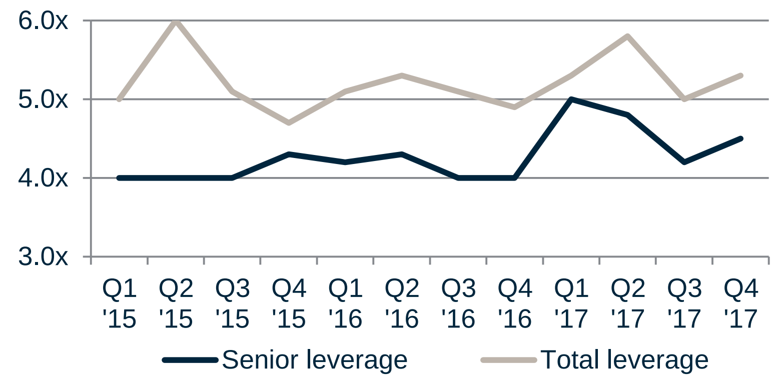
Private Equity-Backed Buyout Deals, Q1 2013 - Q3 2017



HY bond yields over time (Bloomberg global high yield bond index)



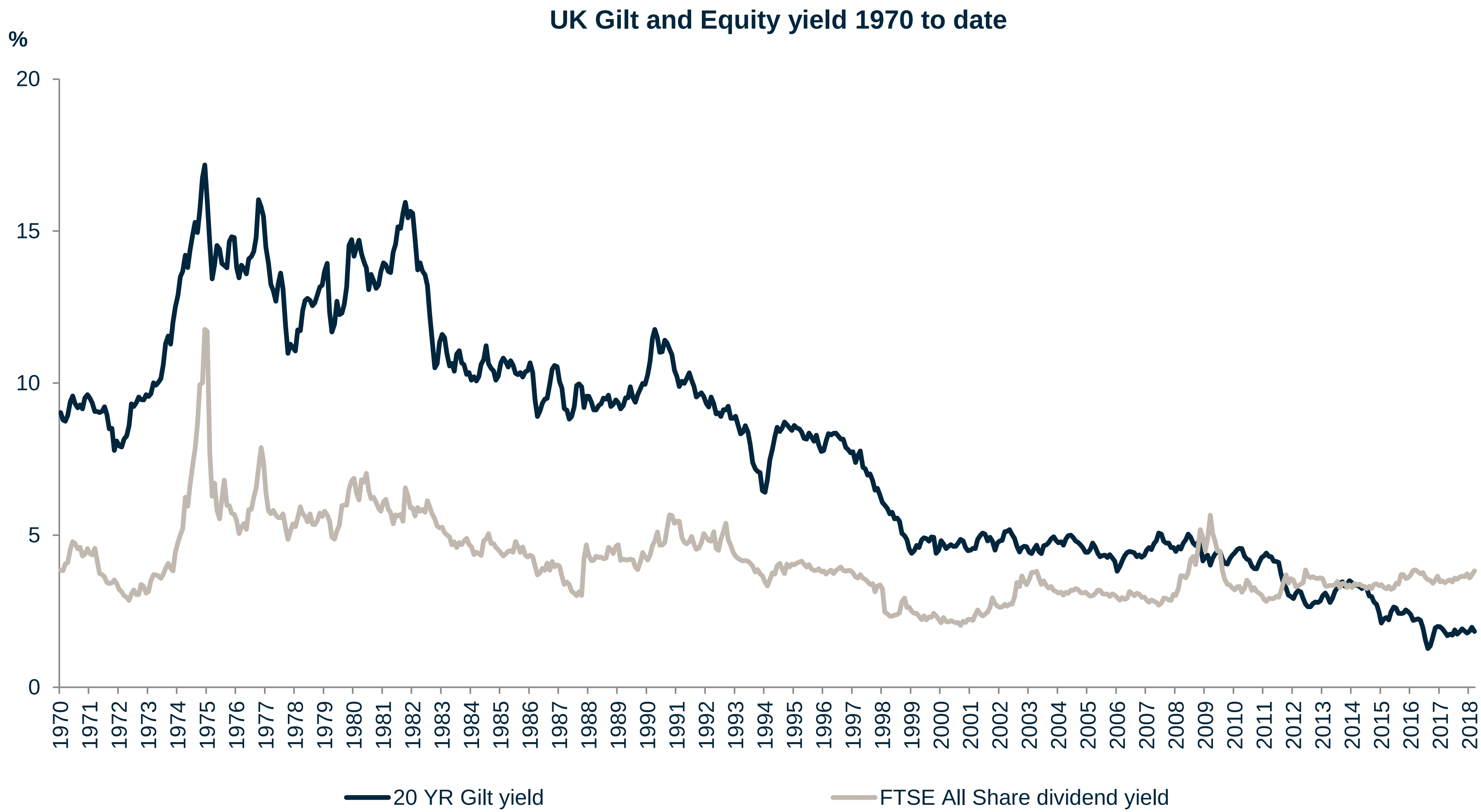
Net debt / EBITDA of mid-market M&A deals



While the level of private equity dry powder (capital that has been raised, but not yet deployed) has continued to climb, the number of private equity deals has slowed in recent months, while the cost of debt remains both generationally low, and widely available

Source: Preqin Private Equity Online, William Blair, Bloomberg

UK market relative to bonds

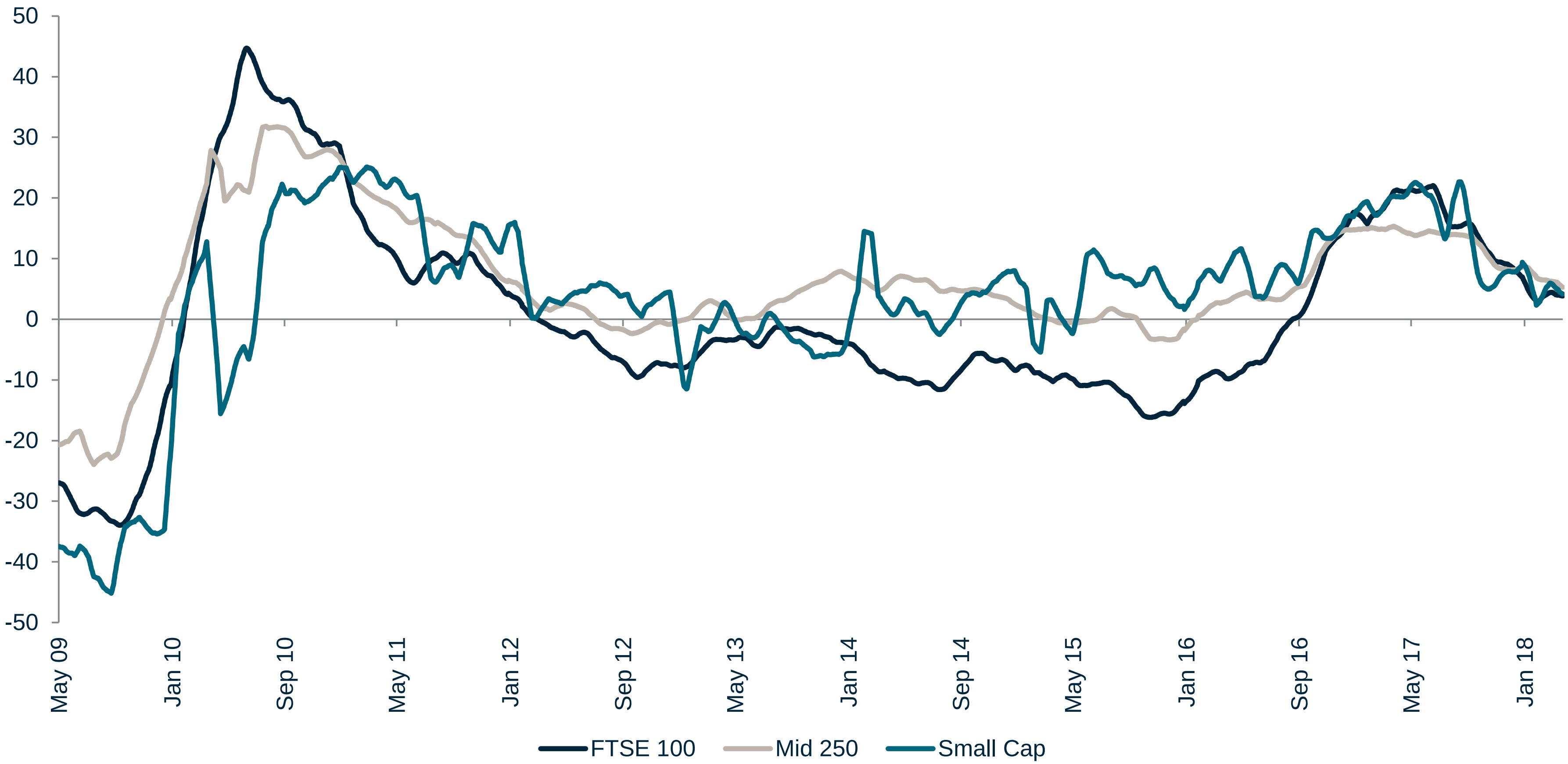


Relative argument for UK equities versus bonds rarely looked more attractive; generationally cheap

As at 31st March 2018
Source: Numis
Past performance is no guarantee of future performance and the value of investments can go down as well as up

12-month forward EPS[1] growth projections

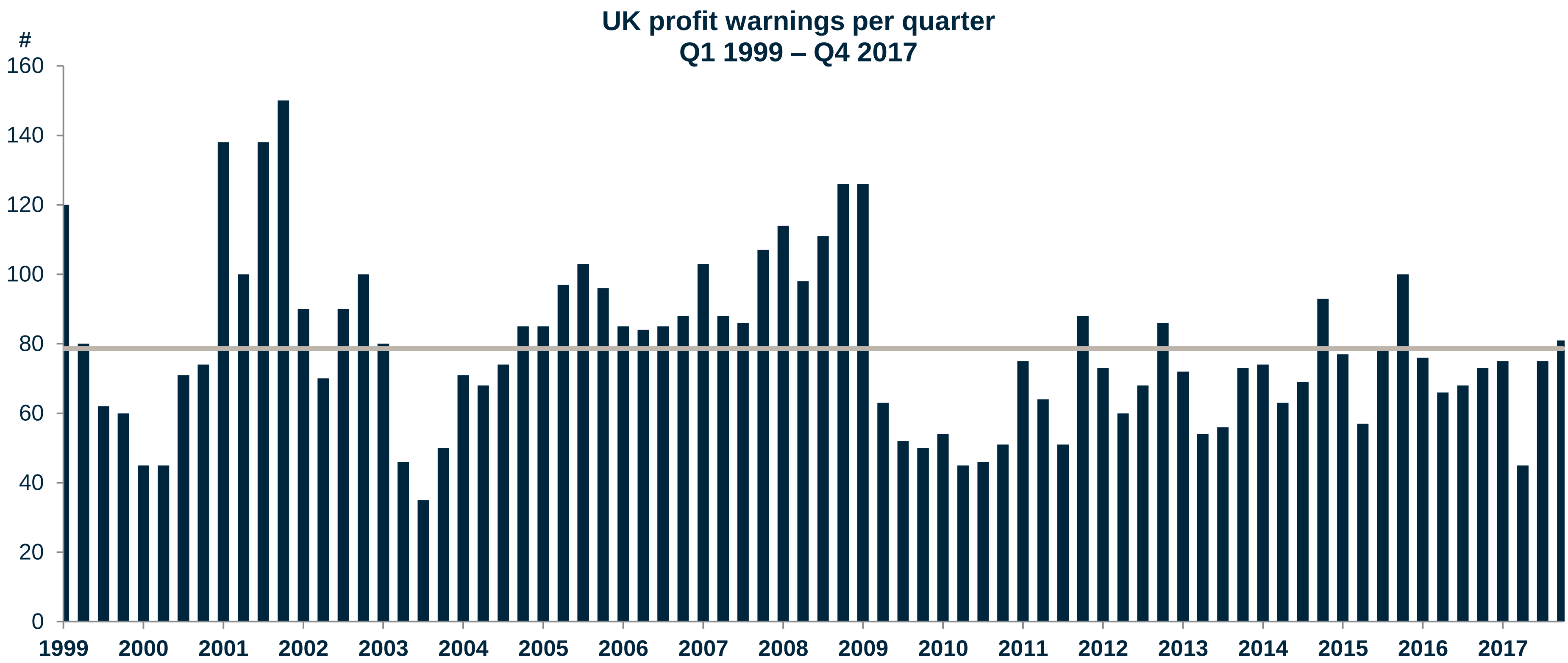
12m forward EPS growth by FTSE index ex investment trusts May 2009 to date



Earnings growth has slowed , partially as an fx tailwind becomes a headwind. Portfolio positioned in longer term structural growth areas, with strong cash flow and rating upside as additional drivers of returns

As at 31st March 2018
Source: Berenberg
Note: 1. EPS = earnings per share
Past performance is no guarantee of future performance and the value of investments can go down as well as up

UK profit warnings



Profit warnings in Q4 returned, almost exactly, to the long term average level. Q1 has started with a number of warnings across the market cap spectrum

As at 31st March 2018
Source: Ernst & Young
Past performance is no guarantee of future performance and the value of investments can go down as well as up

Appendix

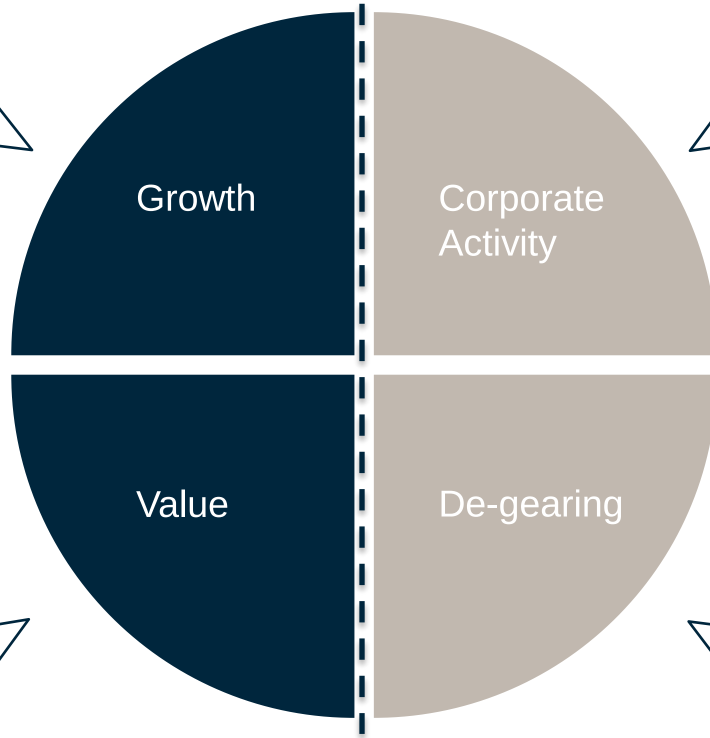
How we identify value in potential investments

Main focus of most
PUBLIC EQUITY INVESTORS

Main focus of most
PRIVATE EQUITY INVESTORS

All investments undergo in-house, **prospective cash-flow and historic modelling**

Focus on growth in operating cash flow



All investments are valued using an in house **leveraged buy-out model**

Focus on recent relevant trade and private equity transaction multiples

All investments are valued using an in-house **re-rating model**

Focus on GVQ cash yield*
* Enterprise value to operating cash less maintenance capital expenditure

All investments are valued using an in-house **de-gearing model**

Focus on transfer of value from debt to equity holders over investment period

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

Source: GVQIM

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

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

How we identify coveted assets

We look for characteristics which GVQIM believes potential acquirers value highly

Qualitative	Quantitative
• Niche market leaders • Orderly end markets, with some growth • Sustainable business model/franchise/uniqueness • Overseas earnings • Able to pass on price increases • Intellectual property • Operational know-how • High barriers to entry	• High and/or improving ROCE • Strong cash conversion • Limited capex or working capital investment needed to finance growth • Recurring revenues/profits/cashflows • Ideally achieving, or has potential to achieve double digit operating profit margin • Realisable surplus tangible fixed assets and/or working capital

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

Source: GVQIM

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

Source: GVQIM

Research Committee ensures consistency of approach

GVQ INVESTMENT MANAGEMENT

	Idea generation	Investment Memorandum	Preliminary Investment Recommendation	Final Investment Recommendation	Monitoring & review
Materials	• Watch list • M&A transactions • Cash flow screen • Yield screen • Four drivers screen • LBO screen • Directors dealing	• Company description • Investment thesis • Cash flow model • LBO model	• Company meeting • Management analysis • Stakeholder analysis • Qualitative financial analysis • Feasibility	• Counterparty analysis • Due diligence verification • Bespoke research • Forensic accounting • Management referencing	• Progress against original investment thesis • Proposed changes to target price • Changes to consensus estimates
Debate	• Are we focusing on the right stocks/sectors? • What is happening in trade and private equity?	• Is there are credible case for investment? • Does the company meet our basic criteria?	• Peer group review • Work together to identify key due diligence questions and investment risks	• Have we properly answered all of the key questions?	• Automatic review against thesis every 12 months or earlier as required
Output	• New idea	• Initial Target Price	• Due diligence questions	• Final Target Price	• Watch list

Industrial Advisory Panel involvement

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

Source: GVQIM

Portfolio investment themes

DIVERSIFIED PHARMA	DIGITAL HEALTH	REGULATION AND COMPLIANCE	PENSIONS AND SAVINGS	INFRASTRUCTURE AND BUILDING
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	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'	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	Increase in complexity and need to 'self-manage' investments and seek advice Ageing populations with increased longevity of investments	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
Clinigen **Alliance Pharma**	**EMIS** **Medica**	**Equiniti** **Wilmington**	**IFG** **Brooks Macdonald**	**Tyman** **Harworth**

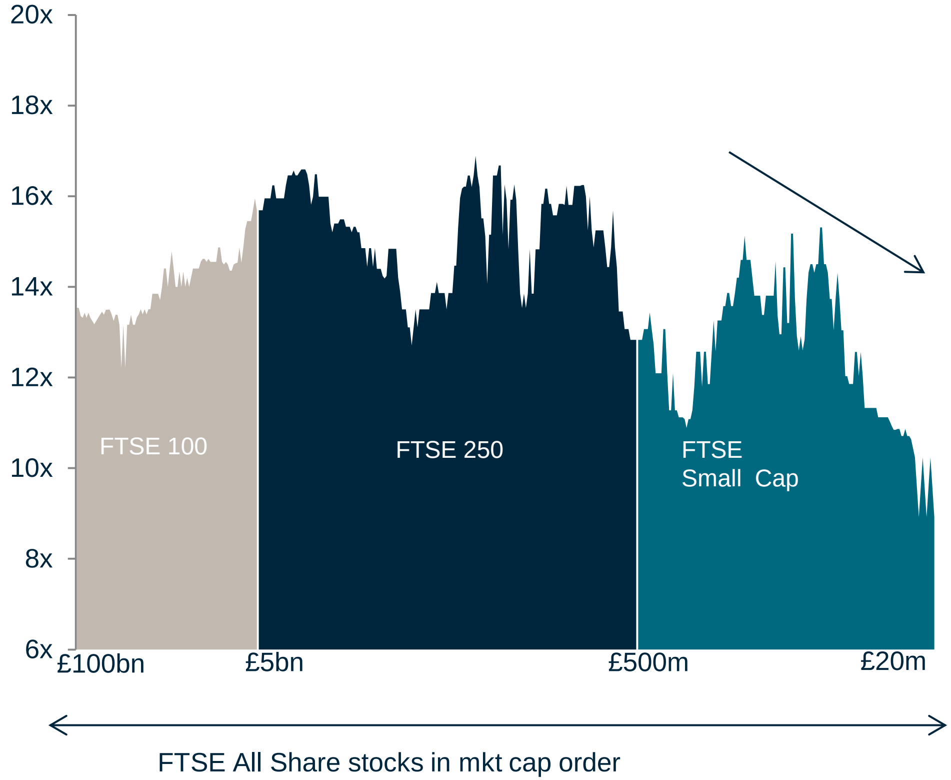
We target companies with strong positions in markets supported by long term structural growth

Source: GVQIM, Clinigen, Liberum

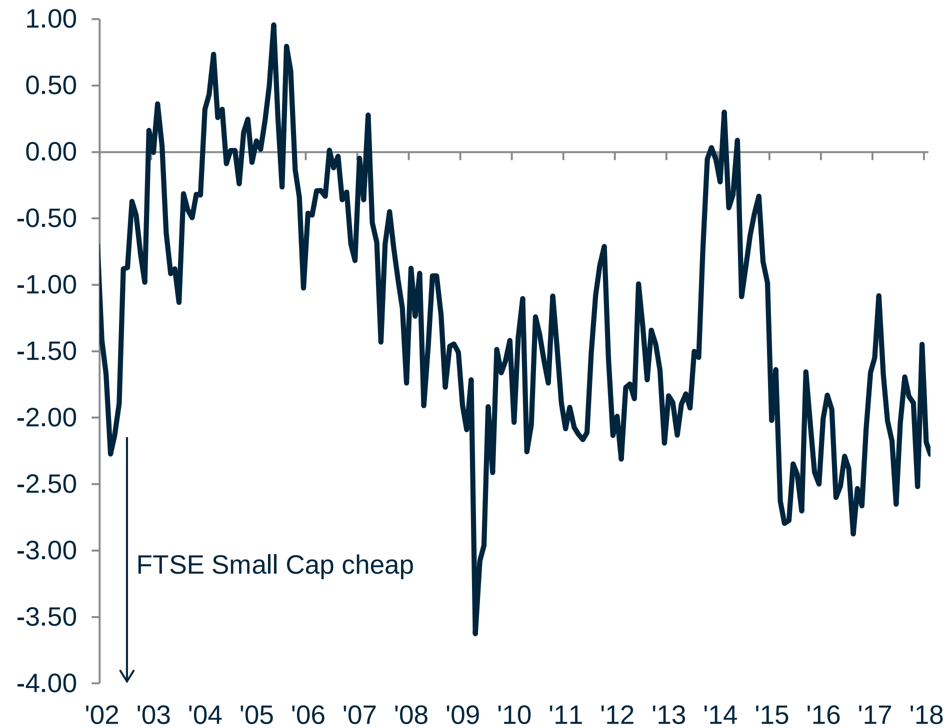
Past performance is no guarantee of future performance and the value of investments can go down as well as up

A ‘Small Cap discount’?

12m forward rolling median P/E



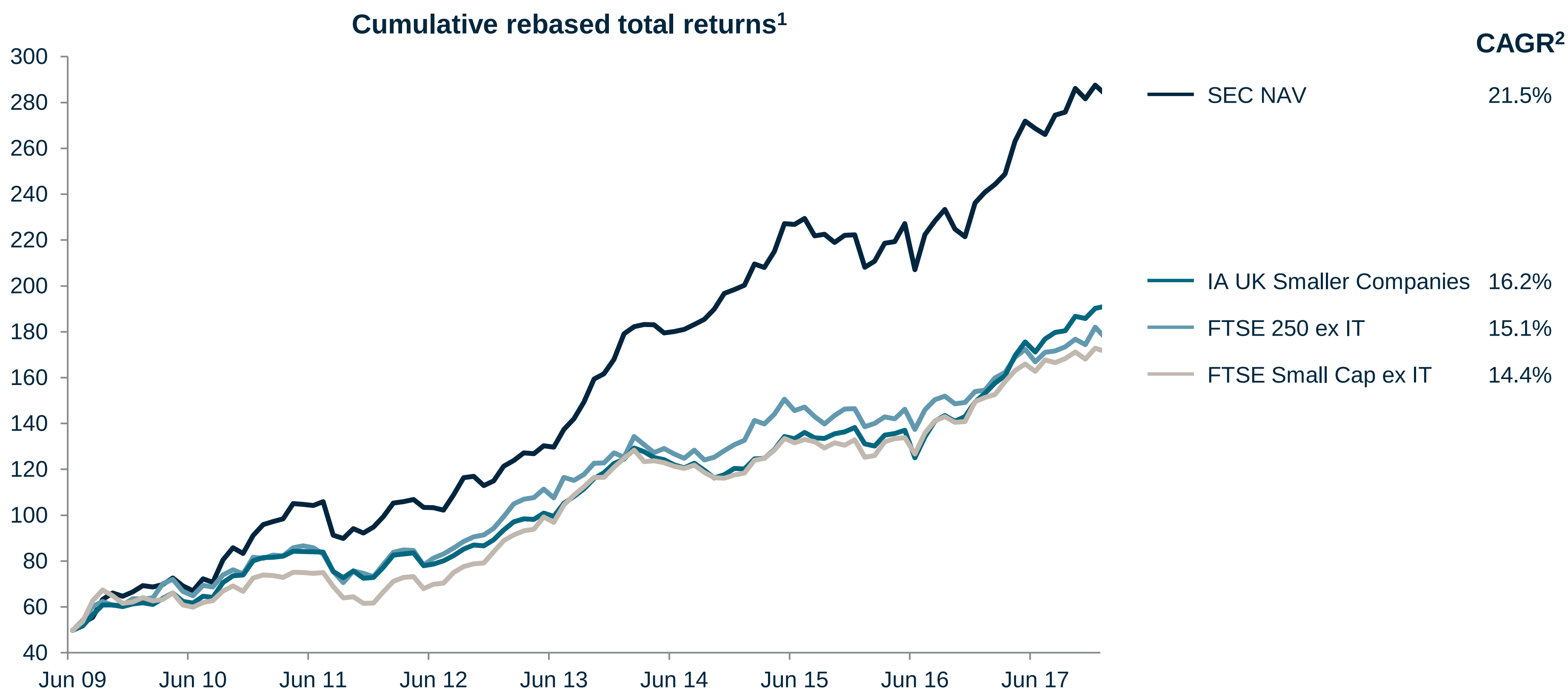
Median P/E Small Cap vs. FTSE 250



Has desire for liquidity opened up valuation opportunities in small cap?

As at 31st March 2018
Source: Liberum
Past performance is no guarantee of future performance and the value of investments can go down as well as up

Long term track record



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

As at 31st March 2018
Source: IA, Bloomberg, PATAC, iii data
Notes: 1. FTSE Small Cap, FTSE 250 and IA data rebased to SEC start NAV June 2009. 2. 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

GVQ INVESTMENT MANAGEMENT

Calendar Year annual performance

	YTD	2017	2016	2015	2014	2013	2012
Share Price Total Return	-5.9%	20.2%	-9.0%	14.2%	32.7%	61.5%	25.6%
NAV Total Return	-5.0%	21.7%	6.3%	12.1%	18.1%	46.1%	21.3%
FTSE Small Cap ex Investment Trusts Total Return	-6.5%	15.6%	12.5%	13.0%	-2.7%	43.9%	36.3%
IA UK Smaller Companies	-2.6%	27.3%[1]	8.1%	14.8%	-1.7%	37.3%	22.5%

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

As at 31st March 2018
Source: GVQIM, PATAC, 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

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