

# Strategic Equity Capital

## Q4 Update 2016



### Fund objective

Strategic Equity Capital plc (“SEC” or “Trust”) is a London-listed investment trust investing predominately in small cap UK equities. The Trust is not constrained by market indices and aims to maximise returns for investors over the medium term.

### Investment Strategy:

The Investment Manager, GVQ Investment Management Limited (“GVQIM”), employs a strategy to invest predominantly in publicly quoted companies which can create value through strategic, operational and management change. GVQIM follows a practice of constructive corporate engagement and aims to work with management teams in order to enhance shareholder value. Established in 2002, GVQIM believes it is one of the leading investors in this field.

### Key Investment features:

We aim to combine the best elements of public and private equity investing as described in the chart below:



### Investment Approach:

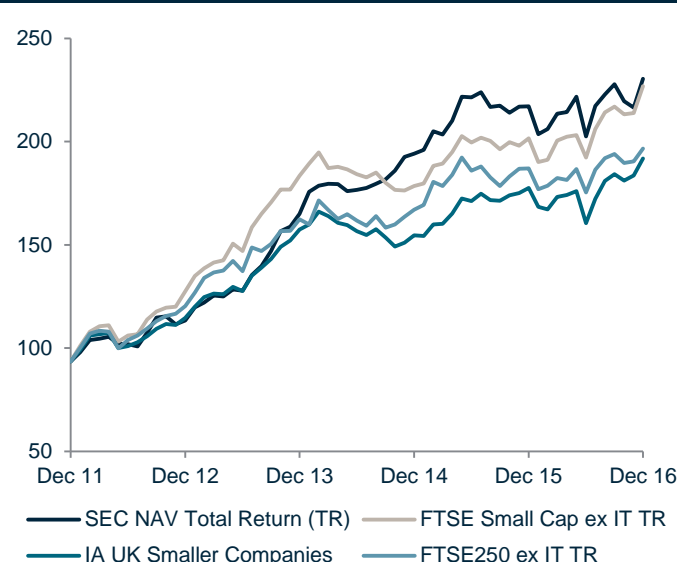
Before investing we undertake an extensive due diligence process, assessing market conditions, management and stakeholders. Our investments are underpinned by valuations, which we derive using private equity-based techniques, including a focus on cash flows, the potential value of the company to trade or financial buyers and the capital structure.

We typically aim to hold companies for the duration of rolling three-year investment plans that include an entry and exit strategy and a clearly identified route to value creation.

During our investment holding periods, we engage constructively with portfolio companies. The primary objective of this engagement is to promote further value creation for all investors. However, we will vigorously defend the interests of our investors if we believe they risk being threatened. Our engagement is undertaken in private and involves discussions and submission of written commentary and proprietary analysis to portfolio company managers, their advisers and, where required, other shareholders.

The majority of the investments by value will be typically invested in up to 25 smaller companies in the AIM & FTSE Small Cap indices.

### 5 year cumulative rebased total performance<sup>1</sup>



### Discrete performance (%)<sup>2</sup>

|                         | 2016             | 2015 | 2014 | 2013 | 2012 | 2011  |
|-------------------------|------------------|------|------|------|------|-------|
| Share price TR          | -1.6             | 14.2 | 32.6 | 61.4 | 25.6 | 9.4   |
| NAV TR                  | 6.3              | 12.1 | 18.0 | 46.0 | 21.3 | 3.9   |
| FTSE Small Cap TR       | 12.5             | 13.0 | -2.7 | 43.9 | 36.3 | -15.2 |
| IA UK Smaller Companies | 8.1 <sup>3</sup> | 14.9 | -1.7 | 37.2 | 22.5 | -9.0  |

### Sector Breakdown<sup>4</sup> (%) of NAV

|                       |      |
|-----------------------|------|
| Technology & Software | 24.7 |
| Support Services      | 16.3 |
| Electronics           | 12.9 |
| Net cash              | 11.2 |
| Healthcare            | 8.5  |
| Media                 | 7.8  |
| Financials            | 7.8  |
| Consumer Services     | 4.2  |
| Industrials           | 3.1  |
| Property              | 2.7  |
| Unlisted              | 0.9  |

### Top Ten Holdings<sup>5</sup> (%) of NAV

|   |      |
|---|------|
| Equiniti Group  | 10.2 |
| e2v technologies (NB: subject to agreed bid approach) | 10.0 |
| Servelec Group  | 9.8  |
| Clinigen Group  | 8.5  |
| Wilmington Group                                      | 7.8  |
| Tribal Group  | 7.0  |
| EMIS Group  | 6.5  |
| 4imprint Group  | 6.1  |
| IFG Group   | 5.8  |
| Goals Soccer  | 4.2  |

Source: As at 31<sup>st</sup> December 2016

1. FTSE Small Cap and IA data rebased to SEC start NAV 31<sup>st</sup> December 2011; 2. Bloomberg; 3. Estimated based on Trustnet data; 4. Factset; 5. Capita Financial Group

FE Crown Rating: 4 crown rating issued July 2016

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

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### Management team:



#### Fund Manager: Stuart Widdowson

Stuart joined GVQ Investment Management in 2006. He has been responsible for Strategic Equity Capital since June 2009. Prior to joining, he was an Associate Director at HgCapital where he spent five years advising on the origination, sourcing and deal execution of mid-market private equity deals. Previously, Stuart was a strategic consultant advising private equity firms. He has over 15 years principle investment experience and a further 2 years advisory experience. Stuart and his immediate family own 625,100 shares in Strategic Equity Capital<sup>1</sup>.



#### Assistant Manager: Jeff Harris

Jeff joined GVQ Investment Management in 2012 as an Analyst. He was appointed Assistant Fund Manager of both Strategic Equity Capital and the GVQ UK Focus Fund in May 2014. Prior to joining he worked at PricewaterhouseCoopers within the Transaction Services Team on a number of private equity and corporate transactions. Jeff holds the ACA qualification. Jeff owns 17,163 shares in Strategic Equity Capital<sup>1</sup>.

### Investment Information<sup>2</sup>

|                                   |   |
|-----------------------------------|---|
| <b>Investment Manager:</b>        | GVQ Investment Management Limited   |
| <b>Launch date:</b>               | July 2005   |
| <b>Net Assets:</b>                | £157m   |
| <b>Market capitalisation:</b>     | £139m   |
| <b>Share price:</b>               | 199.5p  |
| <b>Net Asset Value per share:</b> | 225.1p  |
| <b>Shares in issue:</b>           | 69,808,891  |
| <b>Current holdings:</b>          | 17  |
| <b>Yield (historic):</b>          | 0.4%  |
| <b>On-going charges:</b>          | 1.35%   |
| <b>Gearing:</b>                   | At present, the policy is 'no gearing'  |
| <b>Discount to NAV:</b>           | 11.4%   |
| <b>Performance fee:</b>           | 15% above rolling 3yr FTSE Small Cap ex IT total return + 2% p.a High watermark c. 223p |
| <b>Dividend:</b>                  | Annual (November)   |
| <b>Asset Class:</b>               | UK Smaller Companies  |
| <b>Comparator index:</b>          | FTSE Small Cap ex IT Total Return   |
| <b>Trust codes:</b>               | Sedol: B0BDCB2<br>Bloomberg: SEC:LN<br>ISIN: GB00B0BDCB21                               |

### Contact details

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

For general enquiries, please contact:

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### SOURCE & COPYRIGHT:

1. As at 31<sup>st</sup> December 2016; 2. Capita Financial Group. FE Crown Rating: 4 crown rating issued July 2016. Fund received a 5 Year and 3 Year Morningstar Rating<sup>TM</sup> of ★★★★★ as at 31<sup>st</sup> December 2016. Money Observer Rated Fund 31<sup>st</sup> March 2016. Runner Up Best UK Equity Trust, Money Observer Trust Awards in April 2016. Highly Commended in the UK Smaller Companies category at the Moneywise Investment Trust Awards in March 2016. Winner Best UK Investment Trust, What Investment in May 2015. Winner UK Smaller Companies, Investment Adviser 100 Club Awards in September 2015.

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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.

These are not all the risks of an investment in Strategic Equity Capital Plc shares. 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.