STRATEGIC EQUITY CAPITAL PLC

Q3 Update 2019

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 years Rating of ★★★★★ as at 31st August 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

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Q3 UPDATE 2019

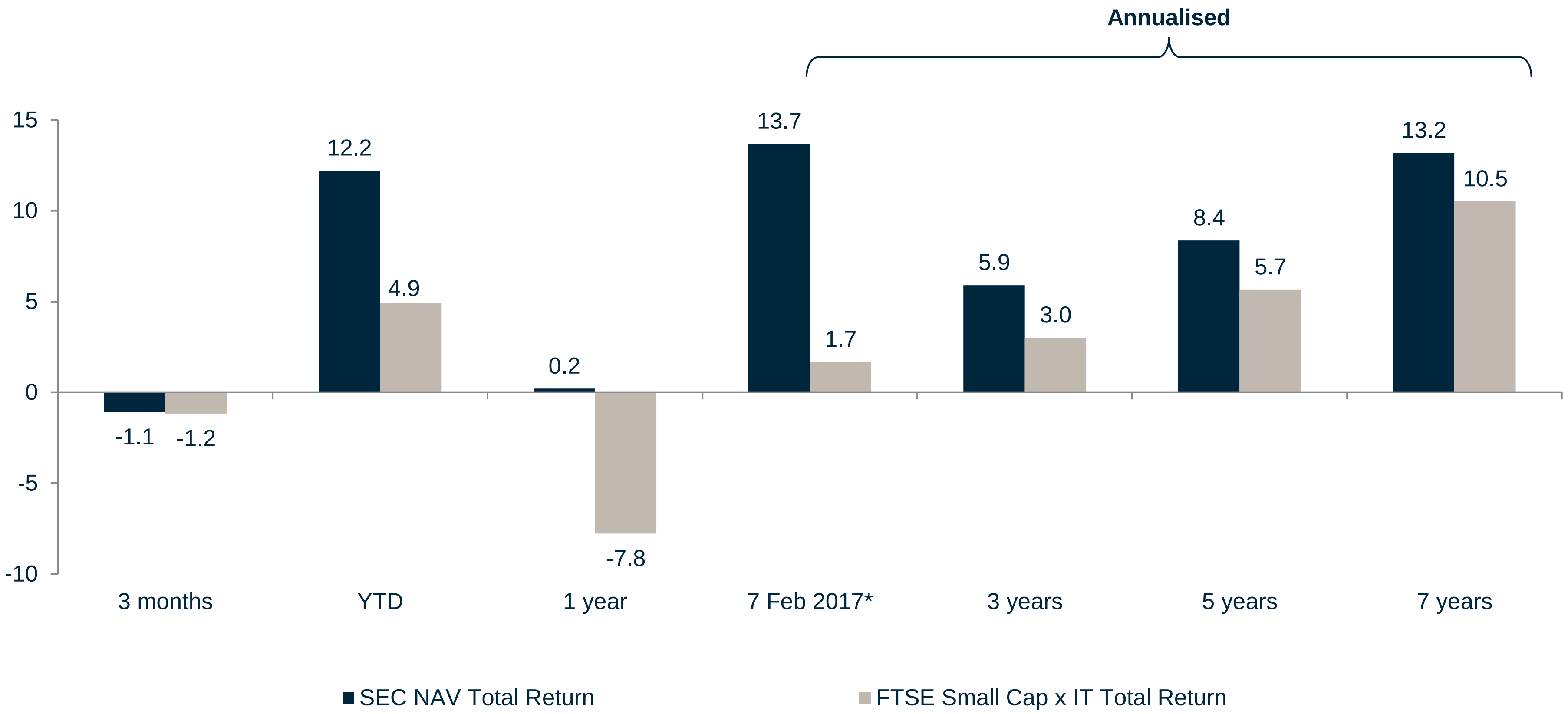
Executive summary

- SEC (the "Trust") net assets per share decreased by 1.1%[1] over Q3. The FTSE Small Cap ex IT index (the "index") decreased by 1.2%[1]
- In 2019 YTD, the NAV per share has increased by 12.2%. This compares favourably with the FTSE Small Cap ex IT and FTSE AIM indices, which have increased by 4.9% and 2.8% respectively
- Whilst traditionally over the long term, small companies have outperformed, this has not been the case over the short term (page 14)
- Small companies are generally viewed as riskier, more domestically focussed and, with the changes brought around by MiFID II, less well researched and more illiquid (page 15)
- We don't believe this characterisation is apt for the portfolio, rather this background provides a distinct opportunity for a small company focused closed-ended investment trust aiming to achieve long term returns
- Portfolio characteristics remain attractive with a combination of a 10.5% weighted average GVQ cash yield, high digit earnings growth and very low levels of gearing across the portfolio holdings; at period end, net debt/EBITDA of 0.4x compared to 2.7x for the index

Whilst the backdrop is undoubtedly unhelpful, we believe this provides significant opportunity for a closed-ended, actively managed, small company focused strategy

As at 30th September 2019
1. On a total return basis
Source: GVQIM, PATAC, Bloomberg
Past performance is no guarantee of future performance and the value of investments can go down as well as up

Fund performance



Average Net Cash	7.8%	8.0%	7.7%	8.3%	9.1%	9.4%	9.8%

Strong NAV return over the medium term. 'All-weather', consistent investment process preserving capital and provides an anchor in what have been and remain difficult equity markets

As at 30th September 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

Q3 Attribution analysis

Positive attribution	bps	GVQIM Comment
Proactis	81	In-line full year results. In response to inbound interest, the company commences a Formal Sales Process
Wilmington	78	Full year results, first under the new CEO with a return to organic growth. Shares remain very attractively valued at 10.6% GVQ cash yield
4imprint	66	Shares re-rate following strong interim results with continued teens organic sales growth and healthy cash generation
XPS Pensions	63	Shares recover post profit warning at the end of June prior to our initial purchase
Brooks Macdonald	19	Solid full year results with above market organic growth and notable improvement in business PBT margin
Negative attribution	**Bps**	**GVQIM Comment**
Numis	-26	Pre-close trading update highlighted challenging market conditions; notwithstanding that, Numis continue to build out their corporate client base as they position themselves as the leading mid-market investment bank
Dialight	-29	Profit waring. Position exited shortly afterwards
EMIS	-78	In-line interim results with continuing progress in the business. Some shareholder profit taking
Tribal	-110	In-line interim results. Hiatus in new contract activity in core student management systems market ahead of next generation cloud-based platforms impacts sales growth. Tribal remains very well positioned to address this market and in the mean time, continues to grow profitability and generate good cash flow
Clinigen	-118	In-line full year results. Medium term guidance targeting 5-10% organic gross profit growth. Shares de-rate to a 5 year low rating

A generally positive period of company reporting

As at 30th September 2019
Source: Attribution estimates based on FactSet Portfolio Analysis and GVQIM
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Changes to top 10 holdings

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

Top 10 Q3 2019

Company	% of portfolio
Equiniti Group	12.4
Wilmington	7.8
Clinigen Group	7.3
Tyman Group	6.7
Tribal Group	5.6
Ergomed	5.5
Brooks Macdonald	5.3
Medica	5.2
Alliance Pharma	5.0
4imprint Group	4.7

Turnover remained low, in line with our investment philosophy. Partial realisations of 4imprint and EMIS following re-ratings, redeployed into existing holdings and recent new positions further down the portfolio

As at 30th September 2019
Source: PATAC, GVQIM
Past performance is no guarantee of future performance and the value of investments can go down as well as up

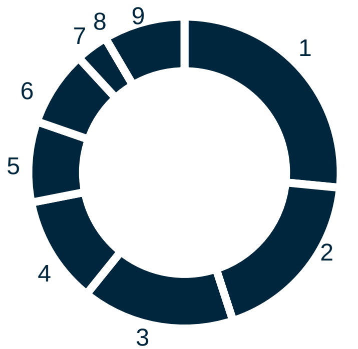
Top 10 holdings[1]

Company	Sector	GVQIM Funds % of company	GVQIM CF yield[2] NTM[3]	Net debt/ EBITDA NTM[3]	Investment thesis
Equiniti Group	Support Services	c. 6%	11.9%	2.0x	High quality market leader in defensive and structurally growing market. Ability to grow through demonstrable cross-sell, penetrating the North American market and through self-help. De-gearing and cash flow demonstration should lead to a re-rating. Precedent M&A in this sector given underlying financial characteristics
Wilmington	Media	c. 10%	10.6%	1.4x	New Chairman, CEO and CFO well positioned to re-invigorate a good fundamental business delivering growth and cash flow
Clinigen Group	Healthcare	c. 2%	9.8%	1.9x	Acyclical structural growth market. Leading positions with high barriers to entry built through M&A and organic investment to deliver future growth and cash flow from the platform
Tyman Group	Industrials	c. 6%	14.2%	1.9x	Market leader with good operating margins and strong cash flow. Building activity remains far below long term levels. Consolidation opportunity; a strategic asset with many of the characteristics attractive to private equity
Tribal Group	Technology	c. 8%	11.9%	-1.3x	Leader in acyclical market. Well positioned to transition customers to cloud-based platforms with a higher quality of earnings. A strategic asset
Ergomed	Healthcare	c.7%	8.7%	-1.2x	Niche market leader in structurally growing CRO and pharmacovigilance markets. Strong platform and management team for multi-year growth
Brooks Macdonald	Financials	c. 3%	9.9%	-1.9x	Structural growth and operational improvements to grow margins. Arguably over-capitalised balance sheet provides optionality
Medica	Technology	c. 10%	9.6%	-0.1x	Continuing acyclical structural organic growth with strong cashflow. Better defined strategy and expansion of offering under the new CEO
Alliance Pharma	Healthcare	c.4%	9.3%	1.5x	Highly cash generative business with limited capital requirements in an acyclical market. Recent corporate and product M&A creates a strategic platform for future growth and cash generation
4imprint Group	Support Services	c. 1%	6.1%	-0.9x	Continuing ahead of industry growth supported by new marketing strategy which broadens the addressable market and enhances cash returns

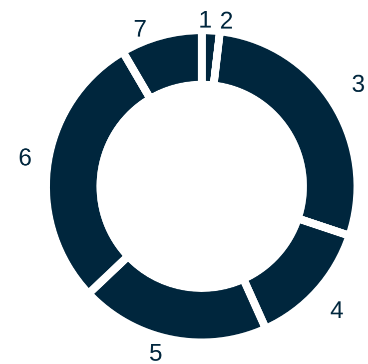
Returns from a combination of growth, cashflow and re-rating

As at 30th September 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

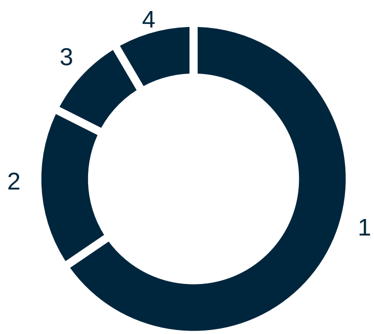
Highly concentrated and unconstrained portfolio



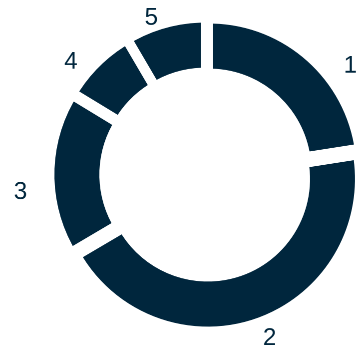
Sector exposure by value		
1	Healthcare	26.6%
2	Support services	18.4%
3	Technology	15.8%
4	Financials	11.1%
5	Industrials	8.4%
6	Media	7.8%
7	Property	3.4%
8	Net cash	8.5%



Value by market cap band		
1	<£50m	1.9%
2	£50m - £100m	0.0%
3	£100m - £200m	28.2%
4	£200m - £300m	13.1%
5	£300m - £500m	19.7%
6	> £500m	28.6%
7	Net cash	8.5%



Concentration		
1	Top 10	65.5%
2	Rank 11 - 15	17.0%
3	Smaller holdings	9.1%
4	Net cash	8.5%



Value by index membership			No. Holdings
1	FTSE Small Cap	22.5%	5
2	Aim	44.0%	12
3	FTSE 250	17.1%	2
4	Other[1]	7.9%	2
5	Net cash	8.5%	

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

As at 30th September 2019
Source: GVQIM
Note: 1. "Other": UK listed companies which are not eligible for inclusion in indices due to liquidity, Vintage
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	21	21	154
Market cap (£m)	442	271	313
Consensus EV/EBITDA FY1	9.3x	9.5x	7.0x
Consensus price earnings FY1	13.2x	13.2x	7.5x
Consensus FY1 earnings growth	9.3%	10.0%	7.0%
Consensus dividend yield FY1	2.6%	2.5%	3.7%
Price/sales FY1	1.8x	1.6x	0.6x
Price/cash flow	15.4x	13.8x	7.4x
GVQIM cash flow yield FY1[2]	10.5%	9.9%	-
Net Debt/EBITDA	0.4x	0.0x	2.7x
Overseas sales as %	39.4%	52.2%	-

Index partially impacted by lowly valued, highly levered new entrants such as Intu Properties, Saga and Amigo Holdings. Our focus remains on higher quality companies. Prospectively, high single digit GVQ cash yield, good earnings growth profile and strong balance sheet positions of portfolio companies, give reason for optimism over the medium term

As at 30th September 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)

Outlook

Small Companies are currently out of favour…

- Small companies tend to outperform over the longer term (Figure 1)
- This is a function of their greater ability to grow (from a smaller base) and being less well known and not as widely owned
- This trend has reversed over recent years, with small companies experiencing a period of underperformance (Figure 2)
- We believe this is owing to the general view that small caps are seen as riskier, more domestically focussed and, with the changes brought by MiFID II, less well researched and more illiquid
- We don't believe this generalisation of small caps is apt for the portfolio, which is characterised by quality features, such as high recurring revenues, limited exposure to economic cycles and secure financial positions

Figure 1: 10 year cumulative performance by sector

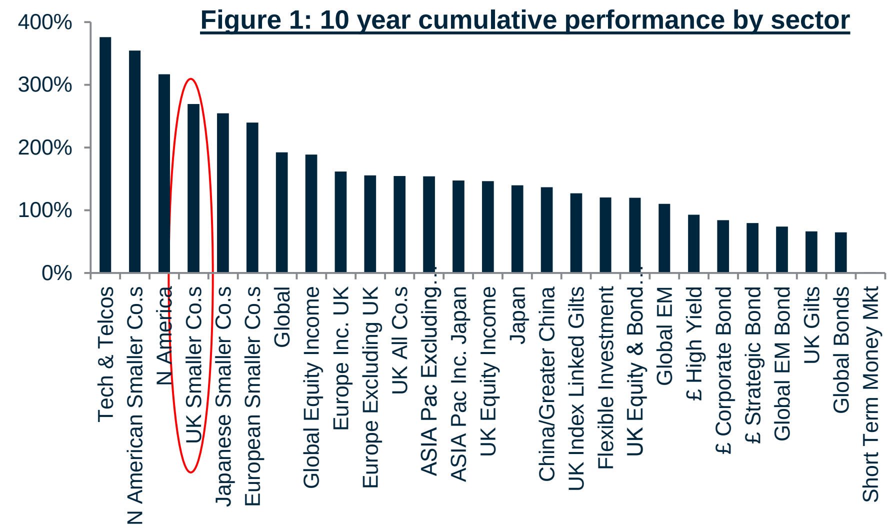
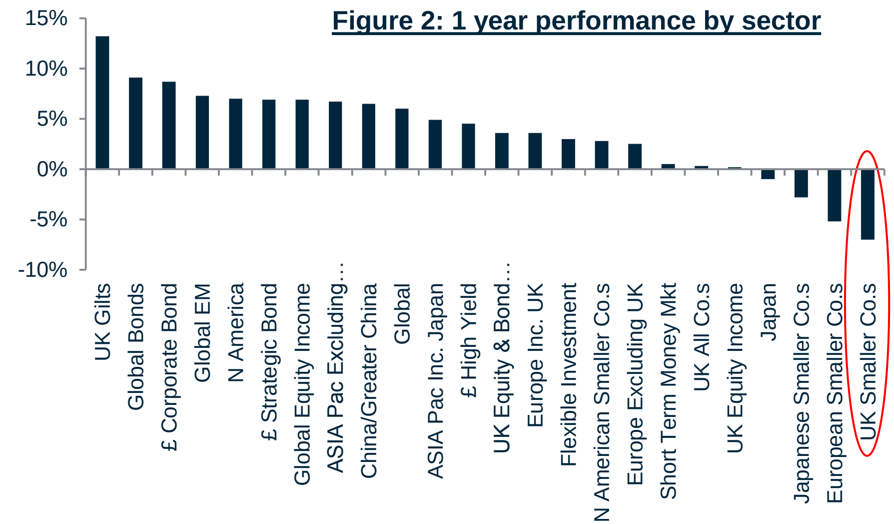


Figure 2: 1 year performance by sector



Small companies tend to outperform over the long term

As at 30th September 2019
Source: Liberum, Investment Association, Lipper
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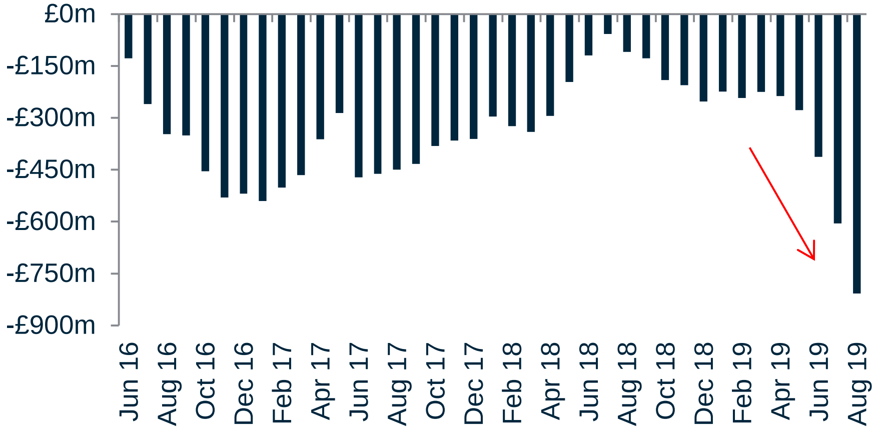
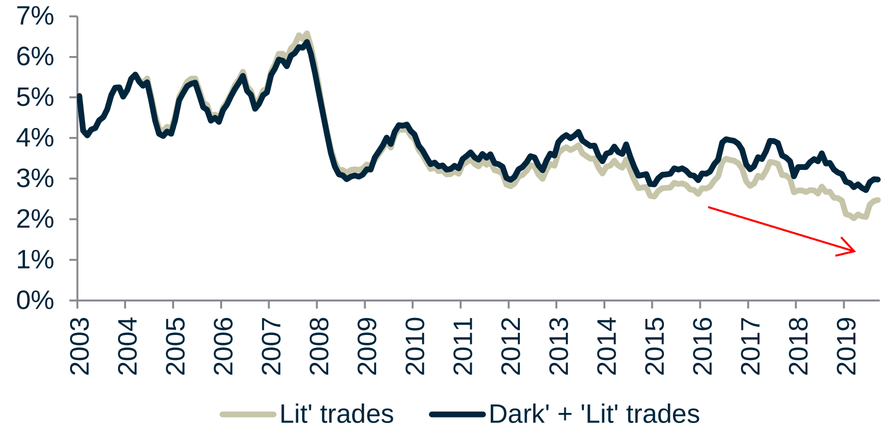
…coupled with negative flows and poor liquidity…

IA UK Smaller Companies Funds cumulative net flows



% of free float traded / month – FTSE Small Cap



- Since the middle of 2016, the IA UK Smaller Companies fund sector has experienced cumulative net outflows of >£0.8bn
- Equating to >6.5% of the starting funds under management, this has placed downward pressure on equity prices
- This creates opportunities for a closed-ended actively managed, small company focused strategy

- Liquidity continues to be poor in small caps, contributing to volatility in share prices
- Furthermore, stake-building is challenging. A closed-ended vehicle with a prudently managed cash position enables us to take advantage of liquidity events and not be a forced seller

Negative flows and liquidity trends have hindered small cap returns over the short term. The long term market attractions pertain

As at 30th September 2019
Source: Investment Association, Lipper; Liberum; Bloomberg
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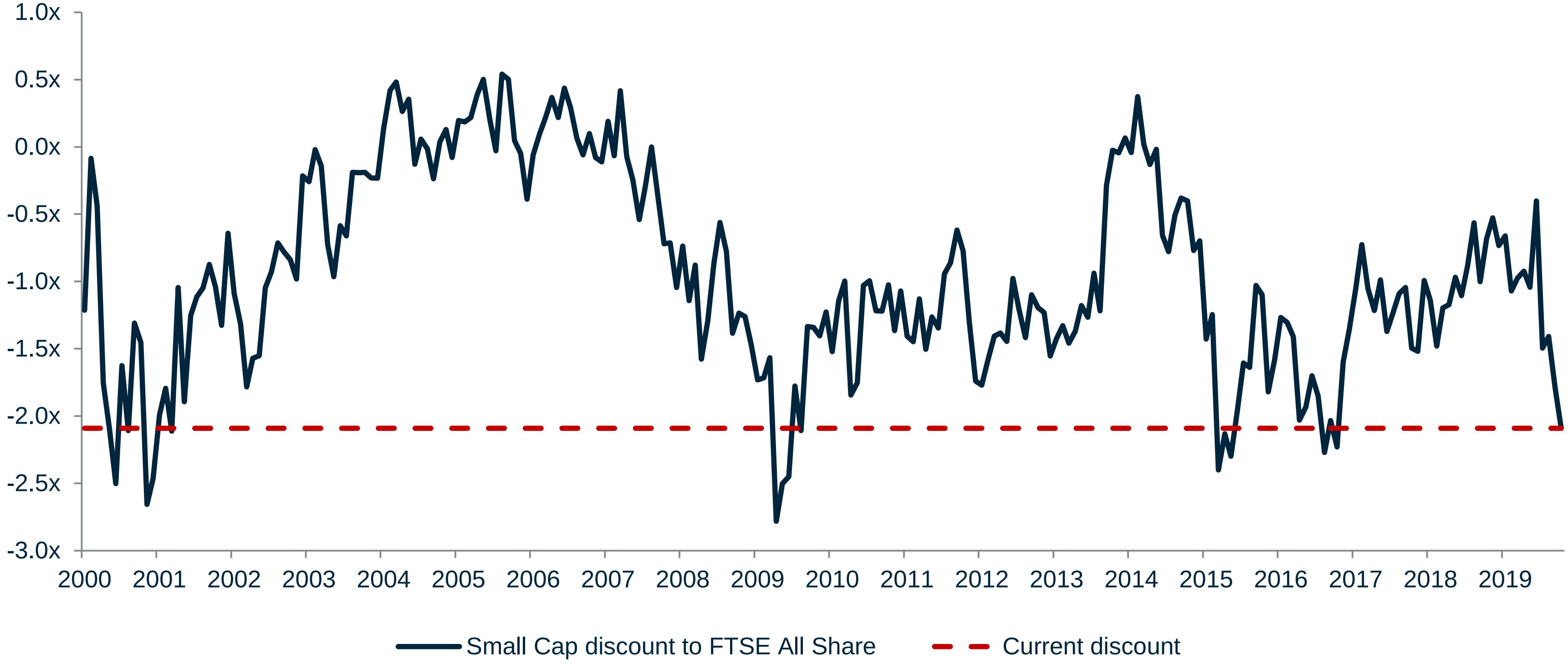
Valuation divergence has rarely been wider

FTSE Small Cap valuation discount to FTSE All Share (in P/E multiple terms) over time



- The current valuation gap between the Small Cap index and the broader UK market has rarely been exceeded, with instances limited to specific events and perceived crises; around the time of the EU Referendum, the Financial Crisis, and post the Dotcom Bubble

A steep reversion towards the mean, and a narrowing of this discount, followed all of these previous instances

As at 30th September 2019
Source: Liberum; Bloomberg
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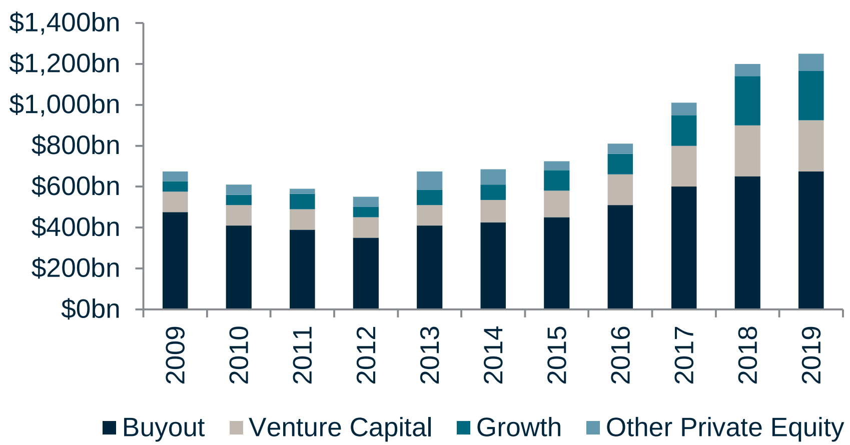
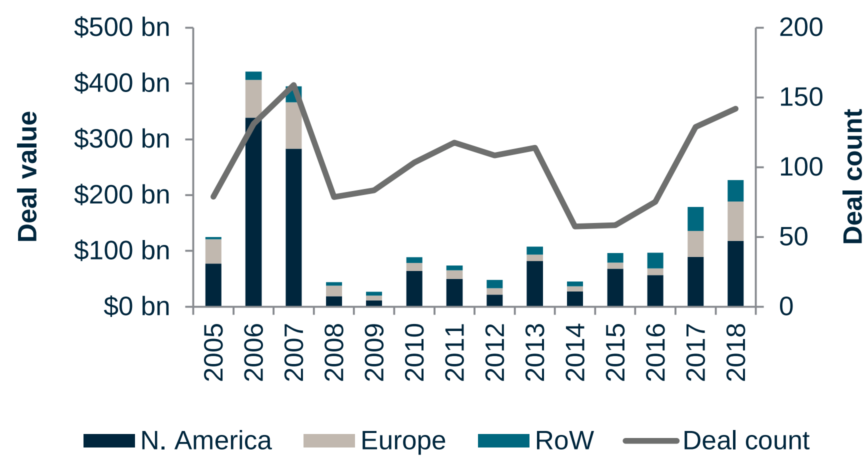
Whilst global private equity dry powder levels are at record highs

GVQ INVESTMENT MANAGEMENT

Private Equity Dry Powder by Fund Type, 2009 - YTD2019



Global public-to-private deal value



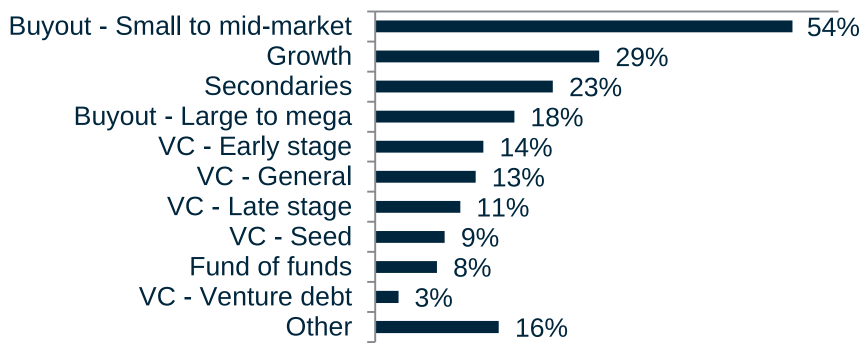
- 'Private equity races to spend $2.5tn cash pile' (Financial Times, June 27, 2019). The level of dry powder is already 2x the levels of 2006/7[1]
- PE deal activity in the UK market has picked up in 2019 – approaches made for Charles Taylor, BCA Marketplace, Tarsus, RPC, PTSG, Inmarsat, KCom, Manx,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

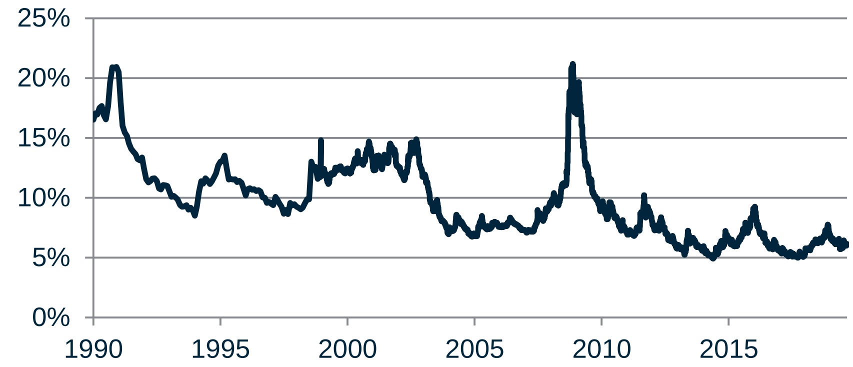
Latest data available. Note: 1. At 30th June 2019
Source: Preqin Private Equity Online, Berenberg

Global private equity financing is generationally low

Investor views on funds types presenting the best opportunities[1]



HY bond yields over time (Bloomberg global high yield bond index)[2]



- 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

Latest data available. Notes: 1. Preqin as at November 2018, 2: Bloomberg as at 30 September 2019
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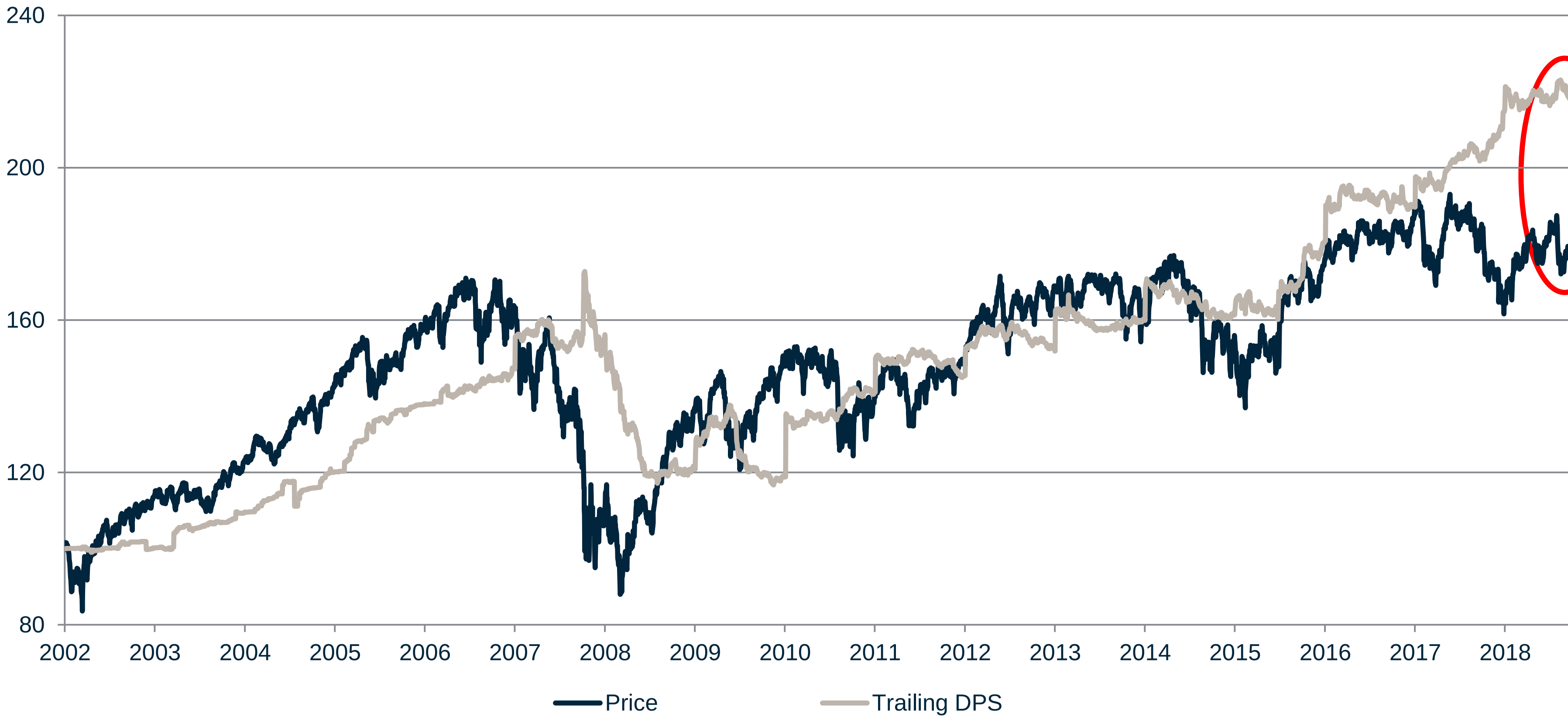
Multi-year bearishness around UK equities

Price and trailing DPS of UK MSCI index over time



Highly negative view of UK equities reflected in >£12bn of net outflows from UK funds since June 2016 and widespread 'underweight' allocation. Multi-year valuation opportunity or another 2008/9 economic crisis?

Source: Bloomberg data, as at 30th September 2019. MSCI UK Index and dividends rebased to 100; Investment Association

Bear market checklist

	Start of Proper Bear Markets Mar-00	Oct-07	Now
Global Equity Valuations			
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%	5.2%
US Yield Curve (10Y minus 2Y)	-0.5	0.0	0.0
Sentiment			
Global Analyst Bullishness (std dev)	1.7	1.0	0.4
US Panic Euphoria Model	1.09	0.42	-0.11
Global Equity Fund Flows (3y as % of Mkt cap)[1]	2.9%	0.7%	0.1%
Corporate Behaviour			
Global Capex Growth (YoY)	8% (1999)	11% (2007)	0% (2020e)
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%
Profitability			
Global RoE	12.2%	16.1%	12.9%
Global EPS ($, % from previous peak)	35%	117%	13%
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	475bp
US IG Bond Spread	175bp	175bp	130bp
# of sell signals	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

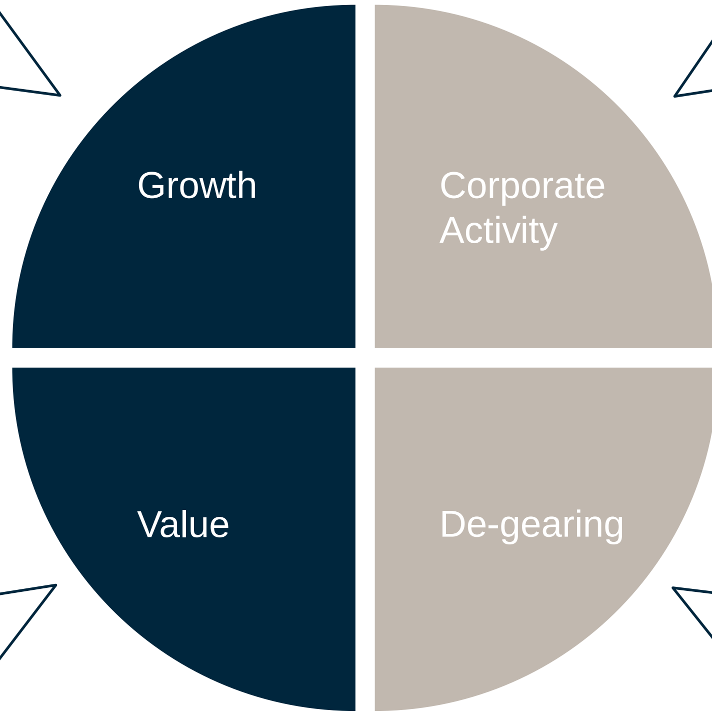
As at 2nd October 2019
Source: Citi Research
Note: 1. Consensus.
Past performance is no guarantee of future performance and the value of investments can go down as well as up

Earnings growth, cashflow and M&A to drive returns

SEC portfolio

- Double digit 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. Any resolution to UK uncertainty could see acquirers return
- Debt at generationally cheap levels
- Greater mispricing in small cap on reduced liquidity creates opportunity for long term opportunistic buyers



- SEC portfolio valuation is at attractive level; weighted average GVQ cash yield of 10.5%
- Portfolio valuation further supported by sum-of-the-parts analysis

- Portfolio de-gearing continues at mid single digits p.a.
- Balance sheet strength provides scope for enhanced returns
- Additional 2.6% dividend yield

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

As at 30th September 2019
Source: GVQIM, Preqin

Conclusion

Conclusion

GVQ INVESTMENT MANAGEMENT

- SEC’s net assets per share (“NAV”) decreased by 1.1%[1] over Q3, whilst the FTSE Small Cap ex IT index decreased by 1.2%
- In 2019 YTD, the NAV per share has increased by 12.2%. This compares favourably with the FTSE Small Cap ex IT and FTSE AIM indices, which have increased by 4.9% and 2.8% respectively
- Whilst traditionally over the long term, small companies have outperformed, this has not been the case over the short term. We believe this is owing to their characterisation as; generally riskier, more domestically focused and that they are less well researched and more illiquid
- We don’t believe this characterisation is appropriate for the portfolio with its focus on higher quality companies with international earnings and strong cash flows
- In an environment of severe pessimism and low liquidity contributing to volatility and (favourable) mispricing, our strategy is very well placed in its objective to achieve long term returns

Whilst the backdrop is undoubtedly unhelpful, we believe this provides significant opportunity for a closed-ended, actively managed, small company focused strategy

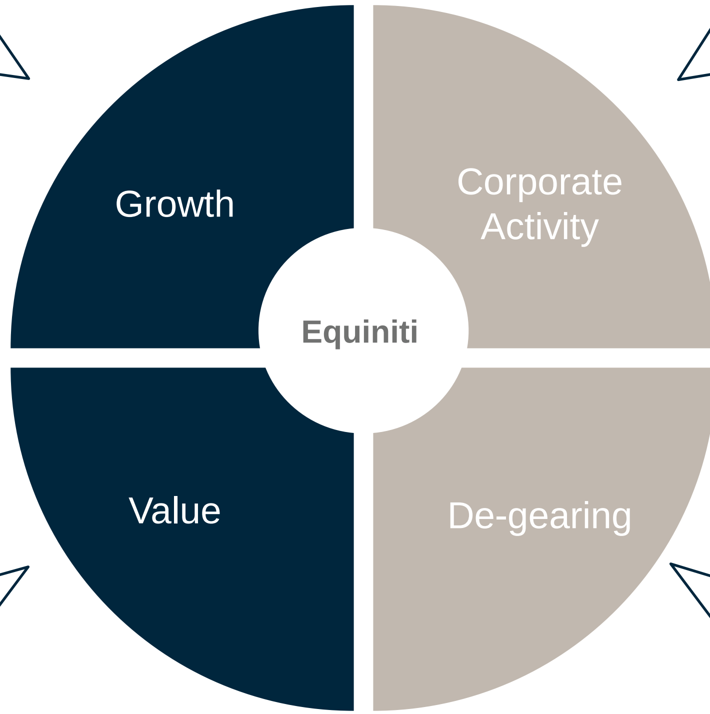
As at 30th September 2019
1. On a total return basis
Source: GVQIM, PATAC, Bloomberg
Past performance is no guarantee of future performance and the value of investments can go down as well as up

APPENDIX

Equiniti – a reminder of the thesis

Equiniti – a market leading specialist technology and business process outsourcer

- Customers include 70% of FTSE 100 companies and 70% of newly listed companies
- Opportunity to sell increasing suite of services into core customer base. Target mid-single digit organic growth p.a., consistent with recent history
- Integration of WFSS business and ongoing off-shoring of cost base provides further underpin to forecast double digit annual EPS growth before increase in base rates



- High value on the strength of cash flows and structural growth drivers to both PE and trade:
- Permira acquired Tricor for **15x EV/EBITDA** in October 2016,
- Link acquired CAS for **13x EV/EBITDA** in June 2017,
- Computershare acquired Equitex for **19x EV/EBITDA** in May 2018
- Equiniti trades on 7.3x EV/EBITDA[1]
- 'Bolt-on' M&A continues to provide growth opportunities into 'sticky' customer base

- Trades at discount to lower growth support services peers
- Double digit GVQ cash yield and below market PE (11.0x) for a stable highly cash generative business
- Acquisition of WFSS provides entry to world's largest capital market
- Implied impact of re-rating of low single digits p.a.

- Well invested business with low ongoing capex requirements
- Forecast to de-gear by c.0.5x of EBITDA p.a. representing c.5% of market capitalisation
- Forecast dividend yield of c.2.5% giving total prospective cash return of c.8% p.a.

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

Source: GVQIM

1. As at 30th September 2019

IFG Group – takeover case-study

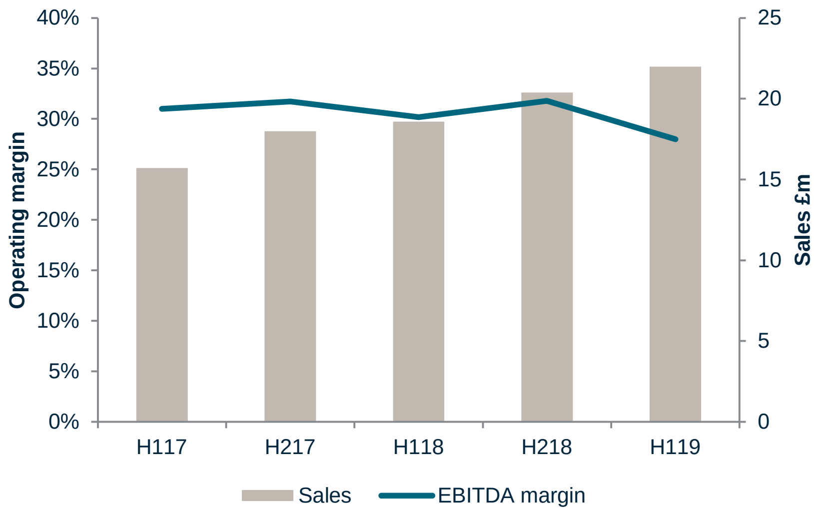
- On 25 March 2019, a recommended cash offer was made by Epiris Funds at 193p, a 46% premium to the closing share price, a trailing PE valuation of 21.4x. SEC owned 9.9% of the shares in issue
- The company's rating had been impacted by the aborted sale of Saunderson House in early 2018 and the emergence 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.'

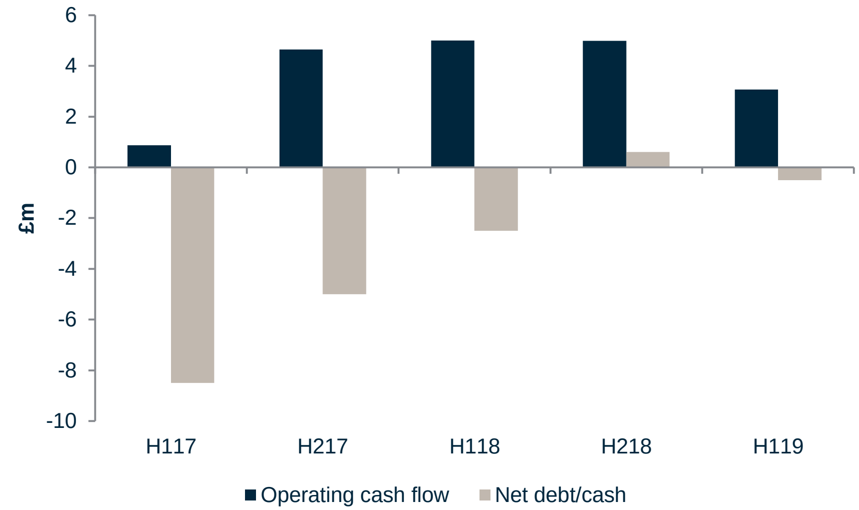
- We presented our analysis and views to new management shortly after they joined in April 2018 and have been heavily engaged with the company's Executive management team and Board with a view to maximising shareholder value

Source: Factset, GVQIM

Medica Group – a recap of the company



No. of reporters				
267	306	339	362	390



- Since listing, the company has grown revenue organically in mid to high teens percentages and maintained a healthy operating margin
- Cash flow has been strong, 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[1]
- 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[1]

Source: Company reports
1. In the opinion of GVQIM

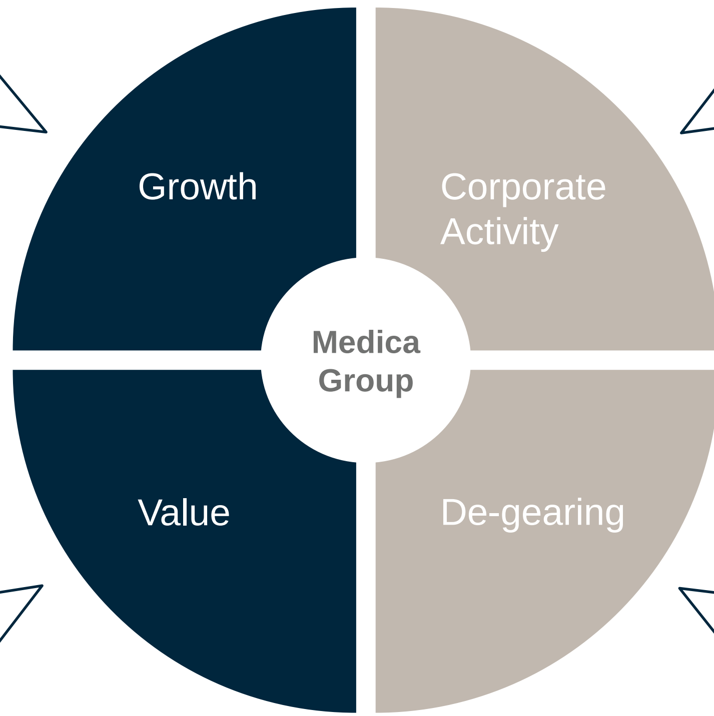
Medica Group – Investment Thesis

GVQ INVESTMENT MANAGEMENT

Medica Group – the UK's leading teleradiology provider

- Average sales growth rate of c.17% since IPO. All organic
- This growth is supported by multiple long term structural drivers:
  - UK shortage of radiologists
  - Aging population and increasing incidence of chronic conditions
  - Increase in diagnostic scanning

- High growth, predictable revenue streams and low capital intensity are coveted by financial buyers
- LBO modelling suggests significant upside
- Significant PE and corporate interest in teleradiology historically in both US and UK at premium valuations



- High quality asset:
  - Market share 3x nearest competitor; tangible network & scale benefits
  - c.80% of revenues from longstanding customers
  - Strong, enduring, acyclical growth
- Scope for high single digit returns from re-rating to a valuation commensurate with business quality and predictability

- Low capital requirements; the business could double in size with limited further investment
- De-gearing plus dividend gives total cash return of c.6%
- Now debt free. The business is forecast to generate >15% of its market capitalisation in free cash flow by the end of 2021

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

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** **Ergomed** **Huntsworth**	**EMIS** **Medica**	**Equiniti** **Wilmington** **Ergomed**	**Brooks Macdonald** **XPS Pensions**	**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

How we identify value in potential investments

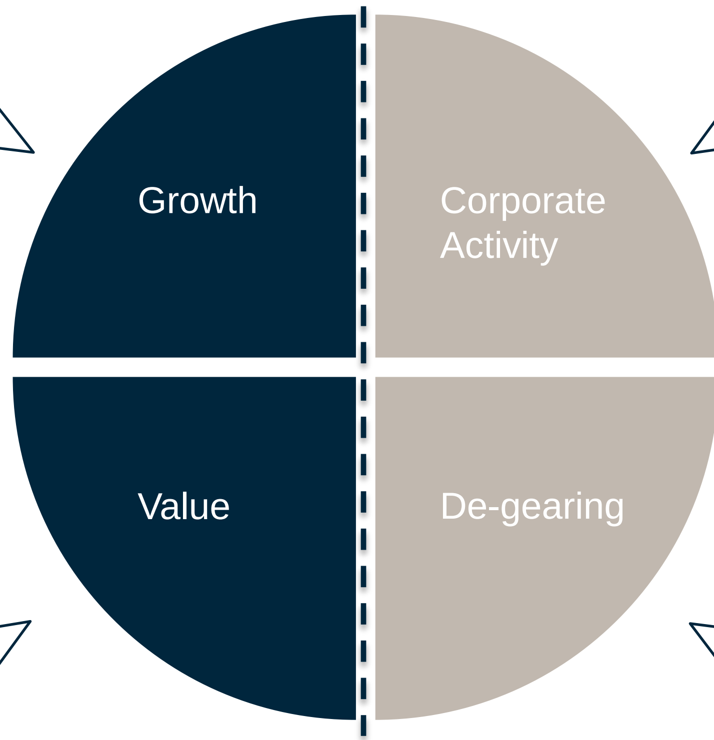
Main focus of most
PUBLIC EQUITY INVESTORS

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 **re-rating model**

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



Main focus of most
PRIVATE EQUITY INVESTORS

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 **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

	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

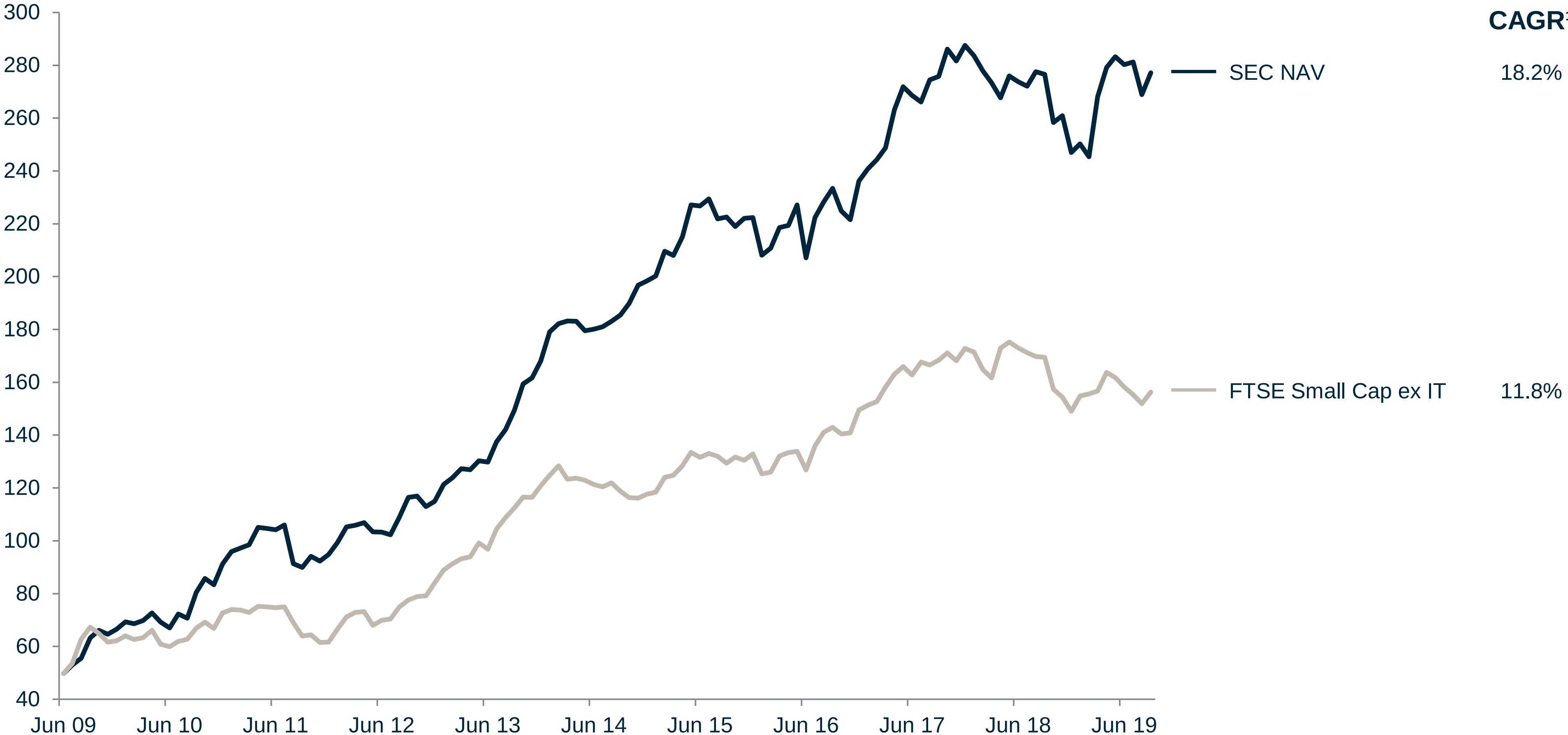
Industrial Advisory Panel involvement

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

Source: GVQIM

Long term track record

Cumulative rebased total returns[1]



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

As at 30th September 2019
Source: Bloomberg, PATAC
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

Performance

Calendar Year annual performance

	YTD 2019	2018	2017	2016	2015	2014	2013	2012
Share Price Total Return	12.0%	-17.6%	20.2%	-9.0%	14.2%	32.7%	61.5%	25.6%
NAV Total Return	12.2%	-14.1%	21.7%	6.3%	12.1%	18.1%	46.1%	21.3%
FTSE Small Cap ex Investment Trusts Total Return	4.9%	-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 30th September 2019
Source: GVQIM, PATAC, Bloomberg
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

For general enquiries, please contact:

GVQ Investment Management Limited
16 Berkeley Street, London, W1J 8DZ
Tel +44 (0)20 3907 4190
Fax +44 (0)20 3907 3913
Email: gvqimmarketing@gvqim.com
www.gvqim.com

Secretary and Registered Office
PATAC Limited
21 Walker Street, Edinburgh, EH3 7HX
T: +44 (0)131 538 6608
www.patplc.co.uk