

# Strategic Equity Capital

## Q4 Update 2019



### 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.

### 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 FTSE Small Cap & AIM indices.

### Fund Manager Commentary:

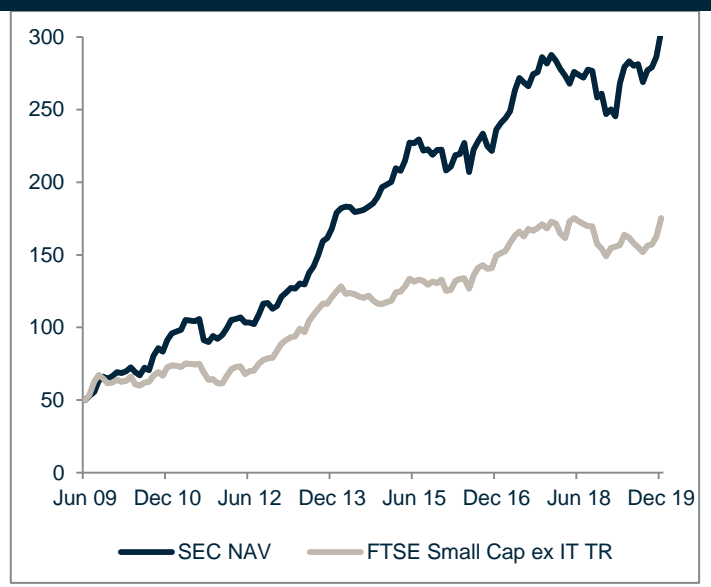
The final quarter of 2019 was a strong end to a year which saw both the NAV and share price increase by around a quarter.

Despite the strong growth in NAV, the valuations of portfolio companies remain attractive in our view. When looking at a traditional P/E ratio compared to historical levels, all but one of the top ten companies are rated at below their five year mid point. On our preferred valuation metric, the GVQ cash yield, the weighted average portfolio valuation corroborates this positive outlook.

Furthermore, irrespective of whether markets remain supportive, portfolio companies have specific opportunities to grow profitability and cash flow and improve their business models. For example; leveraging investment recently undertaken, improving capital allocation, reducing balance sheet leverage through cash generation, more efficient operations and improving communications and investor perceptions are all means to grow their value. We continue to engage with investee companies on these areas.

Whilst smaller companies remain at a discounted rating to medium sized and larger companies owing to poor liquidity and risk aversion, the opportunity for an actively managed small cap investment trust is acute. This is particularly so given the weight of money in private equity funds alongside the generationally cheap levels of financing.

### Long term cumulative rebased total performance<sup>1</sup>



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

	2019	2018	2017	2016	2015	2014	2013	2012
Share price TR	25.8	-17.6	20.2	-9.0	14.2	32.7	61.5	25.6
NAV TR	23.1	-14.1	21.7	6.3	12.1	18.1	46.1	21.3
FTSE Small Cap TR	17.7	-13.8	15.6	12.5	13.0	-2.7	43.9	36.3

### Sector Breakdown<sup>3</sup> (%) of NAV

Healthcare	24.7
Technology	17.0
Support Services	16.4
Financials	12.4
Media	10.2
Industrials	9.0
Property	3.6
Agricultural Producers	2.7
Net cash	4.2

### Top Ten Holdings<sup>4</sup> (%) of NAV

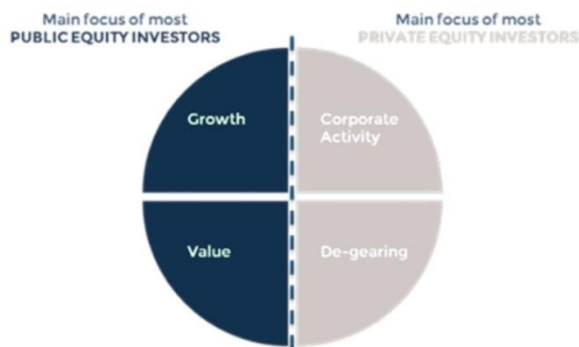
Equiniti Group	10.9
Wilmington	8.1
Clinigen Group	8.0
Tyman Group	7.2
Medica	6.0
Brooks Macdonald	5.5
Alliance Pharma	5.5
Tribal	5.4
Ergomed	5.2
XPS Pensions	5.2

# Strategic Equity Capital

## Q4 Update 2019

### Key Investment features:

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



### Management team:



#### Fund Manager: Jeff Harris

Jeff joined GVQ Investment Management in 2012 as an Analyst. He was appointed Deputy Fund Manager in May 2014 and Lead Manager of Strategic Equity Capital plc in February 2017. 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.



#### Fund Manager: Adam Khanbhai

Adam was appointed to manage Strategic Equity Capital plc in February 2017. He has 10 years of relevant experience. He joined GVQIM in 2014 as Senior Analyst providing analysis and due diligence on existing and potential investee companies. Prior to joining he worked at OC&C Strategy Consultants for six years as a consultant working on commercial due diligence and strategy projects for corporate and private equity clients. Adam was a Girdlers' Scholar at Cambridge University and is a qualified CFA charterholder.

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

<b>Investment Manager:</b>	GVQ Investment Management Limited
<b>Launch date:</b>	July 2005
<b>Net Assets:</b>	£181m
<b>Market capitalisation:</b>	£155m
<b>Share price:</b>	245.0p
<b>Net Asset Value per share:</b>	286.1p
<b>Shares in issue:</b>	63,296,844
<b>Current holdings:</b>	23
<b>Yield (historic):</b>	0.6%
<b>On-going charges:</b>	1.12%
<b>Gearing:</b>	At present, the policy is 'no gearing'
<b>Discount to NAV:</b>	14%
<b>Performance fee:</b>	10% above rolling 3yr FTSE Small Cap ex IT total return + 2% p.a., subject to high watermark
<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 Bloomberg: SEC:LN 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:

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

**Secretary and Registered Office**  
**PATAC Limited**  
21 Walker Street, Edinburgh, EH3 7HX  
Tel +44 (0)1315 386608

### SOURCE & COPYRIGHT:

1. As at 31<sup>st</sup> December 2019. 2. PATAC. Fund received a 10 Year Morningstar Rating™ of ★★★★★ as at 31<sup>st</sup> December 2019. Runner Up Best UK Equity Trust, Money Observer Trust Awards in April 2017. 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

### NOTICE TO RECIPIENTS:

This document is given to the recipient on condition that the recipient accepts that it is not a client of ("GVQ Investment Management Limited or "GVQIM") and that hence, none of the client protections applicable to GVQIM's clients are in fact in force or available, and GVQIM is not providing any financial or other advice to it

This document has been issued by GVQIM in the UK solely for the purposes of section 21 of the UK Financial Services and Markets Act 2000. GVQIM, whose registered office is at 16 Berkeley Street, London, W1J 8DZ, is registered in England: No 4493500 and is authorised and regulated by the UK Financial Conduct Authority

The information contained in this presentation is not intended to make any offer, inducement, invitation or commitment to purchase, subscribe to, provide or sell any securities, service or product or to provide any recommendations for financial, securities, investment or other advice or to take any decision. You are encouraged to seek individual advice from your personal, financial, legal and other advisers before making any investment or financial decisions or purchasing any financial, securities or investment related service or product

The investments referred to in this presentation are only suitable for investors who are capable of evaluating the merits and risks of such investments and who have sufficient resources to be able to bear any losses which may arise from that investment (taking into account the fact those losses may be equal to the whole amount invested)

The information contained in this presentation is provided for general information and is not comprehensive and has not been prepared for any other purpose. Any financial, securities or investment related service or product referred to may not be available to all customers or in all cases; may be available only where specifically requested and agreed upon; may be associated with certain specific fees and conditions and may be materially different than as described

### 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

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