GVQ

INVESTMENT MANAGEMENT

Strategic Equity Capital plc

Q1 Update 2020

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 March 2020

Runner Up 2017 and 2016, Winner 2015, Highly Commended 2014: Money Observer Trust Awards. Category: Best UK Equity Trust
Highly Commended 2016, Winner 2015, Highly Commended 2014: Moneywise Investment Trust Awards . Category: UK Smaller Companies
Winner 2015 and 2014: What Investment Trust Awards . Category: Best UK Investment Trust
Winner 2015: Investment Adviser 100 Club Awards . Category: UK Smaller Companies
Winner 2015: Grant Thornton Quoted Company Awards . Category: Fund Manager of the Year
Winner 2014: PLC Awards . Category: Fund Manager of the Year
Winner 2014: Investment Week, Investment Company of the Year Awards . Category: UK Smaller Companies
Highly Commended 2012: Money Observer Trust Awards . Category: Best UK Smaller Companies Trust
Winner 2011: Investment Trust Magazine. Category: Best Small Companies Trust

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Q1 UPDATE 2020

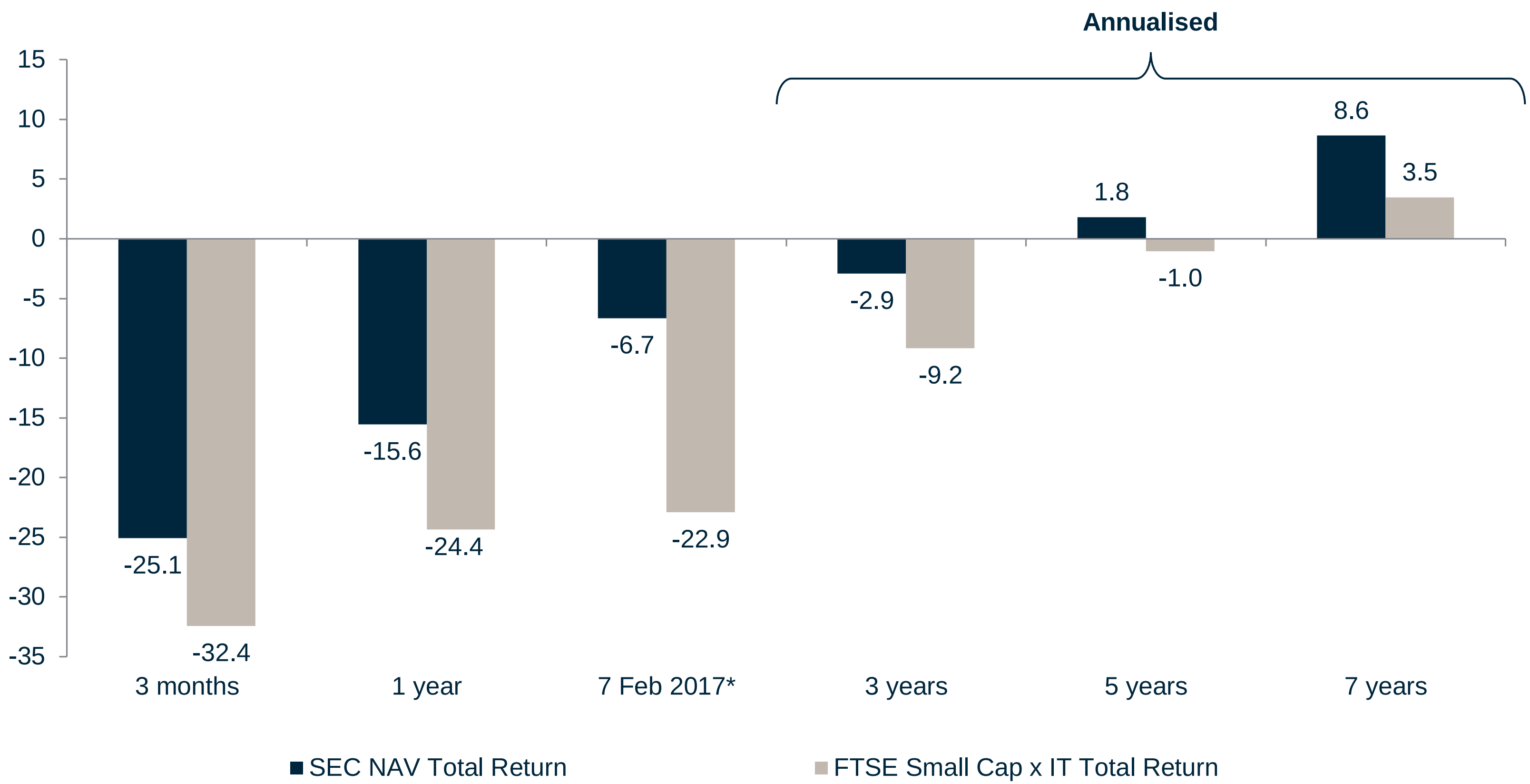
Executive summary

- SEC (the "Trust") net assets per share decreased by 25,1%[1] over Q1. The FTSE Small Cap ex IT index (the "index") decreased by 32.4%[1]
- The quarter has been dominated by the ongoing Covid-19 pandemic which continues to have a severe impact on individuals, businesses and, of course, financial markets around the world. We hope all of our stakeholders and their families are keeping safe through this extremely challenging time
- As managers, our strategy focuses on high quality and cash generative companies with structural, rather than cyclical, growth drivers. We believe this, coupled with the generally conservative positioning of the portfolio, has helped to mitigate some of downside[2] experienced by the market. We remain highly engaged with the management teams and Boards of our holdings (see p.9-11 for portfolio detail)
- The length, severity and long term impact of Covid-19 are difficult to forecast at this stage. There will doubtless be many second (and third) order implications which are as yet unclear. We maintain a healthy cash position which is strategically valuable in times like this
- Such extraordinary times are likely to create a number of extraordinary investment opportunities, both within the portfolio and in the broader market. Whilst we are cognisant of these opportunities, our approach will continue to be cautious and cerebral. It is still early days

Covid-19 is an unprecedented situation. Its effects will be different to those experienced in previous recessions or market crises

As at 31st March 2020
1. On a total return basis 2. http://performance.morningstar.com/funds/cef/ratings-risk.action?t=SEC&region=gbr&culture=en-US&ownerCountry=USA
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	6.0%	6.8%	7.8%	7.6%	9.1%	9.6%

Consistent investment process with evidence of defensive characteristics in a tumultuous period for markets

As at 31st March 2020. Source: Unaudited Bloomberg, PATAC, GVQIM. Notes: 1. Comparator index FTSE Small Cap ex Investment Trusts Total Return 2. On a total return basis
* Lead manager change
Past performance is no guarantee of future performance and the value of investments can go down as well as up

Q1 Attribution analysis

Positive attribution	bps	GVQIM Comment
Huntsworth	82	Recommended takeover approach by Clayton, Dubiller & Rice at a 50% premium. A relatively recent investment. On full realisation an IRR of 76%
Ergomed	33	Acquired Ashfield Pharmacovigilance to strengthen US presence. Very strong full year results with growing pipeline. Company involved in Covid-19 related clinical trials
JTC	19	Strong full year trading update, with particularly good performance in PCS. Acquisition of Sanne PCS division and NES Financial, a US-based technology-enabled, provider of specialist fund administration services
Oxford Metrics	2	In line AGM statement. Investment exited generating a significant IRR
Negative attribution	**bps**	**GVQIM Comment**
Hostelworld	-198	Full year results with initial progress of new strategy. Significantly overshadowed by Covid-19 travel related restrictions. Company has €20m net cash balance sheet and is undertaking significant mitigating actions
Medica	-207	Strong FY19 results with 19% organic growth and strong cash generation. Strategic partnership with Qure.ai to develop AI tools for prioritisation and improved efficiency of radiology scan workload. Appointment of high calibre CFO. Growth rate to be impacted by Covid-19 but strong balance sheet to weather short term impacts
Tyman	-363	In line full year results with strong cash performance ahead of expectations. Good strategic and operational progress under new management. Likely to be significantly impacted by Covid-19 and related market slowdown. Mitigating actions underway and well positioned as a market leader
Clinigen	-384	In-line interim results with growth at top end of expectations but timing issues led to weaker cash performance. Shares materially de-rated to all time low valuation despite the resilience of its business model and prospective cash generation
Wilmington	-481	Interim results slightly ahead with return to organic growth. Face-to-face parts of business to be impacted by Covid-19

Covid-19 dominated company updates in March. Ahead of this, portfolio companies were on a strong performance trajectory. Mitigating actions are now underway

As at 31st March 2020
Source: Attribution estimates based on FactSet Portfolio Analysis and GVQIM
Past performance is no guarantee of future performance and the value of investments can go down as well as up

Response to Covid-19

- Not panicked. Times of distress can lead to unhelpful cognitive behaviours

- Retained a strong cash balance (c.10% of NAV). In early March, fully realised positions in Oxford Metrics (34% IRR) and Huntsworth (76% IRR) post take-over approach to supplement cash position

- Portfolio has higher quality market leaders, largely in defensive industries generating higher margins with good balance sheets. We believe this positions the portfolio favourably

- We have spoken to portfolio companies and are in regular dialogue with Management teams and Boards
  Key areas of focus:
  - Balance sheets
  - Cash generation
  - Supply and demand risks
  - Operational gearing
  - Cost mitigations
  - Opportunities (market share gains from weaker competitors post the crisis etc.)

- At a top-down level, the portfolio can be categorised in 3 ways; i) Broadly resilient ii) Operationally impacted but confident iii) Affected and taking more decisive actions

- There will undoubtedly be short term operational challenges and actions required. There will be longer term impacts owing to inevitable recession and lasting effects of this period

Source: Factset
In the opinion of GVQIM

Portfolio Characterisation – Covid-19

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Resilient	More operationally impacted	Potential requiring action
• Financially secure • Sectors largely immune to direct impacts of restrictions in place (e.g. healthcare and business services) • Growth rates moderated but remain profitable • Management actions if required to protect profitability and cash flow	• Operational impact on demand and supply side • Actions being taken to minimise costs and protect cash flows • Favourable underlying financial and cash flow characteristics • Using market position to deepen customer relationships • Market leaders so likely to emerge stronger than competitors	• More direct impact of 'shutdown' • Fundamentally quality businesses with strong cash flow in normal times. Strong bank relationships • Management and Boards taking proactive initial mitigating steps, including; widespread employee cost reductions, using government support, halting capex and suspending dividends • Potential equity raises depending on depth and duration of the crisis to give financial breathing room
Net cash		
% of NAV		
c.50%	c.34%	c.16%

Whilst relatively few companies will be left unscathed and the depth and duration is uncertain at this juncture, on a conservative assessment, the majority of the portfolio is relatively resilient

Source: GVQIM; Based on the opinion of the Managers

Portfolio overview – Covid-19

Company	Weight (%)	Impact assessment
Equiniti	11.9	Business has a very high degree of ‘secured’ revenue. However, interest rate cuts , dividend suspensions and lower capital markets (M&A, IPO) activity will impact profitability , this is partially mitigated by elevated cash levels and inevitable market re-capitalisation activity to come. Significant balance sheet headroom
Clinigen	10.4	Potential delay in commencing new clinical trials offset by potential greater need for emergency access to medicines. Very strong degearing profile post June. Director buying
Tribal	7.4	Education Services division more impacted with fewer inspections; its cost base is more variable. Accelerated group fixed cost actions and furloughing employees. High recurring revenue base. Director buying. Net cash
Ergomed	6.8	Limited impact. Has been involved in initial Covid-19 trials. Long term contracts and contracted future revenue gives visibility of 95% of revenue for 2020. May be some tempering of future growth. Net cash
XPS Pensions	6.1	Limited impact. Pensions administration is non-discretionary. Potentially fewer new consultancy projects impacting growth rates. Proposed Aon and Willis Towers Watson merger will be positive for XPS in our view
Tyman	6.0	Large operational impact as factories reduce output and demand weakens. Have put in place a broad range of measures to optimise cash flow through cost savings, working capital and capex reductions and suspending the dividend. Making use of government employee programmes, central bank emergency funding potentially, tax relief and other measures in all geographies. Director buying
Medica	5.3	Two-thirds of cost base is radiologist pay; almost exclusively variable in nature. The company is offering a pro-bono service allowing its radiologists to report on non-Medica NHS cases using Medica systems; will deepen its long term relationship with its key customer. Short term growth rate will be impacted. Director buying. Net cash
Alliance Pharma	5.3	Confident in supply side of the business given distributor inventory holdings. Demand likely to be impacted to an extent, mitigated by high proportion of prescription medicines sold
Wilmington	4.9	Face-to-face events and training impacted. Mitigated by migration to online channels and c.45% of sales which are subscription based. Management actions to reduce costs and conserve cash. Director buying
Brooks Macdonald	4.7	Will be clear impact in asset valuations, offset by ability to take cost mitigations. Well capitalised. Net cash

Note: Top 10 accounts for c.76% of invested NAV

Pipeline considerations

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- Extraordinary environment gives rise to a number of investment opportunities that we are currently tracking
- Many small cap share price moves have been extreme; however the impact of Covid on some sectors and businesses has *also* been extreme. Small caps generally less diversified / more focused and therefore high divergence in level impact across different companies
- The length, severity, and long term implications of the Covid19 'lock downs' remains unclear
  - How long will restrictions of 'normal' activities remain in place?
  - Is a 'V', 'U', 'W' or 'L' shaped recovery more likely? A prolonged downturn? A severe 'generational' recession?
  - What are longer term implications of stimulus measures?
  - Will there be more permanent changes in consumer and corporate behaviour after restrictions are lifted?
- There are many considerations to take into account:
  - *Company specific:* Balance sheet and cash, underlying quality and rating 'post Covid'. Will they survive, and if so, will they emerge stronger?
  - *Macro / sector wide:* Cyclicality, level of disruption, long term changes in industry value chain?
  - *Portfolio:* What is the right balance of risk / reward?
- We are thinking about opportunities in three broad categories (shown on RHS). The most attractive opportunities likely to exist where:
  - Companies miscategorised by 'the market' due to lack of understanding of business model, balance sheet or cash flow characteristics
  - Overemphasis of near term earnings trajectory rather than long term potential
  - Technical pressure (outflows, forced realisations) exacerbates share price moves

1. 'Good businesses on sale'

Financially sound and fundamentally high quality companies at attractive entry price

2. 'Short term pain; long term opportunity'

Companies that are impacted in the short term, but with strong balance sheets and mitigations to 'ride it out'. Potential beneficiaries in the long term

3. 'Distressed situations'

High quality companies but with stretched balance sheets in sectors that are heavily disrupted. Potential funding requirement

Higher potential risk / higher potential reward

Many potentially attractive opportunities to deploy capital. We remain disciplined; high conviction requires high level of diligence. Quality, cash and valuation thresholds are integral. As always, new investments must be more attractive than current holdings

Source: GVQIM; Based on the opinion of the Managers

Potential macro economic implications

The situation is clearly uncertain and unprecedented. Economists and commentators are speculating over the length of the crisis and ‘shape’ of the recovery (‘U’, ‘tick’, ‘deep square root’). The following are some of the likely impacts of the current situation:

- Inevitable recessions and mass unemployment as economic activity hits a wall with severe and lasting impacts on consumer confidence and spending ability. US jobless claims have risen to 17m over 3 weeks, European composite PMIs the lowest since first records over 20 years ago. IMF says most countries should expect their economies to be 5 per cent smaller than planned even after a recovery in 2021[1]
- Significant earnings downgrades are anticipated, with global EPS forecast to fall by c.40%[2] over the course of 2020. History has taught that these will likely be higher than prevailing expectations
- Question marks for companies over debtor recoverability and creation of potential liquidity squeeze. Increase in personal and corporate defaults?
- A re-ordering of the globalised economy and complex supply and finance chains?
- Second order banking credit and liquidity crisis?
- ‘Income evaporation’ with dividend cuts[3] and some analysts believing payouts won’t fully recover before 2030. Regulators becoming increasingly involved in this conversation
- Record central government (c.10% of GDP) and central bank stimulus combined with lower tax intake will increase already indebted system to above pre-GFC levels. Mass private sector debt obligations. Estimates that there will be $87tn more in global debt than at the onset of the 2008 financial crisis[4]
- Fractured global relations. Pre-Covid 19, intergovernmental relations were fractious in a post-globalised geopolitical system. This is likely to intensify with the potential for increasingly tense relations between China and other states

Source: 1. IMF April 2020 2. Berenberg 3. Link Group estimate dividend payments from UK companies will fall by up to 53 per cent in 2020 4. Institute of International Finance

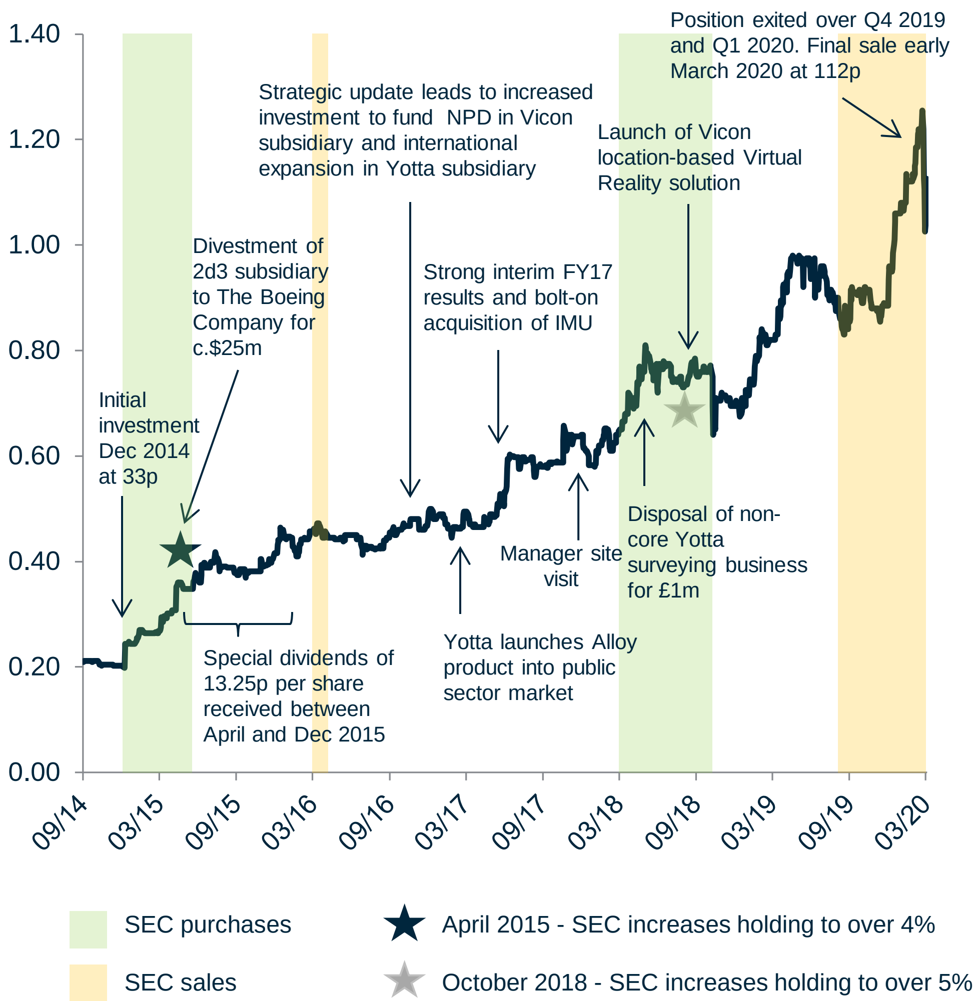
Top 10 holdings[1] – Investment theses

Company	Sector	% of portfolio	Investment thesis
Equiniti Group	Support Services	11.9%	High quality market leader in defensive and structurally growing share services and regulation technology markets. 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. Equiniti is a highly strategic asset in our view
Clinigen Group	Healthcare	10.4%	An acyclical structurally growing market. Clinigen has leading positions in unlicensed medicines and territories without access to healthcare treatments. High barriers to entry built through M&A and organic investment. Company has attractive growth and cash flow characteristics. Significant potential upside with Proleukin
Tribal	Technology	7.4%	Tribal is a market leader in a defensive market with improving financial characteristics. Undertaking investment to transition customers to cloud-based platforms with a higher quality of earnings. A strategic asset
Ergomed	Healthcare	6.8%	Specialist in structurally growing CRO and pharmacovigilance markets. Significant strengthening of management team and clearer defined strategy to grow into a significant market opportunity
XPS Pensions Group	Support Services	6.1%	Repeatable earnings in a defensive pensions administration and advice market. Market share opportunity and ability to grow profit and cash from existing client base. Below market rating despite favourable cash flow characteristics
Tyman Group	Industrials	6.0%	Tyman is a market leader in residential and commercial window and door manufacturing. The company generates good operating margins and strong cash flow reflecting the quality of its offering and market position. Building activity remains far below long term levels and company has multiple self-help opportunities under new management. De-gearing should drive a re-rating and, in our view, Tyman is a strategic asset with many of the characteristics attractive to private equity
Medica	Technology	5.3%	A niche market leader in an acyclical structural growth market driven by healthcare requirements. Above market organic growth and cash generation characteristics. A better defined strategy and expansion of offering under the new CEO and CFO
Alliance Pharma	Healthcare	5.3%	Highly cash generative business with limited capital requirements in an acyclical market. Demonstrable value creation from acquisitions. Recent corporate and product M&A creates a strategic platform for future growth and cash generation
Wilmington	Media	4.9%	New Chairman, CEO and CFO well positioned to re-invigorate a group of good fundamental businesses returning to organic growth. Greater focus on the portfolio and clarity of strategy will aid growth in profit and cash flow and lead to a re-rating
Brooks Macdonald	Financials	4.7%	Structural growth given continuing transition to self-investment. Opportunity to leverage operational investments to grow margin and continue the generation of strong cash flow. A consolidating market

Exited Oxford Metrics (34% IRR) and Huntsworth (76% IRR) to supplement net cash. Increased investment in Clinigen as we believe the market fundamentally misunderstands its defensiveness and cash flow capabilities

As at 31st March 2020. Source: GVQIM analysis and PATAC
Notes: 1. Top 10 holdings representing c.69% of NAV.

Oxford Metrics Group – portfolio realisation case study



- Oxford Metrics PLC (ticker: OMG-LN) focuses on developing and commercialising image processing and location data technologies. The company's IP is regarded as industry leading, particularly in its Vicon subsidiary that enables 3D motion capture for the entertainment, engineering and life sciences industries
- Due diligence process initiated in August 2014, and accelerated following the company's decision to focus on profitable divisions and monetise IP in loss making areas. Initial investment Dec 2014
- Investment thesis based on combination of drivers:
  - *Growth:* Organic growth driven by increasing utilisation and sophistication of motion capture technology
  - *Rating:* High margins and leading market positions. Valuation underpinned by IP and considered substantially undervalued on a 'sum of the parts' analysis
  - *Degearing:* Cash generative with net cash balance sheet; potential for increased returns to shareholders
  - *M&A:* IP and incumbent position in structurally attractive markets; attractive to strategic buyers
  - Ongoing engagement with Management and the Board. Scope for strategic improvement though divestment of sub-scale business units and focus on core activities
- We commend the Management team and Board of the company for consistently strong operational and strategic performance. An exceptional investment for SEC, generating an IRR of 34% and 2.3x money multiple over the course of 5+ years

Source: Factset, GVQIM
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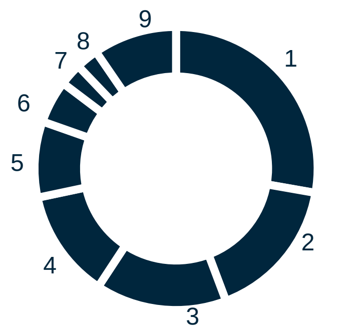
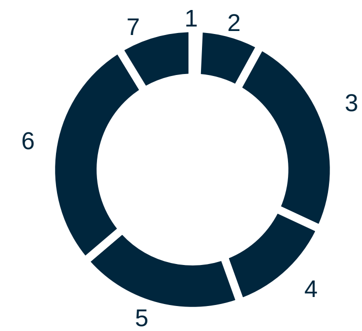
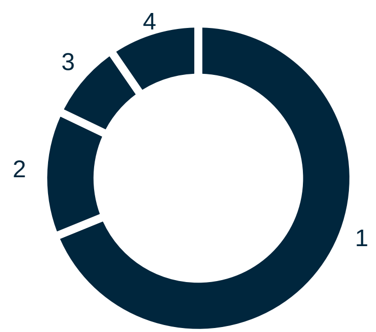
Highly concentrated and unconstrained portfolio



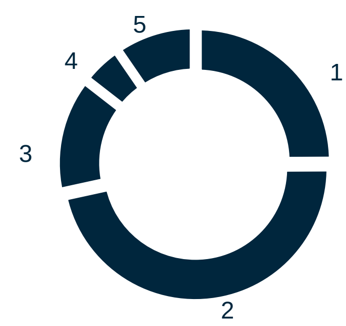
Sector exposure by value		
1	Healthcare	27.8%
2	Support services	16.5%
3	Technology	15.0%
4	Financials	12.4%
5	Industrials	8.7%
6	Media	4.9%
7	Property	2.6%
8	Agricultural Producers	2.6%
9	Net cash	9.6%



Value by market cap band		
1	<£50m	0.8%
2	£50m - £100m	8.0%
3	£100m - £200m	26.2%
4	£200m - £300m	13.7%
5	£300m - £500m	21.1%
6	> £500m	30.1%
7	Net cash	9.6%



Concentration		
1	Top 10	68.8%
2	Rank 11 - 15	13.3%
3	Smaller holdings	8.3%
4	Net cash	9.6%



Value by index membership			No. Holdings
1	FTSE Small Cap	24.9%	6
2	Aim	46.7%	12
3	FTSE 250	13.9%	2
4	Other[1]	4.9%	2
5	Net cash	9.6%	

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 31st March 2020
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]

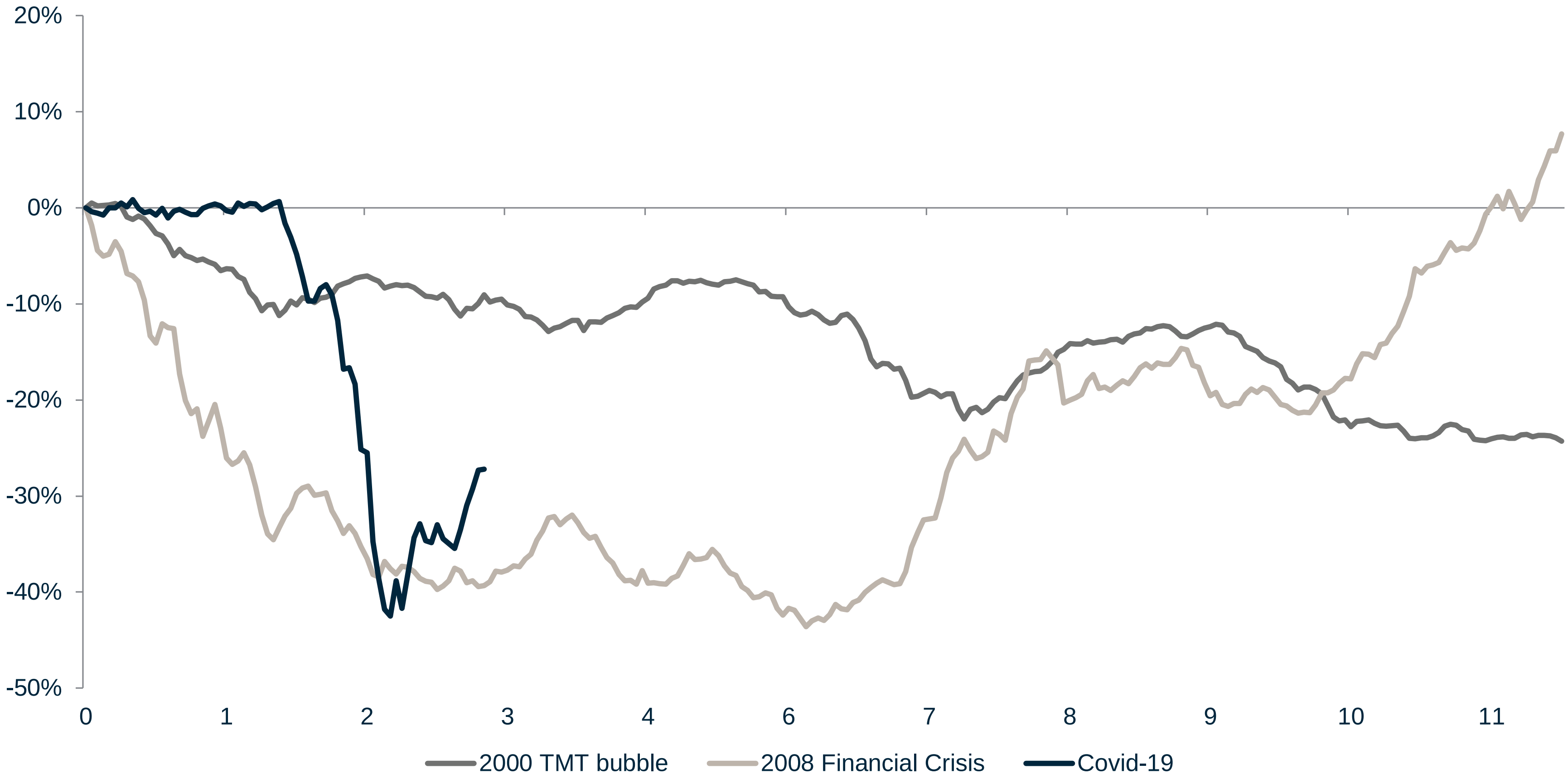
	SEC weighted average	SEC median	FTSE UK Small Cap ex investment trusts
Number of securities	21	21	146
Market cap (£m)	348	224	204
Consensus EV/EBITDA FY1	8.7x	7.9x	5.2x
Consensus price earnings FY1	11.1x	10.4x	7.5x
Consensus FY1 earnings growth	**3.4%**	**1.5%**	5.4%
Consensus dividend yield FY1	3.5%	3.2%	5.6%
GVQIM cash flow yield FY1[2]	**11.1%**	**10.2%**	-
Net Debt/EBITDA	**0.7x**	**(0.0)x**	3.0x
Overseas sales as %	29.2 %	49.3%	-

Forecasts on a one-year forward basis are changing on a daily basis and we expect the Index to rebase. Focus remains on intrinsic cash flow based company valuations. Balance sheet positions are strong in aggregate. More detail on the immediate implications for portfolio companies is contained elsewhere in this presentation

As at 31st March 2020
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

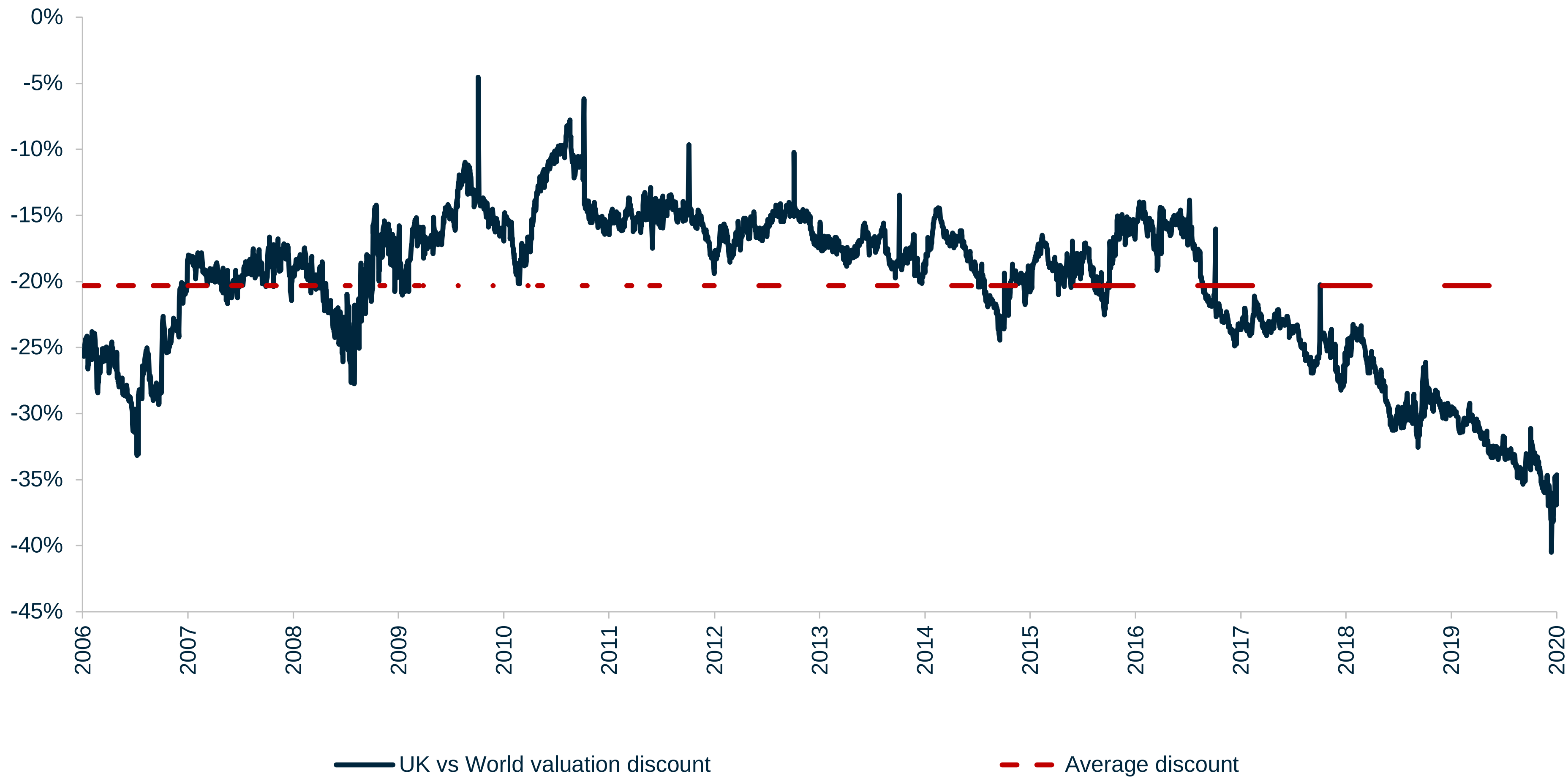
The current market crash in historical context



The speed of the COVID-19 sell-off surpassed the Dot-Com bubble bursting and the 2008 crash. We are cautious over the timing of a sustainable recovery

Source: Liberum, Bloomberg. NB FTSE Small Cap ex Inv Trusts. Y-Axis is percentage of index constituents whose RSI is either overbought or oversold
X-Axis is number of months from the ‘start’ date; being Oct 2000, Sept 2008 and Jan 2020. Latest data for Covid-19 line is 14/04/20
Past performance is no guarantee of future performance and the value of investments can go down as well as up

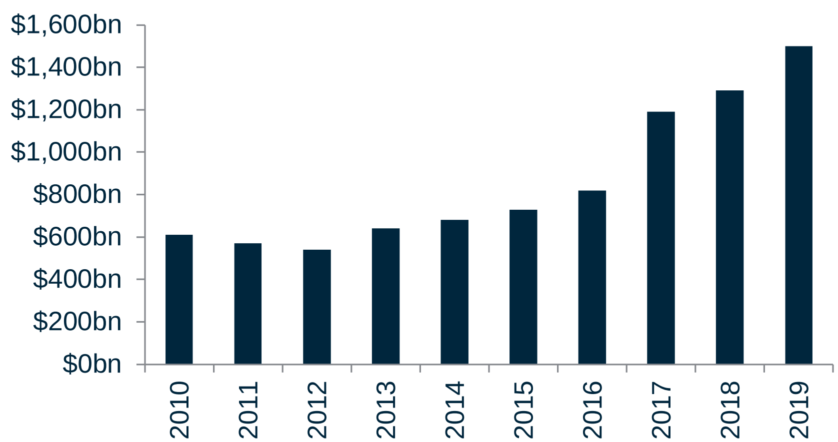
UK vs. MSCI World valuation premium over time



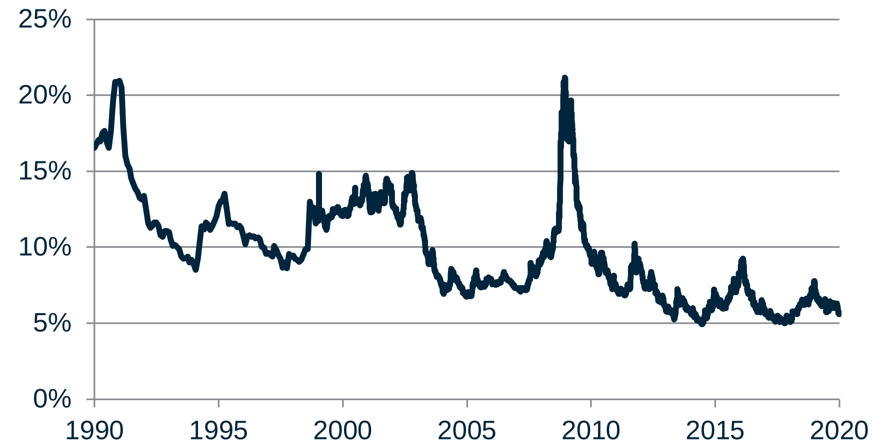
Notes: Latest available data
Sources: Bloomberg/MSCI UK and World indices, average of P/E, P/BV and dividend yield, ²Bloomberg/MSCI European Growth Index & MSCI European Value Index. Past performance is no guarantee of future performance and the value of investments can go down as well as up

Global private equity dry powder levels were at record highs coming in to 2020

Total Private Equity Dry Powder, 2010 - 2019



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



- ‘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]
- The UK is relatively lowly valued and alongside record fund raising levels in private equity and generationally cheap levels of debt, we expect M&A activity to continue

The level of private equity dry powder (capital that has been raised, but not yet deployed) has continued to climb; the cost of debt remains both generationally low, and widely available

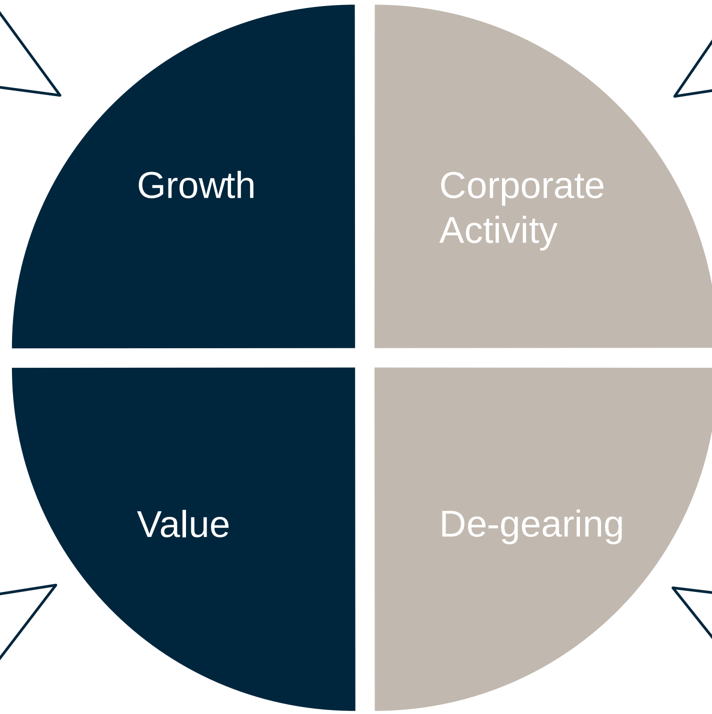
Latest data available. Note: 1. At 31st December 2019
Source: Preqin Private Equity Online
Past performance is no guarantee of future performance and the value of investments can go down as well as up

Earnings growth, cashflow and M&A to drive returns

SEC portfolio

- A proportion of portfolio company earnings impacted in the short term. Longer term, growth driven by structural as opposed to cyclical trends

- Private Equity ‘dry powder’ at record levels. Likely that over time this will take advantage of very low public market valuations
- 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 11.1%
- Conservatively assume only a limited re-rating for many portfolio companies

- Portfolio de-gearing continues at mid single digits p.a.
- Balance sheet strength provides scope for enhanced returns
- Additional 3.5% dividend yield

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

As at 31st March 2020
Source: GVQIM, Preqin

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

Conclusion

Conclusion

- SEC (the "Trust") net assets per share decreased by 25,1%[1] over Q1. The FTSE Small Cap ex IT index (the "index") decreased by 32.4%[1]. The quarter has been dominated by the ongoing Covid-19 pandemic which continues to have a severe impact on individuals, businesses and, of course, financial markets around the world

- As managers, our strategy focuses on high quality and cash generative companies with structural, rather than cyclical, growth drivers. We believe this, coupled with the generally conservative positioning of the portfolio, has helped to mitigate some of downside experienced by the market. We remain highly engaged with the management teams and Boards of our holdings

- The length, severity and long term impact of Covid-19 are difficult to forecast at this stage. There will doubtless be many second (and third) order implications which are as yet unclear. We maintain a healthy cash position which is strategically valuable in times like this

- Such extraordinary times are likely to create a number of extraordinary investment opportunities, both within the portfolio and in the broader market. Whilst we are cognisant of these opportunities, our approach will continue to be cautious and cerebral. It is still early days

Covid-19 is an unprecedented situation. Its effects will be different to those experienced in previous recessions or market crises

As at 31st March 2020
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

Morningstar small cap investment trust overlap analysis

	ASL	BRSC	THRG	GHS	HSL	IPU	JMI	MINI	MTU	SLS	SEC
ASL		9%	3%	0%	15%	13%	13%	1%	3%	4%	2%
BRSC	9%		56%	0%	30%	21%	32%	1%	23%	30%	2%
THRG	3%	56%		1%	23%	18%	25%	2%	29%	31%	1%
GHS	0%	0%	1%		0%	0%	1%	0%	0%	0%	0%
HSL	15%	30%	23%	0%		27%	27%	0%	13%	19%	4%
IPU	13%	21%	18%	0%	27%		29%	0%	21%	25%	6%
JMI	13%	32%	25%	1%	27%	29%		1%	17%	30%	0%
MINI	1%	1%	2%	0%	0%	0%	1%		1%	0%	0%
MTU	3%	23%	29%	0%	13%	21%	17%	1%		38%	3%
SLS	4%	30%	31%	0%	19%	25%	30%	0%	38%		0%
SEC	2%	2%	1%	0%	4%	6%	0%	0%	3%	0%	

A highly differentiated approach with limited overlap with other smaller company investment trusts

As at 31st March 2020 – using latest reporting available from Morningstar
Source: Investec

How we identify value in potential investments

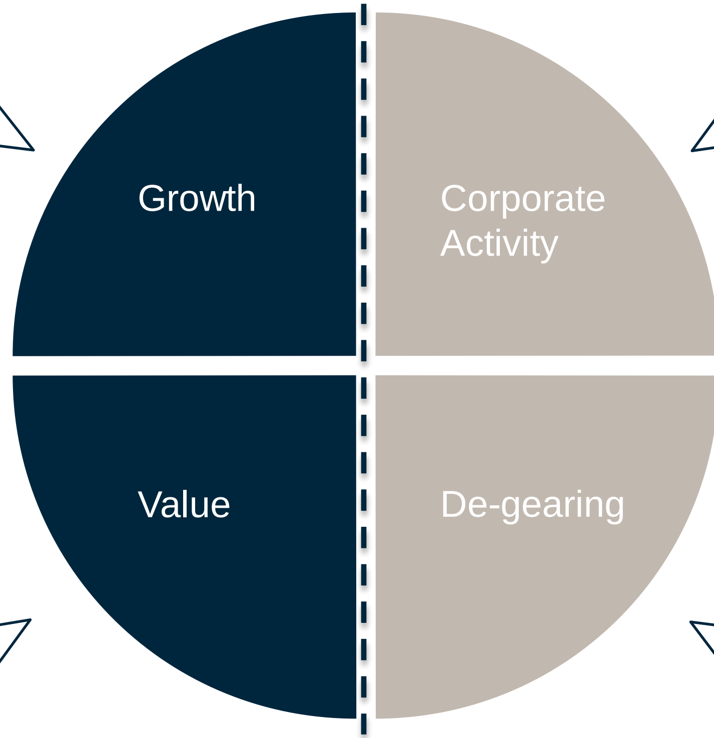
Main focus of most
PUBLIC EQUITY INVESTORS

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

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 a 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

ESG Considerations

GVQ INVESTMENT MANAGEMENT

Strategy

- UK small cap universe is large and diverse; many high quality, well managed, focused / niche companies exist
- Concentrated portfolio enables high degree of selectivity; no need or desire to reflect index exposures
- Zero exposure to natural resource sectors
- Avoid companies with current or potential future environmental liabilities

Process

- Detailed and deep diligence process ensures proper understanding of business practices and culture
- High importance placed on governance best practice
- High level of engagement with management teams and boards of directors; track record of positive, proactive engagement on governance, remuneration and strategy

Portfolio

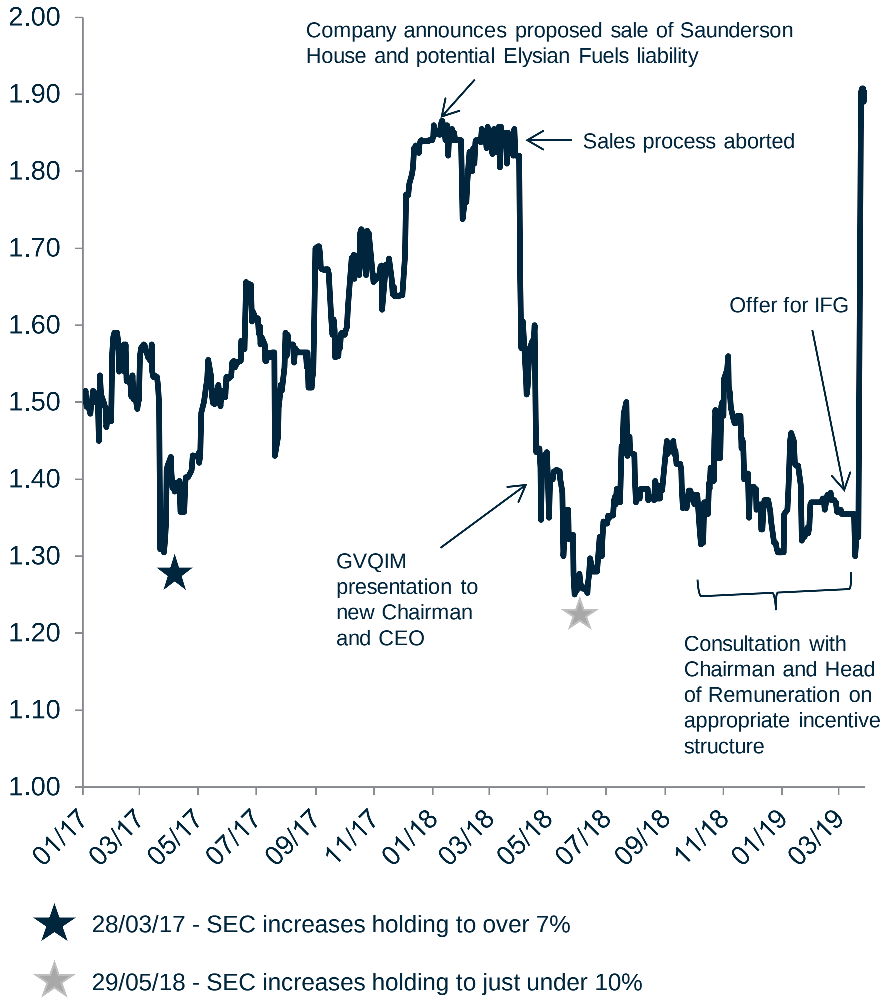
- Our analysis of the portfolio's current holdings has not identified any significant ESG concerns in our view
- Furthermore, 8 holdings representing c.40% of NAV, generate a *positive* social and / or environmental impact:

Pharma Services CLINIGEN ERGOMED	Clinigen enables the developing world access to leading pharmaceutical products Ergomed services help to bring medicines to market and monitors drug safety
Healthcare Tech MEDICA GROUP emis group	Medica enables the NHS to read radiology scans quickly and accurately EMIS software improves NHS services and stores patient data securely
Education Tech TRIBAL	Tribal software enables efficient administration of universities and schools
Land Regeneration Harworth	Harworth regenerates contaminated brownfield land in the North and Midlands
Aquaculture Benchmark	Benchmark products improve environment and animal welfare in aquaculture industries
IT Security Eckoh	Eckoh software prevents consumer credit card fraud in call centres

We believe SEC's strategy, process and portfolio (current and historic) is highly consistent with the objectives and principles of ESG investing

Source: GVQIM

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:

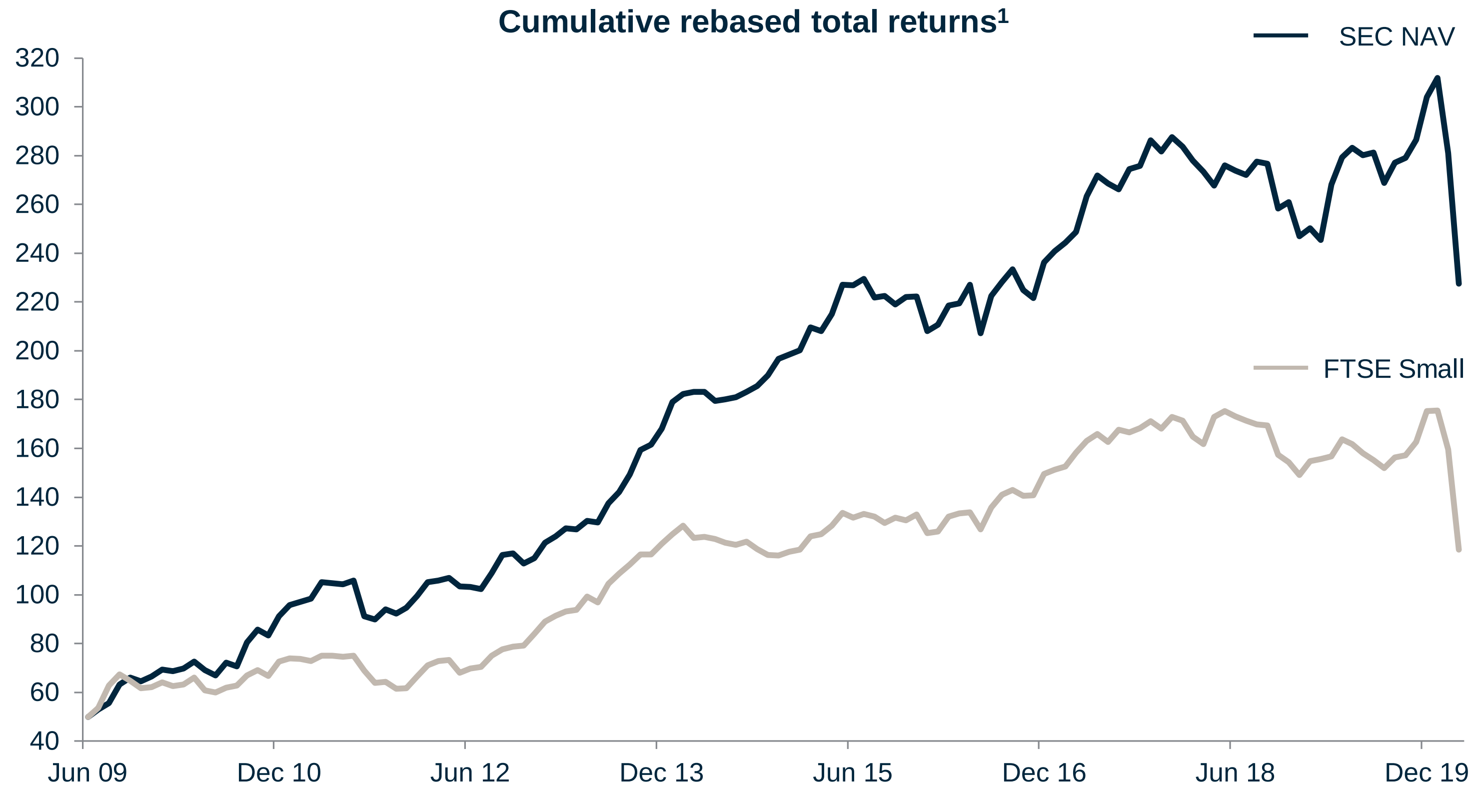
  'Our view remains that the individual businesses… are independently more valuable than in the current group structure and than the prevailing share price suggests. Ongoing consolidation and an increasing incidence of listed peers in both the wealth management and platform industries demonstrate <u>considerable valuation upside</u> 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

Long term track record

CAGR[1]



SEC NAV	15.2%
FTSE Small Cap ex IT	8.4%

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

As at 31st March 2020
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

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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