Strategic Equity Capital plc

Q2 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 30th June 2018
Money Observer: Rated Fund as at 30th June 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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Q2 UPDATE 2018

Executive summary

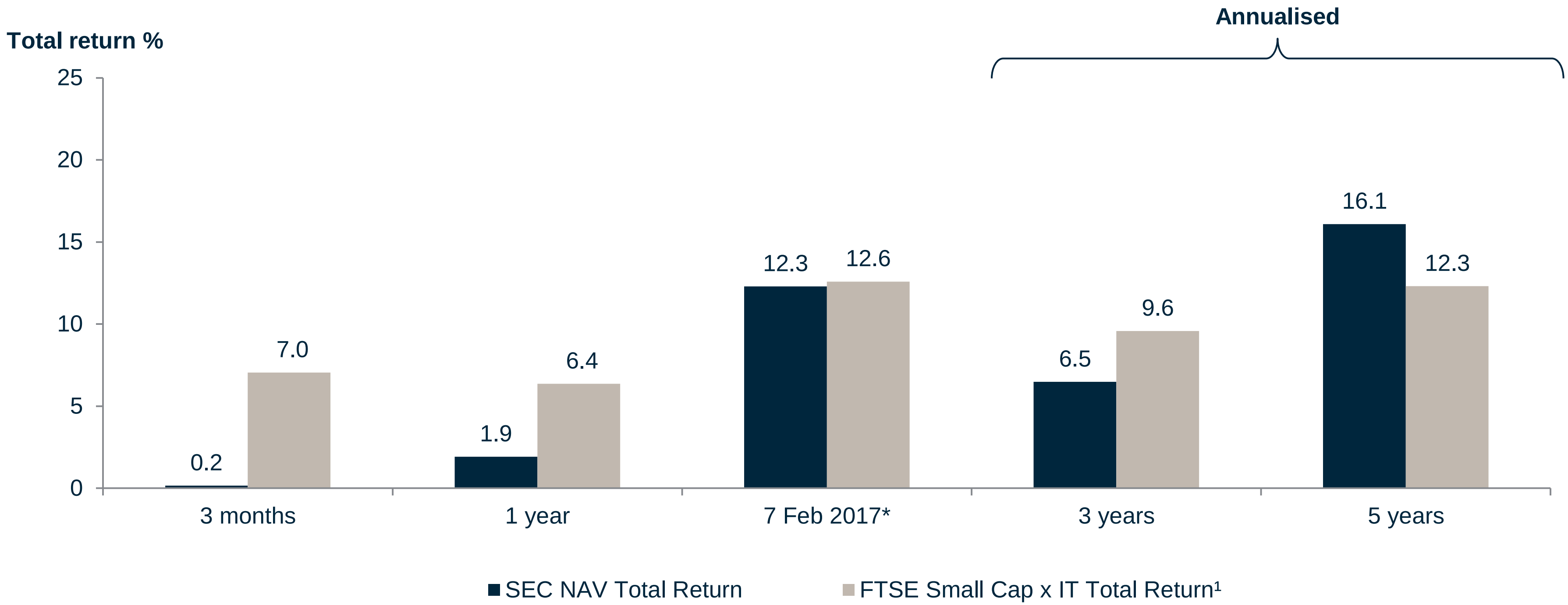
- Difficult quarter; net assets per share increased by 0.2%. Strong performance across the majority of the portfolio was offset by weak share price performance from three holdings: IFG Group, Proactis and Equiniti
- FTSE Small Cap ex IT index (the "index"[1]) increased by 7.0%. Individual stocks; Oxford BioMedica (+80%), AA Plc (+74%), and Premier Oil (+62%) had a significant impact on the index return over the period
- Market remains volatile; macro concerns, decreasing dissemination of information and thin liquidity magnify share price movements (in both directions). This provides opportunity for SEC with permanent capital and a long term approach focused on intrinsic valuations
- According to the latest IA statistics, May saw £1.2bn outflows from UK equity funds. In aggregate almost £10bn has been withdrawn from UK equity funds since the Brexit referendum in June 2016
- Investment activity: significant realisation in Alliance Pharma (substantially all of the initial cost). Delivery ahead of our thesis at initial investment in Q217, has seen point-to-point IRR of 87%. With many holdings trading at or near multi-year low valuations, proceeds were reinvested in existing investments
- Positive medium term outlook derived from attractive valuation characteristics and strong financial positions, with over half[2] of the underlying portfolio forecast to have net cash balance sheets. Portfolio trades on a GVQ cash yield of 9.7%; the highest in two years
- Investment team acquired significant number of shares over the period and now own c.4% of shares in issue

Challenging quarter with weak performance concentrated in three holdings. Positive outlook supported by multi-year low valuations, strong cash characteristics and strategic progress at many fund holdings

As at 30th June 2018
1. On a total return basis 2. Portfolio companies, constituting 56% of the NAV of the invested portfolio, are forecast to have net cash balance sheets over the next twelve months
Source: GVQIM, PATAC, Bloomberg, FactSet, Investment Association statistics
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	7.4%	8.3%	8.9%	10.6%	10.4%

Fund performance broadly in line with index since management change last year despite challenging quarter. Strong long term outperformance from the strategy achieved without gearing

As at 30th June 2018. Source: Unaudited Bloomberg, PATAC, GVQIM. Notes: 1. Comparator index FTSE Small Cap ex Investment Trusts Total Return
* 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 (top five)	bps	GVQIM Comment
Alliance Pharma	173	In line AGM statement. Positive opinion received for Diclectin (for nausea and vomiting in pregnancy). Placing and acquisition of rights to distribute Nizoral (anti-dandruff shampoo) in APAC towards the end of the quarter
Tyman	79	In line AGM statement and small bolt-on acquisition
EMIS	60	In line AGM statement. Director buying near quarter end
4imprint	59	AGM statement ahead of expectations results in marginal upgrades to forecasts
Harworth	56	Positive AGM statement, Capital Markets Day and land acquisitions support positive outlook
Negative attribution (bottom five)	**bps**	**GVQIM Comment**
Ergomed	-5	Downgrades resulting from delayed on-boarding of contracts. Revenue upgrades in pharmacovigilance division supported by strong order book growth
Wilmington	-12	New CFO handover in April. New Chairman started in May. Mixed response to Capital Markets Day
Equiniti	-146	Positive AGM statement with 100% client retention and new client wins in the UK and the US. Win rate on new IPO mandates increases from 70% at year end to 80%. Integration of WFSS remains on track. Tightening of interest rates is supportive to short and medium term outlook due to client cash balances
Proactis	-148	Profit downgrade (c.15%) resulting from negative movements in FX and the expected, but premature, loss of two large single product customers. On track to deliver £5m cost synergies from Perfect Commerce acquisition. Strong new business performance with 35 new customers won in the half
IFG Group	-283	Aborted sale of Saunderson House. New leadership team appointed. AGM statement with continued growth across both businesses and improving profitability at James Hay following implementation of new pricing structure and base rate increase in late 2017

A period of more mixed news flow. Majority of the portfolio continues to perform well. Negative attribution concentrated in three holdings; see overleaf for further detail

As at 30th June 2018
Source: Attribution estimates based on FactSet Portfolio Analysis and GVQIM
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IFG Group - update

News Flow

- In February 2018, IFG Group announced they would consider a sale of one of their two divisions, Saunderson House with a view to maximising value for shareholders.
- In anticipation of a sale and alongside full year results in March, shares were strong in early 2018.
- In April the Board decided against a transaction, despite receiving a number of indicative offers in line with expectations, due to significant execution risks which would jeopardise shareholder value.
- Following this, a further incremental retention package for senior management and employees at Saunderson House was put in a place.
- A new leadership team was announced in April and an in-line AGM trading statement was released in May.

GVQ View

- Whilst disappointed that the announced transaction fell through, we believe that the intrinsic value of IFG Group is unaffected.
- Despite a number of challenges recently (e.g. cut to base interest rates, legacy advice issues, geopolitical concerns), both businesses have made significant operational and strategic progress:
  - Investment in technology, back office.
  - Improving quality of income at James Hay through move to fee-based model.
  - Strengthening market position with continuing client wins.
  - Assets have grown >15% p.a. over the past 3 years to over £30bn
- Our fundamental belief remains that the group consists of two high quality, materially undervalued assets, supported by long term structural growth factors (see following page).

Sum of the Part Valuation

- In our view, the current group structure is inefficient and masks the underlying value.
- Central costs were over £4m in FY17 and represented almost 30% of Group profit.
- James Hay is forecast to generate FY18 operating margins <19%[1] vs at least 24% margins after group costs at listed peers.
- Excluding 50% of central costs[2] the company trades on c.12.5x FY18 PE.
  - Listed wealth mgmt peers trade on an average PE multiple of c.18x (range 14-22x).
  - Listed platform peers trade on an average PE multiple of c.23x (range 19-23x).
- Significant margin and valuation upside.
- Ongoing high levels of M&A (Speirs & Jeffrey) and recent / proposed IPOs (Transact / IntegraFin, Nucleus, Smith & Williamson) in the sector continue to support our valuation assumptions.

In our view, the current group structure is inefficient and masks the underlying value in the Group. We continue to monitor closely and have met the new management team on multiple occasions over the quarter. We were encouraged by their recent share buying. We remain positive over the prospects for the business

As at 30th June 2018

1. Note this does not include software amortisation and allocation of Central / Group costs; on a fully allocated basis we believe James Hay operating margins are <13%. 2. GVQ assumption

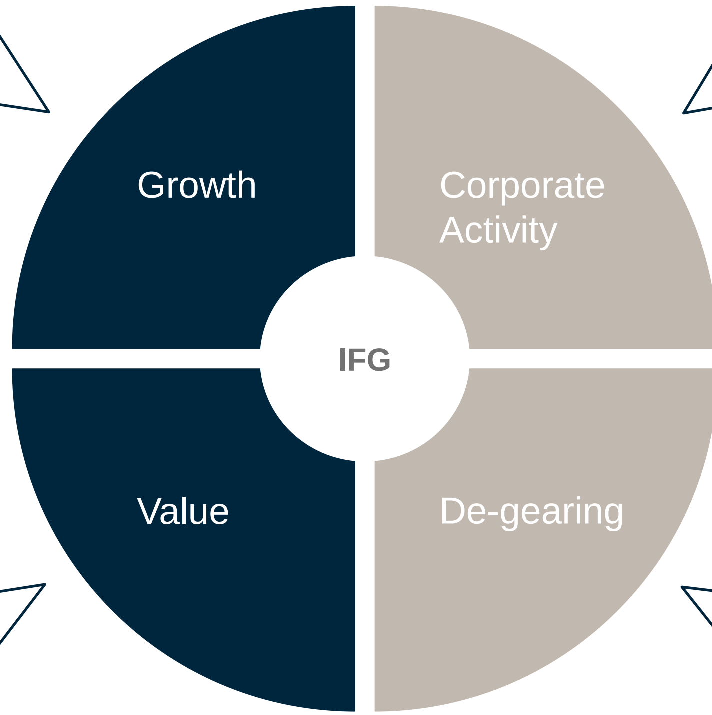
Source: Goodbody forecasts for IFG Group, Bloomberg, GVQIM

IFG Group – a reminder of the thesis

IFG – a financial services company with two high quality discrete businesses

- Structural growth from favourable long term trends including the need for individuals to manage their investments
- Opportunities for margin improvement in both businesses and growth through broadening of offering (e.g. DMS in Saunderson House, ISA/GIA in James Hay)
- Forecast low teens earnings growth before any potential benefits from interest rate increases

- Significant M&A in both the platform and wealth management spaces. We forsee ongoing consolidation owing to scale benefits and regulatory challenges
- Ascribing precedent transaction multiples to the individual businesses implies material opportunity to unlock value
- Attractive on an LBO basis



- Both assets trading at a significant discount to long-term intrinsic value. Peers valued at significant premia
- Recent improvements in business quality (e.g. James Hay income more fee-based (less reliant on interest rates), client retention in both divisions >90%)
- Significant scope for re-rating

- Well invested business with good forecast cash generation. Total annualised cash return of >7.5% of market capitalisation
- Large net cash position of c.£25m at end of FY17, equating to c.20% of market capitalisation

We believe IFG is trading at a material discount to its sum-of-the-parts valuation

Source: GVQIM

Proactis Holdings – update

News Flow

- In August 2017, Proactis acquired a US peer, Perfect Commerce, roughly doubling the size of its business.
- Since the deal, the company released an in-line updates in August, October and February. SEC initiated a position late last year.
- In April the company announced a profit warning alongside H1 results due to:
  - Primarily, the loss of two of its largest customers, BP and Shell to SAP.
  - FX impact of strengthening GBP on US and European earnings.
  - Incrementally weaker pipeline going into H2 following a strong H1.
- These issues led to c.15% downgrades to FY19 profit expectations[1], and a significant fall in the share price. The shares recovered slightly over May and June.

Detail on Customer Losses

- Both customers, although large in financial terms, were 'non-core' in many ways:
  - 'Mega cap' customers vs Proactis core of public sector or SME clients.
  - 'Single product' customers, taking only the e-invoicing module rather than a broader solution suite.
  - BP and Shell are both heavy SAP users / advocates, hence vulnerable.
- We understand the company has limited exposure remaining to customers that fit the profile above.
- Both companies had given notice they would be transitioning from Proactis to SAP, however this was expected to take place over the course of 5+ years.
- Customer concentration is acceptable in our view; the largest customer represented c.2.5% of revenues at the point of investment. This remains similar today.

Why do we remain positive?

- Despite the disappointing update, which we believe may impact the full year results, we don't feel this indicates a permanent deterioration of the business implied by the current valuation.
- Historic customer retention rates of 95%, industry accreditation from Gartner and IDC, detailed analysis and referencing of customer base, supports management assertion that the customer losses are 'exceptional' in nature.
- Proactis' products are rated highly by customers, and continues to win business with 35 new names in H1. Integration of the Perfect Commerce deal appears to be on track, with annualised cost savings of £4.2m realised to date.
- Recurring revenue base (c.85%), strong balance sheet (c.1.5x net debt/EBITDA) and low rating (<11x FY19 PE) suggests good balance of risk / reward from current levels, particularly when referenced to the numerous M&A transactions, from both private equity and strategic buyers.

In our view, despite recent set back, Proactis remains a high quality and strategically valuable company, in a structurally attractive market, trading at a significant discount to both precedent transactions and listed peers

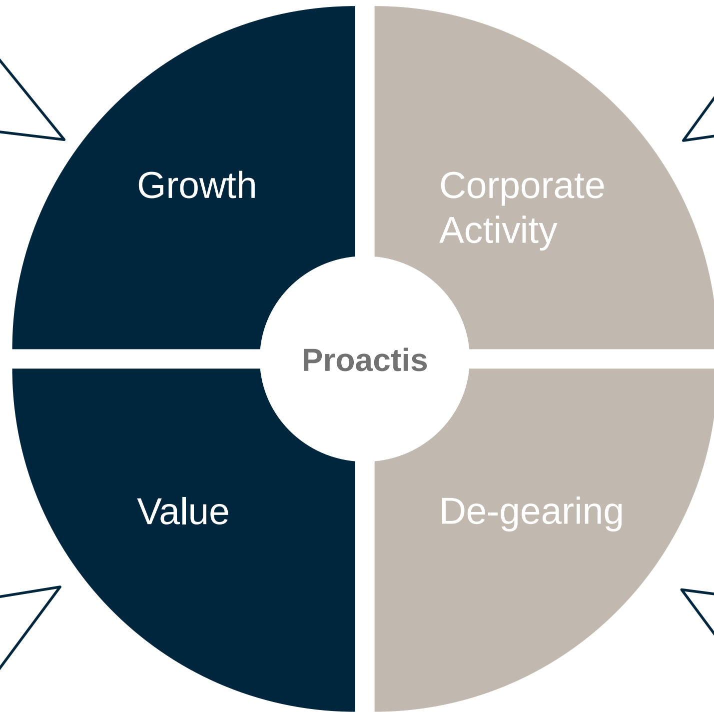
As at 30th June 2018
1. Based on Finncap forecast changes as per research note on 24th April 2018
Source: Finncap, Gartner, IDC, GVQIM
Past performance is no guarantee of future performance and the value of investments can go down as well as up

Proactis Holdings – a reminder of the thesis

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 20x+ 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 9.5% and <3x EV/Sales.
- Substantial discount to SaaS sector. Listed (loss-making) competitor Basware trades on 3.7x 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.0.4x by FY20 in the absence of further M&A
- Total cash return (incl. 1.2% div yield) of c.£21m to FY20; represents c.18% of current MCap and c.9% 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% p.a.
[2] Millstream Associates (Nov 2016) and Perfect Commerce (Aug 2017) both partially funded by over subscribed placings
Source: GVQIM
Past performance is no guarantee of future performance and the value of investments can go down as well as up

Equiniti – update

GVQ INVESTMENT MANAGEMENT

News Flow

- Completion of transformational acquisition of Wells Fargo Shareholder Services (WFSS) in February 2018
- FY17 results released in March 2018:
  - Ahead of market expectations: +6.1% revenue growth (+2.9% organic) and +6.6% increase in underlying EBITA.
  - 100% client retention.
  - Strong performance in Intelligent Solutions and Investment Solutions.
  - Weaker performance in Pension Solutions due to increasing competition and margin pressure.
- In line AGM update in May 2018:
  - 100% client retention and new client wins in the UK and the US.
  - Win rate on new IPO mandates increases from 70% at year end to 80%.
  - Integration of WFSS on track.

Why are the shares weak?

- Despite what we view as continued strong operational and financial delivery by the company, the shares have fallen almost 20% over the quarter.
- We believe this is driven primarily by increasing short interest in the shares; approximately 5% of the company's shares are 'on loan' to short sellers.
- We understand the 'short thesis' is based on a few issues that relate to quality of earnings and cash conversion:
  - One off, low cost, invoice factoring utilised for one customer with long payment terms.
  - Recurring exceptional costs, predominantly relating to the WFSS acquisition.
  - Growth in accrued and deferred income although small in size.
  - Weak performance in Pension Solutions.

Why do we remain positive?

- We place high importance on earnings quality and cash flow analysis. However, we believe there are valid business reasons for most of the factors cited.
- Ultimately we believe those focusing on the issues above may be missing the wood from the trees:
  - The WFSS acquisition is both strategically and financially attractive in our view. The integration is on track.
  - Quality of earnings is evidenced by the stability of the client base; 100% retention.
  - Pension Solutions is a lower quality (non-core?) division; challenges here are more than offset by strength elsewhere where the business has continued to perform very well.
  - Strong new mandate wins and high levels of corporate activity will likely provide a tailwind over the next 12-18 months.
  - Further US or UK tightening of interest rates will be supportive due to client cash balances.
- The CEO and Chairman bought shares during the quarter.

We continue to view Equiniti as a unique and high quality asset. Current trading and future opportunities arising from the acquisition of WFSS give us confidence on the medium and long term outlook for the business. We believe the recent share price decline is entirely unwarranted

As at 30th June 2018
Source: FCA net short position disclosure, GVQIM
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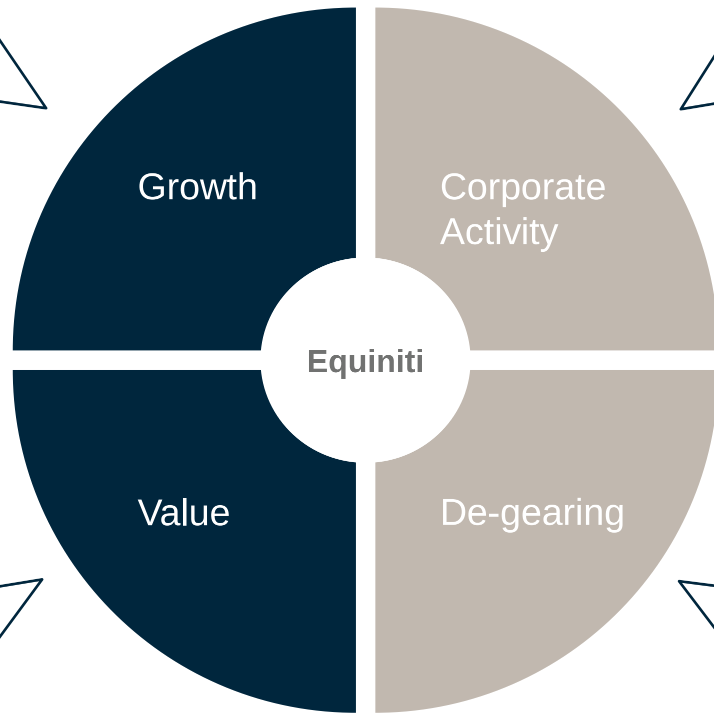
Equiniti – a reminder of the thesis

Equiniti – a market leading specialist business process outsourcer

- Customers include 70% of FTSE 100 companies and 80%[1] 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
- 'Bolt-on' M&A continues to provide growth opportunities into 'sticky' customer base

- Trades at discount to lower growth support services peers
- High single digit GVQ cash yield and below market PE (13x) 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.6% of market capitalisation
- Forecast dividend yield of c.2.5% giving total prospective cash return of c.8.5% 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 both the market and peers

1. As per May 2018 trading statement
Source: GVQIM

Changes to top 10 holdings

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

Top 10 Q2 2018

Company	% of portfolio
Tribal Group	8.7
Wilmington	8.5
Equiniti Group	8.2
IFG Group	7.7
Clinigen Group	7.2
4imprint Group	6.9
EMIS Group	6.9
Tyman	6.5
Medica	5.1
Harworth Group	4.5

Alliance Pharma substantially reduced after a c.100% share price increase and material re-rating since initial investment 12 months ago. Proceeds redeployed into existing holdings trading at multi-year valuation lows

As at 30th June 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]

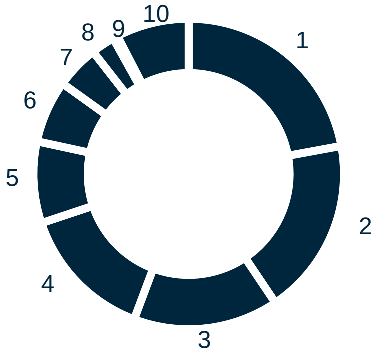
Company	Vintage	Sector	GVQIM Funds % of company	Progress vs thesis	GVQIM CF yield[3] NTM[4]	Net debt/ EBITDA NTM[4]	Investment thesis	Market leader[2]
Tribal Group	2014	Technology	>5%	In line	8.0%	-1.4x	Delivery of operational improvements; new platform development; contract wins; M&A	Yes – UK/Aus
Wilmington	2010	Media	>5%	Behind	11.9%	1.2x	Organic growth; de-gearing; M&A; New Chairman and CFO; portfolio review	Yes – niche
Equiniti Group	2016	Support Services	<5%	Ahead	8.9%	2.3x	Delivery of organic growth and cashflow. Integration of WFSS acquisition	Yes – niche
IFG Group	2015	Financials	>5%	Behind	14.5%	-2.3x	Structural growth; self-help; M&A; strategic review; new mgmt team	#2 in high end SIPPs
Clinigen Group	2014	Healthcare	>3%	In line	7.2%	1.1x	Continued organic growth; degearing; spec pharma M&A; development of technology platform	Yes – niche
4imprint Group	2006	Support Services	>3%	Ahead	7.9%	-0.8x	Continued US growth; enhanced cash returns; update on marketing strategy	Yes - US niche
EMIS Group	2014	Technology	>3%	In line	8.5%	-0.3x	Organic growth; operational restructuring; new CEO; Patient; balance sheet; M&A	Yes – UK
Tyman	2009	Industrials	>5%	In line	12.2%	1.5x	Integration of acquisitions; growth and de-gearing	Yes - niche
Medica	2017	Technology	>5%	Early	8.4%	-0.1x	Organic growth; cashflow; expansion of offering	Yes
Harworth Group	2016	Real Estate	<3%	In line	n/a	n/a	Portfolio management; property acquisitions; move to premium list; discount closing	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

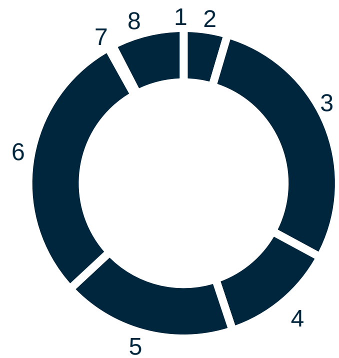
As at 30th June 2018. Source: GVQIM analysis and PATAC

Notes: 1. Top 10 holdings representing c.70% 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

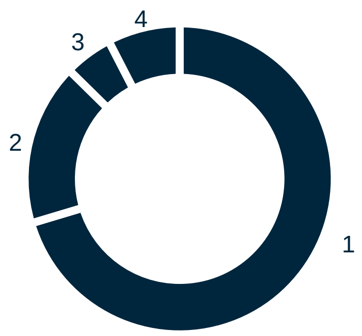
Highly concentrated and unconstrained portfolio



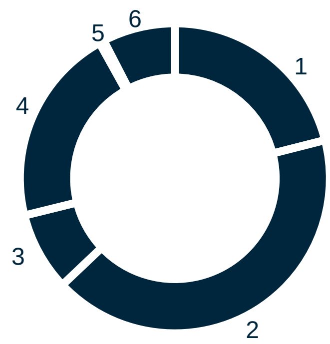
Sector exposure by value		
1	Technology – software & services	22.1%
3	Healthcare	18.5%
3	Support Services	15.2%
4	Financials	14.2%
5	Media	8.5%
6	Industrials	6.5%
7	Property	4.5%
8	Electronics	2.5%
9	Unlisted	0.5%
10	Net cash	7.6%



Value by market cap band		
1	<£50m	0.0%
2	£50m - £100m	4.6%
3	£100m - £200m	28.3%
4	£200m - £300m	12.0%
5	£300m - £500m	18.2%
6	> £500m	28.8%
7	Unlisted	0.5%
8	Net cash	7.6%



Concentration		
1	Top 10	70.3%
2	Rank 11 - 15	17.0%
3	Smaller holdings	5.1%
4	Net cash	7.6%



Value by index membership			No. Holdings
1	FTSE Small Cap	21.0%	4
2	Aim	41.9%	9
3	FTSE 250	8.2%	1
4	Other[1]	20.8%	3
5	Unlisted	0.5%	1
6	Net cash	7.6%	

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

As at 30th June 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	18	18	157
Market cap (£m)	422	211	317
Consensus EV/EBITDA FY1	9.8x	9.5x	7.0x
Consensus price earnings FY1	15.5x	14.9x	11.2x
Consensus FY1 earnings growth	16.1%	15.0%	7.7%
Consensus dividend yield FY1	2.3%	1.8%	3.3%
Price/book FY1	2.4x	1.9x	1.6x
Price/sales FY1	2.1x	1.9x	0.7x
Price/cash flow	19.2x	19.2x	13.7x
GVQIM cash flow yield FY1[2]	9.7%	9.5%	-
Net Debt/EBITDA	-0.0x	-0.4x	1.8x
Overseas sales as %	44.6%	49.3%	-

Portfolio de-rated over the quarter. Forecast growth profile and net gearing remains attractive. GVQ cash yield is the highest in two years. A significant proportion of the portfolio have net cash positions

As at 30th June 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)

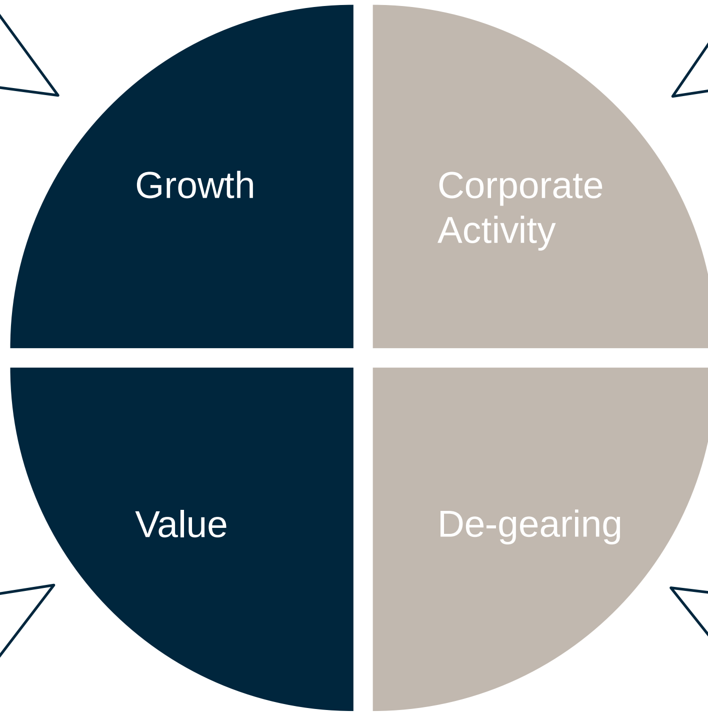
Outlook

Earnings growth, cashflow and M&A to drive returns

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. Increasing number of transactions in the public market; Servelec, Laird, Hogg Robinson, Fenner, Cambian
- 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 is at historically attractive level; weighted average GVQ cash yield of 9.7%
- 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 2.2% dividend yield

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

As at 30th June 2018
Source: GVQIM, Preqin

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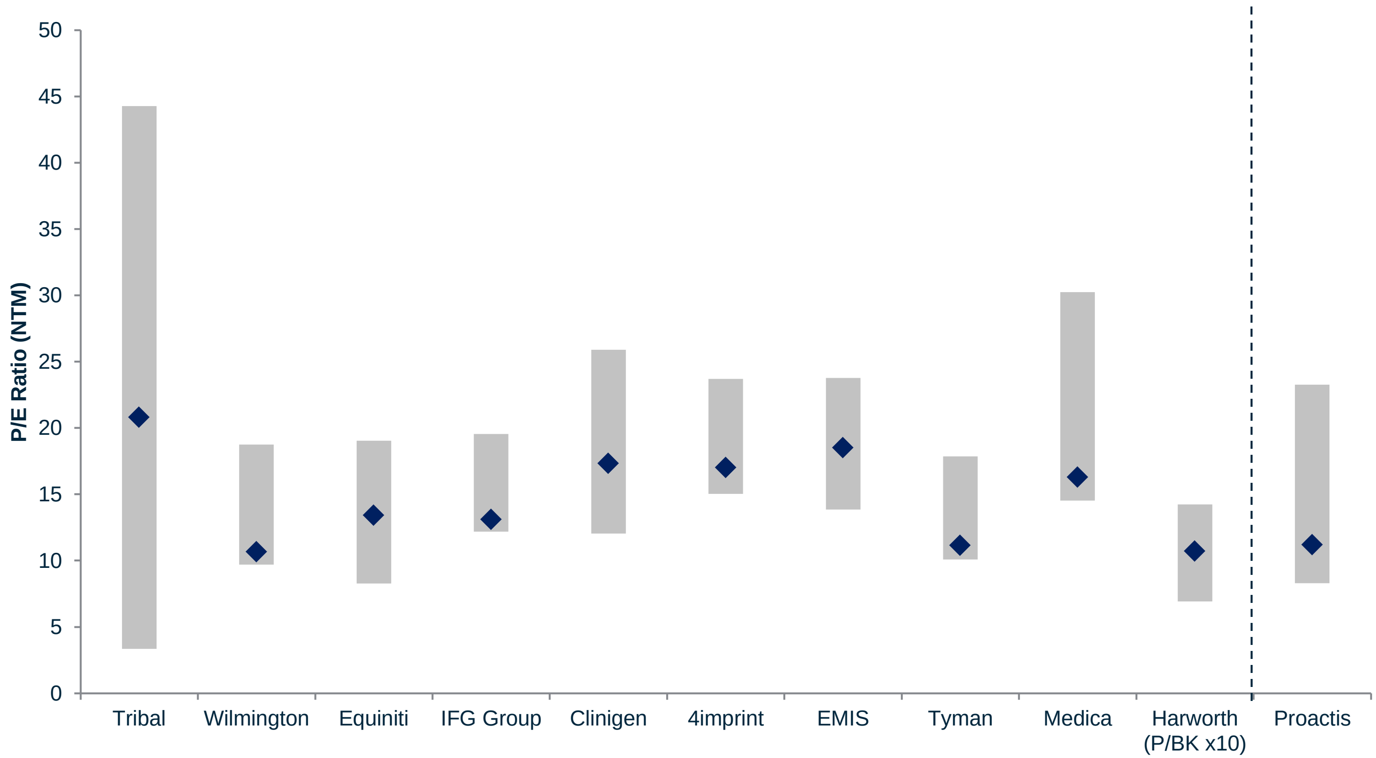
Five-year valuation analysis



Grey bars denote the 5 year range of P/E (NTM) valuations. Blue diamonds denote the closing P/E (NTM) rating

Although our primary valuation tool is the GVQ cash yield, a medium term (5-year) analysis of Price to Earnings ratios (NTM) reveals portfolio holdings trading at or close to multi-year lows. In most cases, the growth outlook has not materially changed and the financial position has markedly strengthened. This provides significant confidence in the portfolio outlook

As at 30th June 2018
Source: Factset, GVQIM analysis

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

Source: GVQIM, Clinigen, Liberum

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

Market outlook and portfolio position

Macro	Valuations	M&A	Debt/monetary tightening

Market

Significant uncertainty remains in the UK and global geopolitical system e.g. Russia, Syria, trade wars etc.	Pockets of small cap are trading at peak multiples often at a premium to precedent transactions	European target M&A in H118 of $770bn - the highest since 2007 Preqin estimates over $1trn in Private Equity ‘dry powder’ at the end of 2017	Increasing inflationary expectations. Start of interest rate tightening cycle.

Portfolio position

Avoid ‘macro’ exposed sectors (e.g. housebuilders, consumer discretionary, resource companies)	Seek to avoid companies on peak multiples, above real world transactions Cash flow based valuation metrics prioritised Continued valuation discipline, both on entry and exit of portfolio positions	Process focuses on relevant trade and private equity transaction multiples History of significant M&A in the portfolio (e.g. e2v, Servelec) Portfolio consists of strategic and covetable assets with undervalued cash flow	Portfolio company balance sheets are very strong (>50% net cash[1]) Certain holdings (EQN, IFG) will be beneficiaries of increasing interest rates

Source: GVQIM

1. Portfolio companies, constituting 56% of the NAV of the invested portfolio, are forecast to have net cash balance sheets over the next twelve months

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	2.4
CAPE	48	30	24
Global Equity Risk Premium	1.0%	3.3%	3.4%
US Yield Curve (10Y minus 2Y)	-0.5	0.0	0.3
Sentiment			
Global Analyst Bullishness (std dev)	1.7	1.0	0.9
US Panic Euphoria Model	1.09	0.42	0.17
Global Equity Fund Flows (3y as % of Mkt cap)[1]	2.9%	0.7%	0.4%
Corporate Behaviour			
Global Capex Growth (YoY)	8% (1999)	11% (2007)	7% (2018e)
M&A (Previous 6m as % of Mkt cap)	6.1%	4.2%	3.1%
IPOs (Previous 12m as % of DM Mkt cap)	0.70%	0.40%	0.2%
Profitability			
Global RoE	12.2%	16.1%	12.3%
Global EPS ($, % from previous peak)*	35%	117%	5%
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	375bp
US IG Bond Spread	175bp	175bp	120bp
# of sell signals	17.5/18	13/18	3/18

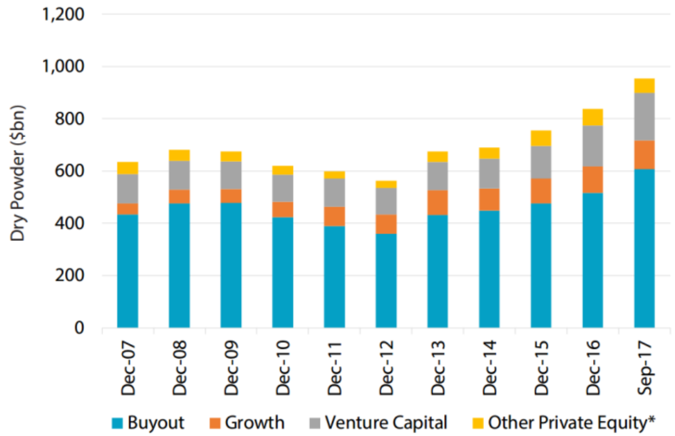
Red = worrying, Amber = perhaps, White = not worrying

Updated bear market checklist with only 3 out of 18 sell signals continues to support buying the dips

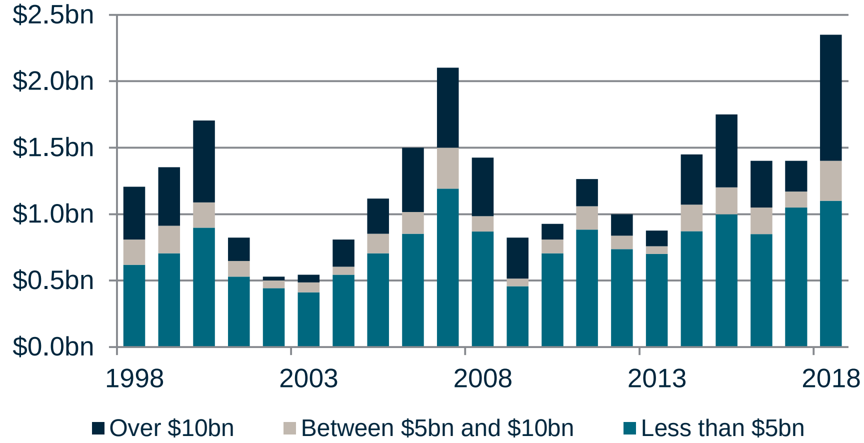
As at 9th July 2018
Source: Citi Research
Note: 1. Consensus
Past performance is no guarantee of future performance and the value of investments can go down as well as up000

Global private equity dry powder levels at record highs

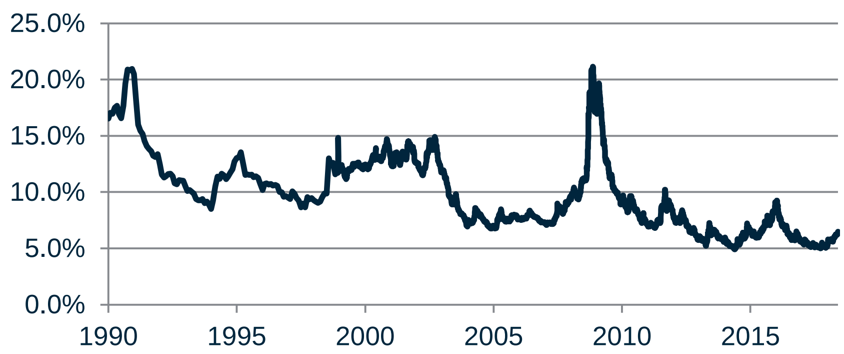
Private Equity Dry Powder by Fund Type, 2008 - 2017



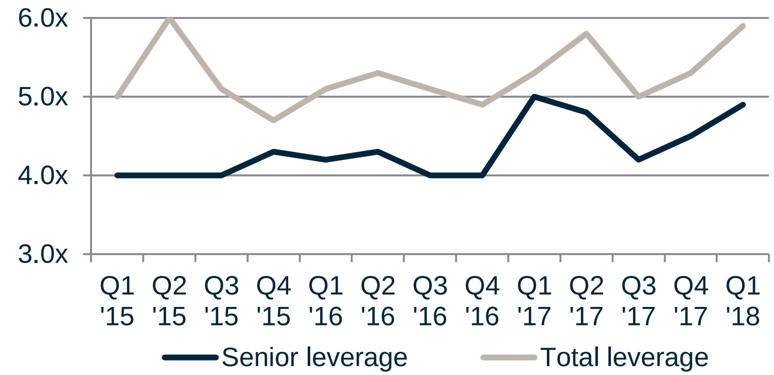
Worldwide M&A volumes in H1, 1998 - 2018



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



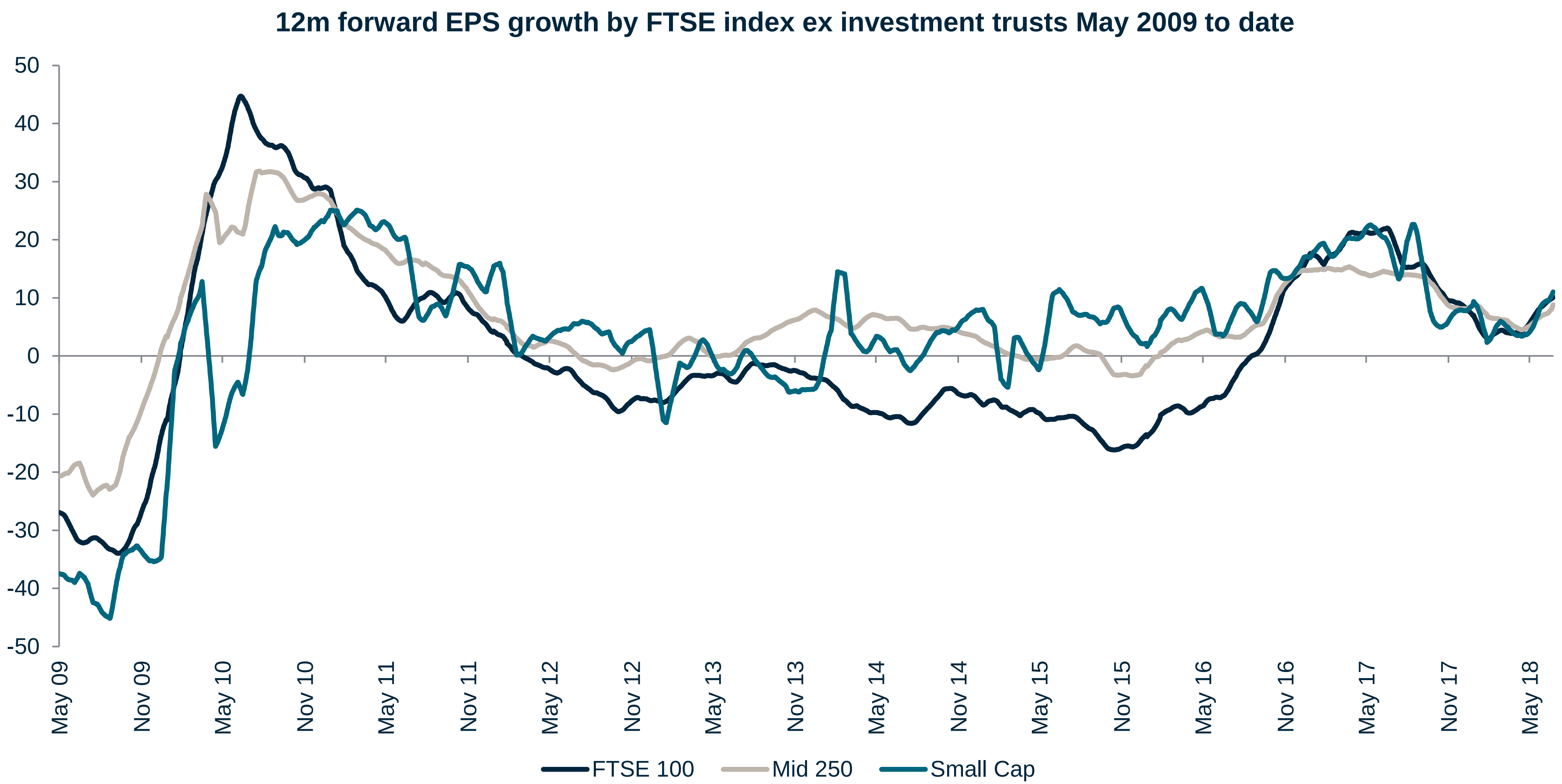
Net debt / EBITDA of mid-market M&A deals



The level of private equity dry powder (capital that has been raised, but not yet deployed) has continued to climb; global dealmaking hit an all-time record in H1 2018 at $2.5tn eclipsing the previous high set in H1 2007; the cost of debt remains both generationally low, and widely available

Source: Preqin Private Equity Online, William Blair, Bloomberg, Thomson Reuters
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



Volatile earnings picture at the macro level. Portfolio positioned in longer term structural growth areas, with strong cash flow and rating upside as additional drivers of returns

As at 30th June 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

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

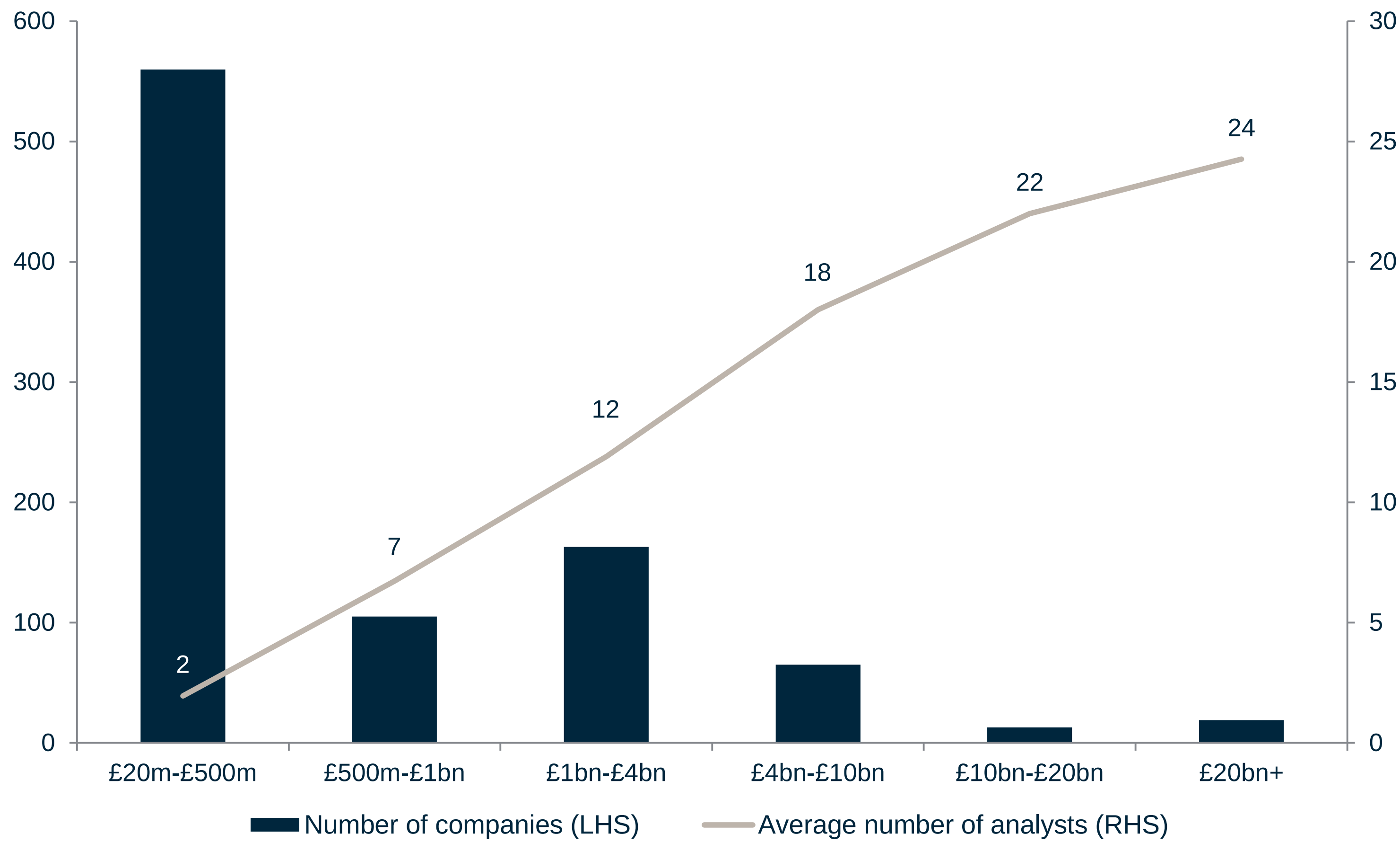
- For portfolio companies: Increasing importance of proper investor relations, corporate broking, market guidance and focus of the Board on shareholder value creation
- Our engagement approach: Proactive engagement with portfolio companies is essential
  - Chair / Board engagement or personnel change, e.g. **WIL**, **IFG**, **TRB**, **MGP**
  - Engagement with management to maximise financial and operating efficiency, e.g. **EMIS**, **WIL, IFG**
  - 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, IFG, TYMN**
  - 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

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

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

Conclusion

Conclusion

- Difficult quarter with negative performance concentrated in a small number of holdings. These companies continue to be an area of focus and engagement. In each case, confidence remains in long term prospects supported by compelling valuations
- Across the portfolio there are a significant number of holdings trading at or near multi-year low valuations lows despite good levels of earnings growth and strong financial positions; over half[1] of the portfolio is forecast to have net cash balance sheets
- Market is volatile and is increasingly suffering from a decrease in dissemination of information and liquidity in the aftermath of MiFID II; this provides opportunity for SEC with permanent capital, a proprietary research platform and a long term approach focused on intrinsic valuations
- Historical low levels of correlation to the market indices are expected to continue; our focus remains on achieving absolute returns of 15% p.a. over a medium to long term horizon
- Given the above, the Investment team acquired a significant number of shares over the period and now own c.4% of shares in issue

Positive outlook on the long term prospects of both current holdings, and for future opportunities, given the current market environment

As at 30th June 2018
Source: GVQIM, PATAC, Bloomberg, FactSet
1. Portfolio companies, constituting 56% of the NAV of the invested portfolio, are forecast to have net cash balance sheets over the next twelve months
Past performance is no guarantee of future performance and the value of investments can go down as well as up

Appendix

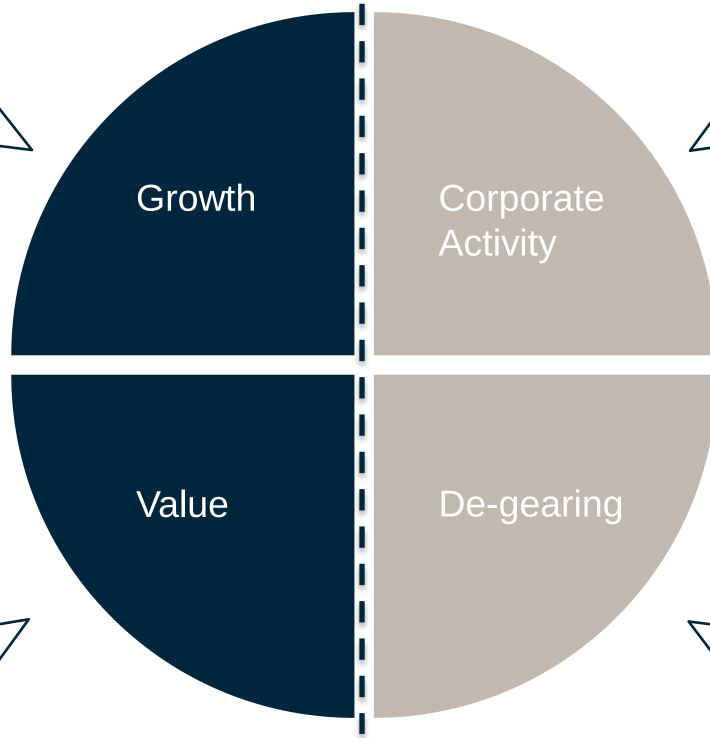
How we identify value in potential investments

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

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

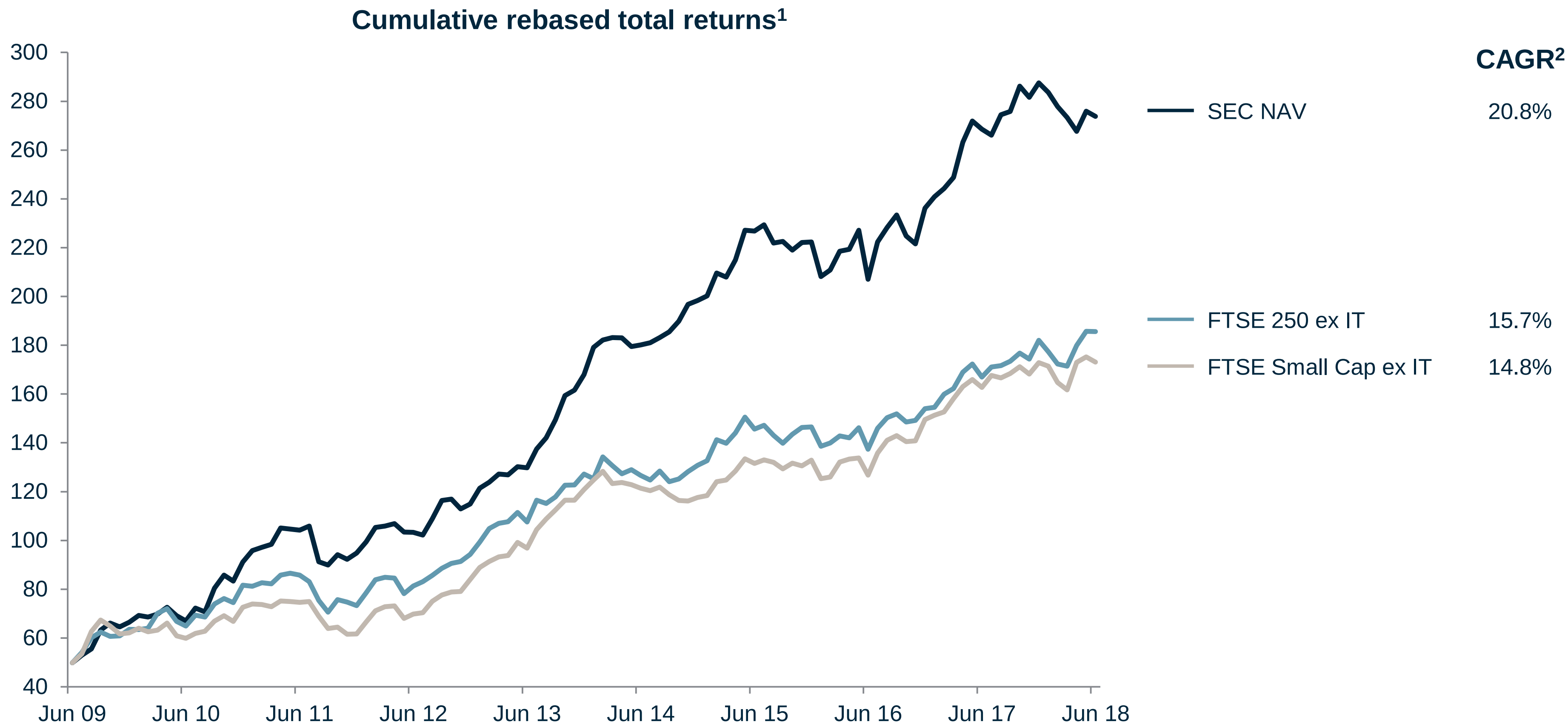
	Idea generation	Investment Memorandum	Preliminary Investment Recommendation	Final Investment Recommendation	Monitoring & review
Materials	• Watch list • M&A transactions • Cash flow screen • Yield screen • Four drivers screen • LBO screen • Directors dealing	• Company description • Investment thesis • 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



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

As at 30th June 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

Performance

Calendar Year annual performance

	YTD	2017	2016	2015	2014	2013	2012
Share Price Total Return	-7.9%	20.2%	-9.0%	14.2%	32.7%	61.5%	25.6%
NAV Total Return	-4.8%	21.7%	6.3%	12.1%	18.1%	46.1%	21.3%
FTSE Small Cap ex Investment Trusts Total Return	0.1%	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 June 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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