

Strategic Equity Capital plc

A specialist alternative equity
investment trust with a concentrated
UK smaller companies portfolio

Report & Financial Statements
for the half-year ended 31 December 2024


Gresham House
Specialist investment

About Strategic Equity Capital (SEC: LN)

Strategic Equity Capital plc ("SEC" or the "Company") is a specialist alternative equity investment trust.

Actively managed, it maintains a highly-concentrated portfolio of 15-25 high-quality, dynamic, UK smaller companies, each operating in a niche market offering structural growth opportunities.

The Company's investment manager is Gresham House and the lead manager is Ken Wotton. The investment team has a long-term track record of strong returns in the UK smaller companies sector.

SEC listed on the London Stock Exchange on 19 July 2005, having raised funds from a range of investors including institutions, pension funds and private banks. The Board consists of five Non-Executive Directors, all independent of the Investment Manager.

Why Strategic Equity Capital?

Expertise and track record: fund manager Ken Wotton and his team are specialists in identifying great investment opportunities in UK smaller companies, and have a proven, long-term performance track record. The team focus on companies that operate in a sector or niche market that offers opportunities for structural growth or an environment with scope to take market share.

Distinctive: SEC's investment process employs a 'private-equity approach to public markets', a rigorous and repeatable methodology based on private equity investing techniques to deliver value and returns on investment.

A powerful network: the Investment Manager's network of advisers and connections provides challenge, validation and insight to the investment team, which in turn drives better decision-making, stock-selection and ultimately, value to shareholders. The network and advisers can also be connected to portfolio companies to support their growth.

Active and engaged: the team invest in a highly-concentrated portfolio of between 15-25 companies. The investment team is actively engaged with investee companies working closely to build superior shareholder value.

Focus within an investment trust structure: the structure of the investment vehicle allows the investment team to be truly long term and to run a more concentrated portfolio of stocks with a high degree of conviction.

Strong fundamentals: Investment is made in companies that are able to demonstrate a fundamentally profitable business model, strong cash generation, attractive returns on capital and superior operating margins.

Investment Objective

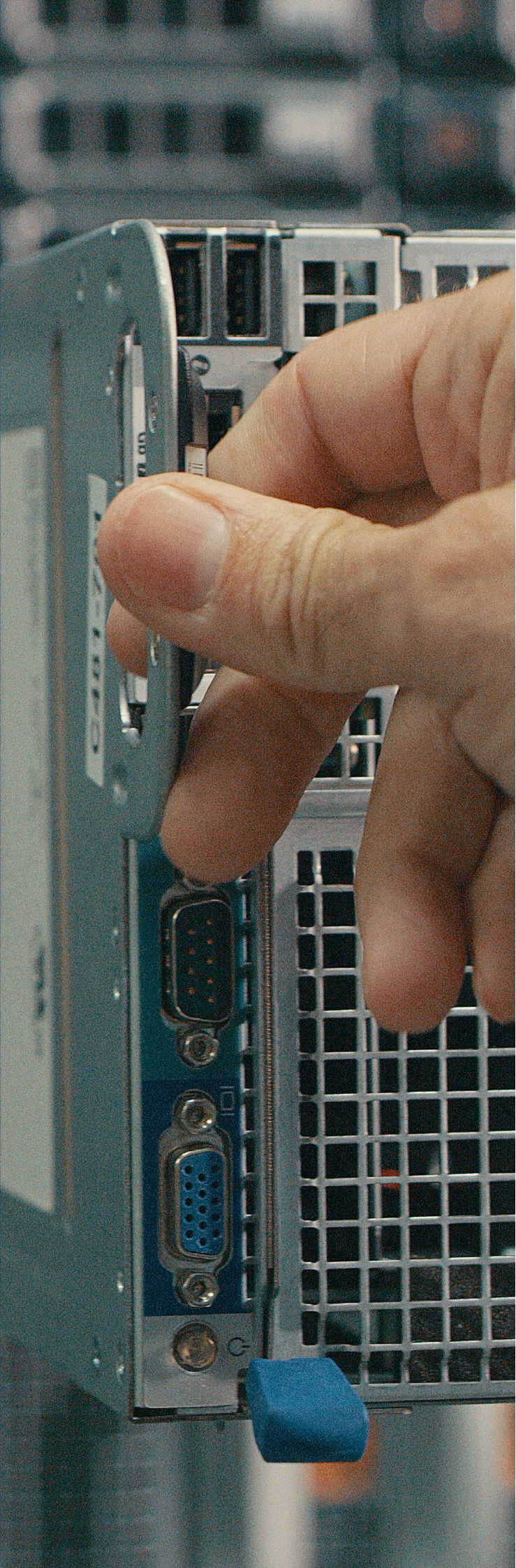
The investment objective of SEC is to achieve absolute returns (i.e. growth in the value of investments) rather than relative returns (i.e. attempting to outperform selected indices) over a medium-term period, principally through capital growth.

Investment Manager

Gresham House is a specialist alternative asset management group, dedicated to sustainable investments across a range of strategies, with expertise across forestry, housing, infrastructure, renewable energy and battery storage, public and private equity.

Its origins stretch back to 1857, while its focus is on the future and the long term. Gresham House actively manages c.£8.7bn of assets on behalf of institutions, family offices, charities and endowments, private individuals and their advisers. It acts responsibly within a culture of empowerment that encourages individual flair and entrepreneurial thinking.

As a signatory to the UN-supported Principles for Responsible Investment (PRI), its vision is to always make a positive social or environmental impact, while delivering on its commitments to shareholders, employees and investors.



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Financial Summary

Net Asset Value ("NAV") per Ordinary Share

as at 31 December 2024

358.41 pence

30 June 2024
396.87 pence

-9.7%

Ordinary Share Price

as at 31 December 2024

331.00 pence

30 June 2024
365.50 pence

-9.4%

NAV Total Return

for the six months ended 31 December 2024

-8.8%

Year ended
30 June 2024
+16.6%

Share Price Total Return

for the six months ended 31 December 2024

-8.5%

Year ended
30 June 2024
+19.2%

Discount of Ordinary Share Price to NAV

as at 31 December 2024

-7.6%

30 June 2024
-7.9%

	At 31 December 2024	At 30 June 2024	At 31 December 2023	Six months % change to 31 December 2024
Capital return				
Net asset value ("NAV") per Ordinary share [†]	358.41p	396.87p	345.83p	(9.7)%
Ordinary share price	331.00p	365.50p	320.50p	(9.4)%
Comparative index [‡]	5,863.19	5,687.19	5,353.66	3.1%
Discount of Ordinary share price to NAV ¹	(7.6)%	(7.9)%	(7.3)%	
Average discount of Ordinary share price to NAV for the period ¹	(7.8)%	(7.6)%	(8.0)%	
Total assets (£'000)	167,072	191,683	169,447	(12.8)%
Equity shareholders' funds (£'000)	166,733	189,965	168,512	(12.2)%
Ordinary shares in issue with voting rights	46,520,577	47,865,450	48,726,211	

	Six month period to 31 December 2024	Year ended 30 June 2024	Six month period to 31 December 2023
Performance			
NAV total return for the period ¹	(8.8)%	16.6%	1.7%
Share price total return for the period ¹	(8.5)%	19.2%	4.6%
Comparative index total return for the period [‡]	5.2%	18.5%	9.6%
Ongoing charges – annualised ¹	1.20%	1.20%	1.19%
Ongoing charges (including performance fee) – annualised ¹	1.20%	2.03%	1.41%
Revenue return per Ordinary share	3.70p	4.15p	2.74p
Dividend yield	n/a	0.96%	n/a
Proposed final dividend for the period	n/a	3.50p	n/a

Interim period's High/Lows	High	Low
NAV per Ordinary share	407.44p	326.54p
Ordinary share price	379.00p	307.00p

[†] Net asset value or NAV, the value of total assets less current liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.

[‡] FTSE Small Cap (ex Investment Trusts) Index.

1. **Alternative Performance Measure.** Please refer to [pages 29](#) and [30](#) for definitions and reconciliations of the Alternative Performance Measures to the half-year results.

Chairman's Statement

In a challenging economic backdrop, the Company's NAV per share (on a total return basis) decreased by 8.8% during the six months to 31 December 2024. The FTSE Small Cap (ex Investment Trusts) Index ("FTSE Small Cap Index") total return, against which the Company's performance can be compared, rose by 5.2%. Over the same period, the Company's share price total return decreased by 8.5%. The underperformance relative to the reference index was primarily due to the portfolio's exposure to AIM quoted companies, accounting for c.65% of NAV as at 31 December 2024, which experienced broad valuation de-rating during the period due to negative sentiment around the 2024 Autumn Budget. While the returns for the six-months to 31 December 2024 are disappointing, the concentrated nature of the Company's portfolio can result in uneven performance. To illustrate this point, in the year to 30 June 2024, the Company's share price total return was 19.2% versus the FTSE Small Cap Index of 18.5% over the same period. And for the year ended 30 June 2023 the figures were 11.2% and (0.4)% respectively. Despite this volatility of returns over specific short-term timeframes, and the challenging performance in the six months to 31 December 2024, the longer term performance of the Company compares more favourably to its reference index.

The six-month period to 31 December 2024 was characterised by a combination of domestic and global political uncertainty which adversely affected UK equity markets, with a particularly acute impact for UK smaller companies. Many policies announced in the Autumn budget were received negatively by investors, not least the reduced inheritance tax relief on AIM and the higher corporate costs precipitated by changes to national minimum wage and national insurance legislation. Whilst such uncertainty poses a short-term headwind to equity valuations (and, by extension, the Company's investment performance), it will also present opportunities for your Investment Manager to capitalise on increasingly attractive investment opportunities over the longer term.

The Company's investment portfolio remains highly concentrated with approximately 78% of the Company's Net Asset Value ("NAV") made up of the top ten holdings at 31 December 2024. As in prior periods, the Investment Manager has undertaken a detailed review of the valuations of these key assets including benchmarking them against the valuations applied to private market transactions for comparable businesses. This analysis, which indicates a substantial margin of safety across the portfolio, was partially corroborated during this six-month period when one portfolio holding (Alpha Financial Markets Consulting) was acquired by Private Equity firm Bridgepoint. The reported transaction multiple of approximately 15x EBITDA reflected a significant premium to the company's quoted market valuation, and was consistent with the private market transaction valuation precedents considered by the Investment Manager at the time of its investment.

The Company is positioned as a high conviction concentrated portfolio of high-quality businesses at attractive valuations that have the potential to be strategically valuable. As such, corporate activity continues to be an important source of investment returns in a challenging equity market backdrop with depressed valuation multiples. This, together with the underlying financial health of the portfolio, provides the Board with confidence that our investment management team will be able to generate good long-term returns for shareholders in the Company.

Despite a challenging market backdrop for UK small cap equities and the Investment Trust sector, the Board notes the progress made in the following key areas in the last three years:

- **Reduction in the Company's discount to NAV** – average discount reduced from **15.3%** (30 September 2020, the date of the appointment of Ken Wotton as Investment Manager, to 9 February 2022) to **8.1%** (9 February 2022 to 31 December 2024) and a period end discount of **7.6%**. The peer group average discount over the same period increased from 11.6% to 13.5%.
- **Greater alignment with the Investment Manager** – Gresham House shareholding increased from **5.4%** (February 2022) to **10.2%** (December 2024).
- **Diversification of the shareholder register** – percentage of share capital held outside the two largest shareholders increased from c.60% to c.74%, with a number of new retail and wealth management investors.

As announced by the Company on 9 February 2022 and reiterated in subsequent publications, shareholders will be provided with a 100% realisation opportunity in 2025 (the "2025 Realisation Opportunity").

The structure and timing of the 2025 Realisation Opportunity will be communicated by the Board in due course, having given careful consideration to the various options available to maximise shareholder value and having consulted the Company's major shareholders. In particular, given the concentrated and less liquid nature of the Company's investment portfolio, any mechanism to realise liquidity would require striking a balance between the pace of realisation and value protection for all shareholders.

An overview of the reporting period, performance, and portfolio is discussed in detail in the Investment Manager's Report on [pages 7 to 19](#).

The Investment Manager's differentiated "private equity" style investment process, outlined in more detail in the Investment Manager's Report on [page 8](#), aims to provide attractive medium to long term returns that are less correlated to UK equity market performance.

As a direct result of our deliberate and distinctive investment process, the Company provides notable benefits for investors:

▪ Performance

Since the appointment of Ken Wotton as the Lead Fund Manager of the portfolio in September 2020, the Company's shares have produced a total return of 77.1% which compares to the total return from the FTSE Small Cap Index of 78.1% over the same period. This performance, broadly matching the index, is a result of both the portfolio's NAV performance (which was below the benchmark) and the narrowing of the discount following the Board's measures to target this metric. The portfolio has been carefully constructed with the objective of delivering real returns. There continues to be clear and significant M&A interest in UK equities due to attractive valuations, with several portfolio companies attracting takeover interest during the calendar year. However, it is worth noting that the top four of the Company's performance contributors during the period were not influenced by takeover activity. This highlights that, while takeover activity can enhance portfolio performance, significant organic shareholder returns can also be achieved through diligent stock selection and a focus on high-quality businesses.

▪ Risk Management

For investors looking for high quality small cap UK equity exposure, the Company offers low correlations and a low beta to the broader market. When combined with valuation discipline and a fundamentals based approach to stock selection, this provides a strong margin of safety to underpin the long-term upside potential of the portfolio.

▪ Valuation

The Company currently offers investors an attractive discount at four different levels:

- UK equities stand at a substantial discount to global markets, currently at levels last seen in the 1990s;
- Within the UK market, smaller capitalisation stocks trade at a notable discount to large caps;
- The Company's portfolio of underlying companies trade at a discount relative to history and the wider smaller companies universe despite higher quality financial characteristics; and
- Investors are today able to purchase the Company's shares at a discount to NAV.

Discount and Discount Management

The average discount to NAV of the Company's shares during the period was 7.8%, compared to the equivalent 8.0% figure from the prior year. The discount range was 4.1% to 10.3%. The peer group average discount was 12.0% over the same period.

Encouraging progress continues to be made to address the persistent share price discount to NAV experienced by the Company. Some of the measures adopted include: a buy back policy to return up to 50 per cent. of proceeds from profitable realisations, at greater than a 5 per cent. discount on an ongoing basis, in each financial year; an ongoing commitment by Gresham House to reinvest 50 per cent. of its management fee per quarter in shares if the Company's shares trade at an average discount of greater than 5 per cent. for the quarter; and the deferral of an annual continuation resolution in favour of the implementation of a 100 per cent. realisation opportunity for shareholders in 2025.

Since 9 February 2022, the date on which the Company announced a series of measures designed to reduce the discount to NAV, the Company has bought back (via Tender Offer and on-market buybacks) £52.8m of share capital, equating to 27.1% of shares outstanding as at 9 February 2022.

Marketing

Presenting a clear, consistent and distinctive message to the market has been the focus of our efforts, as the Board continues to oversee the implementation of the marketing plan and strategy to broaden the shareholder base against a challenging market backdrop.

Communicating differentiation through a range of marketing activities has included a retail-focused advertising campaign, an extensive PR campaign and content creation throughout the period. There have also been regular commentaries and webinars to keep shareholders and prospective investors up to date with portfolio developments and performance.

All these activities have provided the opportunity to highlight the Investment Manager's distinctive and highly disciplined investment approach, coupled with constructive, active corporate engagement.

This messaging is reflected in all communications including on the Company's webpage (www.strategicequitycapital.com).

The Board values the importance of marketing and distribution more broadly, to build the profile and positioning of the Company over time.

Gearing and Cash Management

The Company has maintained its policy of operating without a banking loan facility. This policy is periodically reviewed by the Board in conjunction with the Investment Manager and remains under review.

Dividend

The Directors continue to expect that returns for shareholders will derive primarily from the capital appreciation of the shares rather than from dividends. In line with previous years, the Board does not intend to propose an interim dividend.

Outlook

Global and domestic macroeconomic uncertainty have been a common theme of the six-month period to 31 December 2024, supplemented by ongoing geopolitical uncertainty. Domestically, sentiment has been dominated by the policy announcements in the 2024 Autumn Budget, which have led to widespread uncertainty around corporate earnings sustainability, particularly in labour-intensive industries, in addition to questions around the long-term outlook for the AIM market given the reduction in inheritance tax ("IHT") relief and implications for asset allocation and flows into that market.

Notwithstanding the recent sentiment towards the AIM market, which has translated into short-term selling pressure and de-rating across AIM quoted companies, the Investment Manager believes that this is a transitory phenomenon and that AIM should continue to thrive in the medium to long term as an attractive source of growth capital and investment opportunities. The Investment Manager draws confidence from the relative resilience of its investment portfolio, and notwithstanding short-term market sentiment it does not believe that recent political developments have materially impacted the long-term expected returns of the portfolio companies.

The Investment Manager is encouraged by the positive news flow from the portfolio companies, with the majority of news releases demonstrating in-line to positive developments. Valuations across the portfolio are highly attractive versus history, large-cap UK equities, overseas comparable equities, and recent comparable M&A transaction multiples. In contrast to the strong long term portfolio performance since the Investment Manager's appointment, the relative weakness during this six-month period was driven by negative sentiment across a small number of holdings.

Two key strands of the Investment Manager's investment approach support its ability to actively manage the portfolio towards outperformance in 2025. Firstly, the Investment Manager's portfolio construction is focused on defensive characteristics including structural growth trends, non-cyclical markets, and high-quality financials (including c.20% average EBITDA margins, strong cash generation, and very low financial leverage), affording greater resilience than the wider UK economy to external shocks. Secondly, the Investment Manager's consistent and repeatable private equity approach to UK public market investing, leveraging a high-quality expert network to independently validate key investment judgements, provides a sustainable 'edge' over the wider market in terms of investment appraisal and portfolio monitoring. The Investment Manager's 'Strategic Public Equity' constructive engagement approach is a cornerstone of this strategy, enabling us to support companies in delivering enhanced shareholder value.

Encouragingly, early indications from 2025 are positive for the portfolio's worst detractors in the six-month period to 31 December 2024, with the majority of those detractors demonstrating a positive contribution to returns in the year to date. Furthermore, the Investment Manager is confident in the significant growth potential across the remaining portfolio, believing that the resilient positioning of the Company's holdings should enable it to perform strongly in the medium to long term.

The Board, once again, thanks you for your continued support.



William Barlow
Chairman

25 February 2025

Investment Manager's Report – Introduction

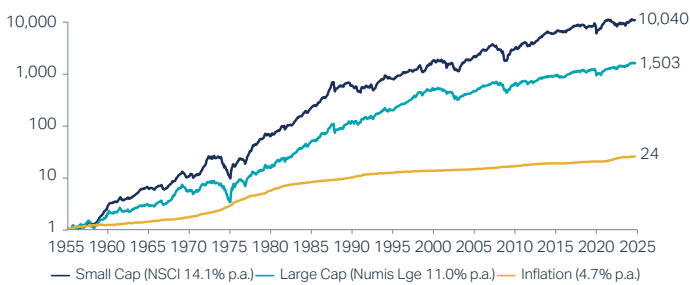
Why Strategic Equity Capital?

Expertise and Proven Track Record

Strategic Equity Capital benefits from the specialist expertise of fund manager Ken Wotton and his team, who excel in identifying compelling investment opportunities within UK smaller companies. With a demonstrable long-term track record, the team focuses on companies that operate in sectors or niche markets offering potential for structural growth or opportunities to gain market share.

Figure 1: Long-term performance of UK Small Caps

Cumulative Percentage Index Returns, 1955-2024 (log scale, rebased to 100)



% returns are rebased to 100 at 1 January 1955

Source: Scott Evans, Paul Marsh, Deutsche Numis Indices 2025 Annual Review, 16 January 2025.

A Distinctive Approach

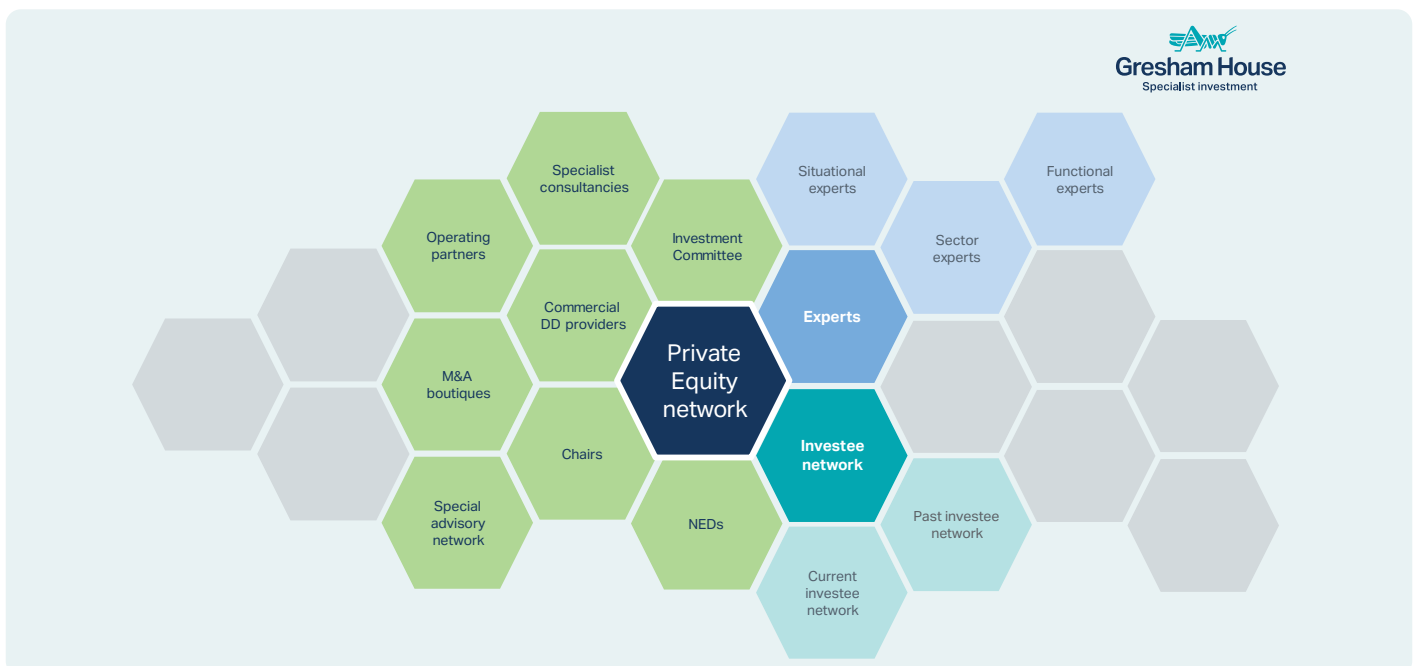
The Investment Manager applies Gresham House's highly disciplined private equity methodology in the public markets, combining constructive corporate engagement with rigorous due diligence. This approach has proven effective in generating strong returns. The Investment Manager can invest strategically to support companies in various ways, including:

- providing primary capital,
- facilitating strategic shifts or operational improvements; and
- acting as a catalyst for mergers and acquisitions.

Powerful Network

The Investment Manager's network of advisers and connections provides challenge, validation and insight to the investment team, which in turn drives better decision-making, stock-selection and ultimately, value to shareholders. The network and advisers can also be connected to portfolio companies to support their growth.

Private Equity Network



For illustrative purposes only.

Active and Engaged

SEC maintains a highly concentrated portfolio of 15-25 companies, allowing the investment team to engage actively with investee companies to build superior shareholder value. The investment trust structure further enables the team to take a long-term approach, focusing on high-conviction investments.

Strong fundamentals:

Investments are made in companies that demonstrate a profitable business model, strong cash generation, attractive returns on capital, and superior operating margins.

Disciplined and repeatable process



Investment process breakdown is shown for discussion purposes only and the details can be updated without prior notice.

Our investment approach is built on fundamental analysis, prioritising business quality, downside risk mitigation, and long-term value creation. Through targeted due diligence, we focus on critical judgements and key risk areas, using our proprietary network to gain deeper insights. This disciplined approach enables us to objectively compare investments, ensuring informed decision-making that strengthens portfolio construction and overall risk management.

Our Strategic Public Equity Strategy

The appointment of Gresham House as Investment Manager in May 2020, and Ken Wotton as Lead Fund Manager in September 2020, marked a strategic refocus, ensuring the investment strategy is rigorously applied and effectively leverages the extensive resources of the Gresham House Strategic Equity team, the broader Group platform, and its network. This strategy is detailed in the Company's 2024 Annual Report.

Investment Focus

Our investment focus is to invest into high quality, publicly listed companies which we believe can materially increase their value over the medium to long term through strategic, operational or management change. To select suitable investments and to assist in this process we apply our proprietary Strategic Public Equity ("SPE") investment strategy. This includes a much higher level of engagement with management than most investment managers adopt and is closer in this respect to a private equity approach to investing in public markets companies. Our path to achieving this involves constructing a high conviction, concentrated portfolio; focusing on quality business fundamentals; undertaking deep due diligence including engaging our proprietary network of experts and assessing ESG risks and opportunities through the completion of the ESG decision tool; and maintaining active stewardship of our investments.

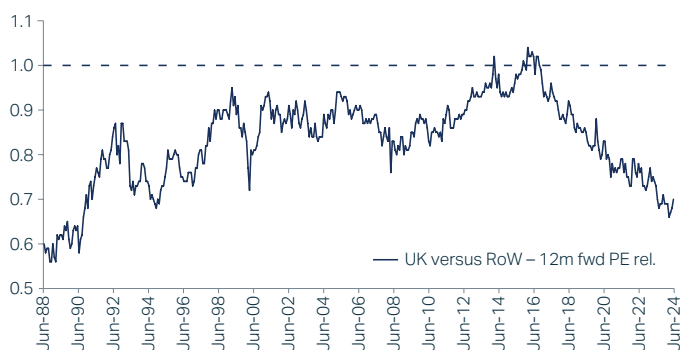
Through constructive, active engagement with the management teams and boards of directors, we seek to ensure alignment with shareholder objectives and to provide support and access to other resource and expertise to augment a company's value creation strategy. We are long-term investors and typically aim to hold companies for three-to-five years to back a thesis that includes an entry and exit strategy and a clearly identified route to value creation. We have clear parameters for what we will invest in and areas which we will deliberately avoid.

Smaller Company Focus

We believe that UK Smaller Companies represent a structurally attractive part of the public markets. Academic research demonstrates that smaller companies in the UK have delivered substantial outperformance over the long term (see Figure 1 on [page 7](#)). This is partially because there are a large number of under-researched and under-owned businesses that typically trade at a valuation discount to larger companies (see Figure 3 below) and relative to their prospects. A highly selective investor with the resources and experience to navigate successfully this part of the market can find exceptional long-term investment opportunities.

The compelling UK small cap opportunity

Figure 2: UK 12-month forward P/E relative to global equities¹



Past performance is not necessarily a guide to future performance.

Portfolio investments in smaller companies typically involve a higher degree of risk. Capital at risk.

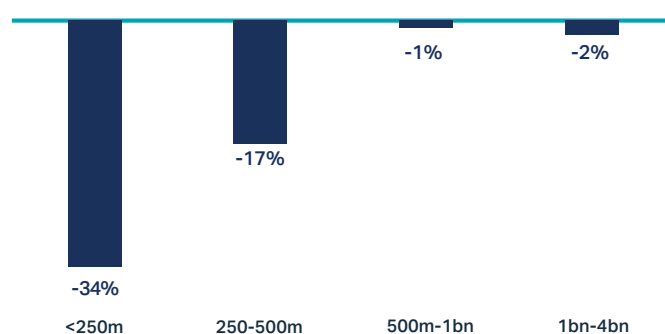
1. Source: Berenberg, as at 31 December 2024
2. Source: Bloomberg as at 31 December 2024
3. Median PE companies in £4bn – £10bn range

Key Attractions of Smaller Companies:

Inefficient Markets: Smaller companies are often under-researched, presenting opportunities for those willing to devote time and resources.

Large Universe: Most UK-listed companies fall into the smaller companies category, with two-thirds having a market capitalisation below £500m, offering a wide array of opportunities.

Figure 3: Median PE of small caps vs large caps^{2,3}

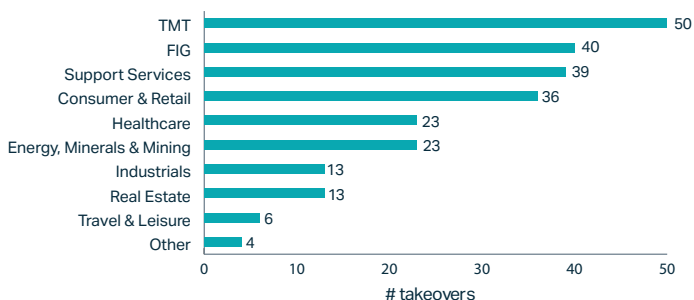


Valuation Discounts: These discounts present attractive entry points where the intrinsic value of a company's long-term prospects is undervalued.

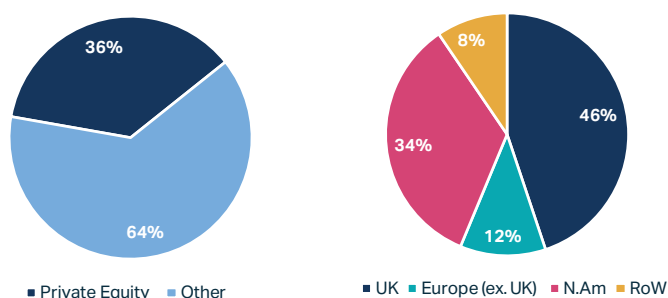
M&A Activity: Smaller companies often offer strategic opportunities within their niche markets and can become attractive acquisition targets for both trade and private equity buyers.

UK takeovers in past five years

Sector characteristics



Acquirer characteristics

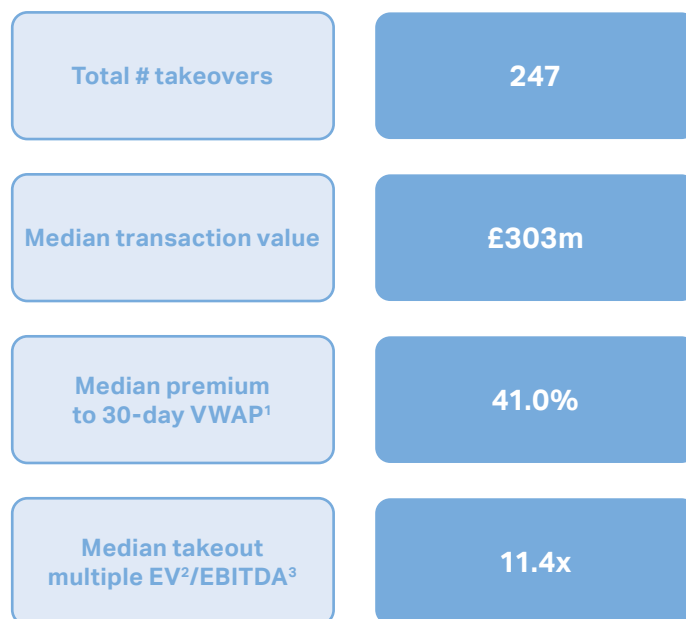


Portfolio Construction

We maintain a concentrated portfolio of 15-25 high conviction holdings with prospects for attractive absolute returns over our investment holding period. The majority of portfolio value is likely to be concentrated in the top 10 holdings, with other positions representing smaller initial "toehold" investments where we are awaiting a catalyst to increase our stake to an influential, strategic level. Bottom up stock picking determines SEC's sector weightings, which are not explicitly managed relative to a target benchmark weighting. The absence of certain sectors such as oil & gas, mining, and banks, as well as limited exposure to overtly cyclical parts of the market, typically result in a portfolio weighted towards businesses with sustainable profit and cash generation characteristics. This is further reinforced by the absence of early stage or pre-profit businesses from the portfolio.

As a result, whilst the portfolio's sector composition may vary between reporting periods, over the long term it is expected to comprise primarily technology, healthcare, business services, financials and industrials businesses.

Key statistics



Past takeover activity is not necessarily a guide to future takeover activity.

Source: FactSet, Bloomberg as at 31 December 2024

1. Volume Weighted Average Price
2. Enterprise Value
3. Earnings Before Interest, Tax, Depreciation and Amortisation

The underlying value drivers are typically company specific and they exhibit limited correlation even within the same broad sectors. The pie-chart on page 19 sets out the sector exposure of the Company as at 31 December 2024. Our smaller company focus and specialist expertise leads us to prioritise companies with a market capitalisation between £100m and £300m at the point of investment. This focus, in combination with the size of the Company and its concentrated portfolio approach, provides the potential to build a strategic and influential stake in the highest conviction holdings. In turn this provides a platform to maximise the likelihood that our constructive active engagement approach will be effective and ultimately successfully contribute to shareholder value creation. Once purchased there is no upper limit restriction on the market capitalisation of an individual investment. We will run active positions regardless of market capitalisation provided they continue to deliver the expected contribution to overall portfolio returns and subject to exposure limits and portfolio construction considerations.

Constructive Active Engagement Approach

SEC strives to build consensus with stakeholders, aiming to unlock shareholder value and create stronger businesses in the long term. Our objective is to foster a constructive dialogue with management, positioning the Gresham House Asset Management ('GHAM') team and its network as trusted advisers. With a highly focused portfolio, SEC's management team can develop a deep understanding of its portfolio companies and their potential.

Where appropriate the GHAM team is able to leverage its combined interest in an SEC portfolio company, where additional shareholdings are held within other GHAM-managed investment vehicles, in order to maximise its engagement efficacy with the portfolio company.

The team engages with company management and boards in several areas, including:

- **Strategy:** Ensuring that business strategy and operations align with long-term value creation and focus on building strategic value within a company's market.
- **Corporate Activity:** Supporting acquisition and divestment activities through advice, network introductions, and cornerstone capital.

- **Capital Allocation:** Optimising capital allocation by prioritising the highest return and value-added projects.
- **Board Composition:** Ensuring boards are appropriately balanced and introducing high-quality candidates as needed.
- **Management Incentivisation:** Aligning management incentives with long-term shareholder value.
- **ESG:** Leveraging GHAM's sustainable investing framework to identify, understand, and monitor key ESG risks and opportunities, with a particular focus on corporate governance.
- **Investor Relations:** Assisting management teams in refining their equity story and targeting investor relations activities to ensure market understanding and value creation.

Engagement is undertaken privately, leveraging the resources of the Gresham House group. We also seek to introduce portfolio companies to our network, supporting initiatives to create shareholder value. In summary, we follow a practice of constructive corporate engagement, working collaboratively with management teams and like minded co-investors to enhance shareholder value.



Investment Manager's Report for the half-year ended 31 December 2024

1) Overview

Over the six months to 31 December 2024, the FTSE Smaller Companies (ex Investment Trusts) Index increased by 5.2% on a total return basis, outperforming both the FTSE All Share (+0.4%) and the FTSE AIM All Share (-5.9%). The AIM market in particular has faced a combination of headwinds, with the broader UK equity allocation and net flows dynamic being exacerbated by AIM-specific concerns following the 2024 UK Autumn Budget, notably the reduction of IHT relief. This has led to substantial selling pressure on AIM quoted companies, even where the operating fundamentals of those companies have evolved positively during the period. As a bellwether of sentiment towards the AIM market, in several recent instances (both inside and outside the Company's portfolio), AIM quoted companies have opted to migrate to the LSE Main Market, notwithstanding that a material proportion of their respective shareholders bases would become "forced sellers" following their departure from AIM. Whilst the Investment Manager remains optimistic regarding the long term future of the AIM market as a source of growth capital for smaller companies and of attractive investment opportunities, the recent headwinds and sentiment shift experienced by the AIM market have had a negative impact on performance of the company's portfolio in the six month period, with c.65% of NAV at 31 December 2024 comprising AIM quoted companies.

We continue to focus on bottom-up stock selection and on opportunities where structural growth themes and/or self-help levers dilute the impact of broader economic and market fluctuations. Our consistent investment philosophy, strong relationships with company management teams, and extensive specialist network continue to underpin our confidence in the portfolio. We remain committed to high-quality businesses with clear value creation strategies, long-term demand drivers, and durable competitive advantages.

Looking forwards, however, the value opportunity for UK small cap equities appears to be compelling, with many companies trading at substantially discounted valuations versus their own histories, versus international quoted peers, and versus comparable private M&A transactions. However, bottom-up fundamental analysis is critical to exploit areas of undervaluation and avoid investing in so called "value traps", which suits the private equity investing approach taken by the Investment Manager.

2) Portfolio Overview

The portfolio remained highly focused with a total of 16 holdings and the top 10 accounted for approximately 78% of the NAV at the end of the period. 1.4% of the NAV was held in cash at period end.

Two new holdings were established during the period; **Diaceutics**, an outsourced provider of data analytics and services to the pharmaceutical sector, and **Next 15 Group**, a digital marketing agency specifically focused on technology companies. Both companies were well known to the Investment Manager prior to investment, and were subject to additional due diligence in conjunction with the Investment Manager's network of sector experts.

One holding was exited during the period, **Alpha Financial Markets Consulting** (annualised IRR of 155.3%), pursuant to its Recommended Cash Offer from Bridgepoint Group.

In addition, whilst not a full exit, a partial divestment of **XPS Pensions Group ("XPS")** was made during the period, realising £31m in proceeds, and reducing the holding from 22.9% of NAV at 30 June 2024 to 9.5% of NAV at 31 December 2024. XPS has been a core investment within the portfolio for a number of years, and a strong contributor to performance, with the realised proceeds generating a multiple on investment of 2.4x¹. XPS was included in the FTSE 250 Index from June 2024 onwards, which allowed the Investment Manager to capitalise on a significant liquidity pool to reduce its position. Following further share price appreciation by period end, as at 31 December 2024 XPS' realised and unrealised value in aggregate represented a multiple on investment of 2.7x¹.

SEC currently has a number of key holdings that we believe trade at material valuation discounts to comparable private market transaction values, which provides a strong margin of safety underpinning the long term upside potential of the portfolio. Towards the latter end of the period in particular, the portfolio experienced valuation de-rating in spite of broadly positive operational performance and outlook. For example, from September 2024 to December 2024, portfolio forecast EBITDA growth rose from 9% to over 10%, and leverage fell from 0.2x EBITDA to 0x EBITDA, whilst portfolio EV/EBITDA fell from 8.2x to 7.6x. This reflects broad-based selling pressure across the market, particularly for AIM quoted stocks following the 2024 Autumn Budget.

1. Based on a 30 September 2020 starting point, when Ken Wotton became Investment Manager of the Company

Changes in sector weightings have seen our Technology exposure increase from 25.1% to 31.5%, with Consumer exposure increasing from 1.0% to 5.0%. The largest change has been the decrease in exposure to Industrial Goods and Services from 11.4% to 3.1%, which reflects the reclassification of **Ricardo** from Industrial Goods and Services to Business Services. This follows Ricardo's announced disposal of its defence business, and acquisition of an environmental consulting business, which pivot's the group's offering more towards business services.

3) Detailed Performance Overview

Following a prior period of strong investment performance, the net asset value ("NAV") decreased by 8.8%, on a total return basis, over the six months to 31 December 2024, closing at 358.4p per share. The Company underperformed the FTSE Smaller Companies (ex Investment Trusts) index which increased by 5.2%. Encouragingly, none of the portfolio's five largest detractors during the period (all of which are AIM quoted) have led the Investment Manager to change its long term investment thesis. AIM quoted companies both within the portfolio and across the AIM index have suffered from negative sentiment during the six months to 31 December 2024. Prior to the 2024 Autumn Budget this was driven by market uncertainty and speculative commentary around potential changes to IHT relief for AIM quoted companies, which saw widespread selling ahead of the Budget announcement. Following the Autumn Budget, which halved the IHT relief applicable to AIM quoted companies, sentiment has remained negative driven by the view that future asset allocation (and therefore investment flows) towards AIM will be less favourable than historic levels. Furthermore, recent newsflow from a number of AIM companies confirming (or contemplating) their intentions to migrate from AIM to the Main Market has weighed on sentiment towards the AIM market.

Whilst the Investment Manager does not place material emphasis on short term trading performance, it is notable that the majority of these detractors have delivered positive contributions post period end², with three of the five in-period detractors – Fintel, Everplay Group (formerly named Team17 Group) and Inspired contributing an aggregate +342bps of performance in the year to date².

Despite the market volatility experienced over the six-month period, we remain confident about the resilient underlying fundamentals of the portfolio companies and their ability to withstand the macroeconomic headwinds that look set to persist through the current financial year.

Top Five Absolute Contributors to Performance

Security	Valuation 31 December 2024 £'000	Period Contribution to return (basis points)
XPS Pensions Group	15,896	213
Netcall	11,018	89
Costain Group	12,904	82
Trufin	10,135	76
Alpha Financial Markets Consulting	–	7

XPS Pensions Group, a pensions consulting, advisory and administration services provider, which reported interim results demonstrating further trading momentum with double-digit growth across all divisions and operating margin expansion; **Netcall**, a provider of AI-driven process automation and customer engagement solutions, following full-year results which showed exceptional 58% growth in profit before tax and relayed a confident outlook; **Costain Group**, a specialist infrastructure construction, consultancy and engineering business, which continues to demonstrate positive orderbook momentum particularly in the water sector with a number of AMP8 framework wins; **Trufin**, a provider of financing, payment and video game publishing software and services, following two unscheduled trading updates which both materially increased already upgraded full-year earnings guidance due to the continued sales momentum of two games within the games label division, Playstack; and **Alpha Financial Markets Consulting**, a specialist financial services focused consultancy business, following its Recommended Cash Offer from Bridgepoint Group.

Bottom Five Absolute Contributors to Performance

Security	Valuation 31 December 2024 £'000	Period Contribution to return (basis points)
Iomart Group	12,589	(436)
Inspired	4,168	(168)
Brooks Macdonald	16,346	(124)
Everplay Group (formerly Team 17 Group)	10,886	(113)
Fintel	12,686	(102)

2. As at 14 February 2025

In challenging equity market conditions (particularly for AIM quoted investments), certain portfolio holdings suffered from share price weakness during the period, despite the absence of any fundamental developments that have changed the Investment Manager's view of the respective long term investment theses. **Iomart Group**, a datacentre and hybrid cloud managed services provider, saw share price weakness following the simultaneous announcement of elevated churn in its legacy self managed infrastructure offering, in conjunction with a material acquisition which increased near-term leverage but, which the Investment Manager believes, should accelerate Iomart's previously stated strategy of becoming a leading UK hybrid cloud specialist particularly across the Microsoft Azure platform; **Inspired**, a technology-enabled provider of energy and sustainability solutions, which experienced a small number of material contract delays from Q4 2024 into H1 2025, resulting in its senior lenders providing a temporary covenant reprieve to March 2025. Post-period end the company announced a substantial recapitalisation, led by Gresham House, to de-gear the balance sheet and provide it with adequate working capital to execute on a strong orderbook, which has led the shares to rally c.28% post-period end; **Brooks Macdonald**, an investment management services provider, which announced a disposal of its non-core international business and two bolt-on acquisitions and, post period-end, its intention to migrate from AIM to the LSE Main Market; **Everplay Group** (formerly Team 17 Group), an independent video game developer and publisher, which announced the appointment of a new CFO/COO (ex. Codemasters), which we view as positive to the investment case; and **Fintel**, an outsourced services provider to the UK IFA sector, which derated despite no significant newsflow during the period.

4) Outlook – Year Ahead

Looking ahead to 2025, we see a number of short-to-medium-term catalysts for a potential material performance recovery and believe that our companies remain well-positioned to offset external headwinds such as high interest rates, low economic growth, and UK government-driven cost inflation. We take confidence from the resilient fundamentals across the portfolio which, in aggregate, was subject to sentiment-driven de-rating, contrary to the underlying performances and future expectations for the majority of our portfolio companies.

The current macroeconomic and geopolitical volatility is driving mispricing opportunities across UK equity markets, particularly in the field of smaller companies. UK small caps across multiple sectors are trading at a steep discount compared to both global markets and historical M&A transaction precedents. This valuation discount underpins our expectations of sustained corporate takeover activity as we enter 2025. Buyers paid on average a 44% premium for UK companies in 2024, highlighting the appetite for undervalued assets despite elevated deal funding costs amidst higher interest rates. From conversations with our private equity network, we understand that corporate and private equity buyers are actively assessing UK deal-flow opportunities. We believe they will seek to compensate for elevated debt costs by capitalising on depressed UK equity valuations. Additionally, we anticipate that multi-sector arbitrage between UK trading multiples and precedent M&A transaction multiples may catalyse a re-rating of small-cap stocks.

We believe that continued mitigation of current headwinds combined with another year of resilient portfolio earnings growth and cash generation can lead to a correction of prior-period de-ratings, driving portfolio outperformance in 2025.

We also see upside potential to Fund performance from elevated takeover activity across UK equity markets heading into 2025. While the uncertainty around the Autumn budget led to an M&A slowdown in Q3 2024, we observed an uptick in activity during Q4 and anticipate deal momentum continuing into this year. With significant amounts of private equity 'dry powder' yet to be deployed, we expect that takeover activity will continue to offer attractive returns for the portfolio in 2025.

We highlight an emerging nuance to this theme across UK listed businesses: carve-outs, where a parent company sells a subsidiary or business unit. There have been 20 meaningful carve-out instances through 2024, with several examples where businesses sold off divisions at valuations higher than their prevailing group valuation – sometimes exceeding the entire market cap. We believe that carve-outs represent an underrated but powerful tool for UK companies to unlock value and overcome market discounts, creating significant shareholder value, and have actively engaged with a number of portfolio companies where we see this as a potential value creation lever.

More broadly, we welcome calls for government reforms in 2025 to encourage UK pension fund participation in domestic equity markets, where they are materially under-penetrated today compared to other developed western nations. Any incremental liquidity as a result of supportive policies would aid marginal buying of UK shares and, in turn, help bridge the stark valuation arbitrage between UK equity markets and global benchmarks. Against this backdrop, we believe there is a compelling investment opportunity driven by resilient fundamentals, steep discounts, and multiple catalysts for re-rating over the short-to-medium term.

The investment process and private equity lens across public markets enables the identification of investment opportunities with potential strategic value, that could be attractive acquisitions for both corporate and financial buyers.

5) Final Thoughts











Despite a downturn in recent UK macroeconomic green shoots, with rising Gilt yields and concerns around UK corporate earnings following the 2024 Autumn Budget, we believe that the portfolio holdings are well positioned to weather short term economic noise, through a combination of pricing power, self-help productivity levers and structural growth drivers. It is likely that increasing focus on company fundamentals and valuation discipline will be required to outperform in this environment, which plays to the strengths of the Company's investment strategy and the Investment Manager's approach.

Elevated levels of takeover activity within the UK equity market are likely to continue if current trends prevail, with a number of further bids announced during the period and post-period end. The Investment Manager's investment process and private equity lens across public markets enables the identification of investment opportunities with potential strategic value that could be attractive acquisitions for both corporate and financial buyers, which is reflected in the frequency of portfolio exits as part of takeover processes (including in this period).

We continue to believe that our fundamentals-focused investment style has the potential to continue outperforming over the long term. We see significant opportunities for long-term investors to back quality growth companies at attractive valuations in an environment where agile smaller businesses with strong management teams can take market share and build strong long-term franchises. We will maintain our focus on building a high-conviction portfolio of less cyclical, high-quality, strategically valuable businesses, which we believe can deliver strong returns through the market cycle regardless of the performance of the wider economy.

Top 10 Investee Company Review

(as at 31 December 2024)

Company	% of NAV ¹	Description	GHAM stake ²	Company	% of NAV ¹	Description	GHAM stake ²
 BROOKS MACDONALD	9.8% Financial Services	A UK national wealth manager and investment advisor	14.8%		7.6% Technology	A UK datacentre and cloud services provider	19.3%
	9.8% Business Services	An engineering, environmental and strategic consultancy, operating across a range of market sectors	22.6%		6.9% Business Services	A franchised UK estate agency (primarily lettings) group	18.2%
	9.5% Business Services	A leading pensions consulting and administration services provider	8.4%		6.6% Technology	UK-based enterprise software company that helps organisations achieve digital transformation	25.0%
	7.7% Business Services	UK smart infrastructure delivery and consulting solutions provider	8.8%		6.5% Technology	A British video game developer and publisher that specialises in independent games	6.1%
	7.6% Business Services	A provider of tech-enabled regulatory services to IFAs, financial institutions and other intermediaries	9.0%		6.1% Technology	A provider of software and niche lending solutions	18.8%

Past performance is not necessarily a guide to future performance. Portfolio investments in smaller companies typically involve a higher degree of risk.

Gresham House, as at 31 December 2024

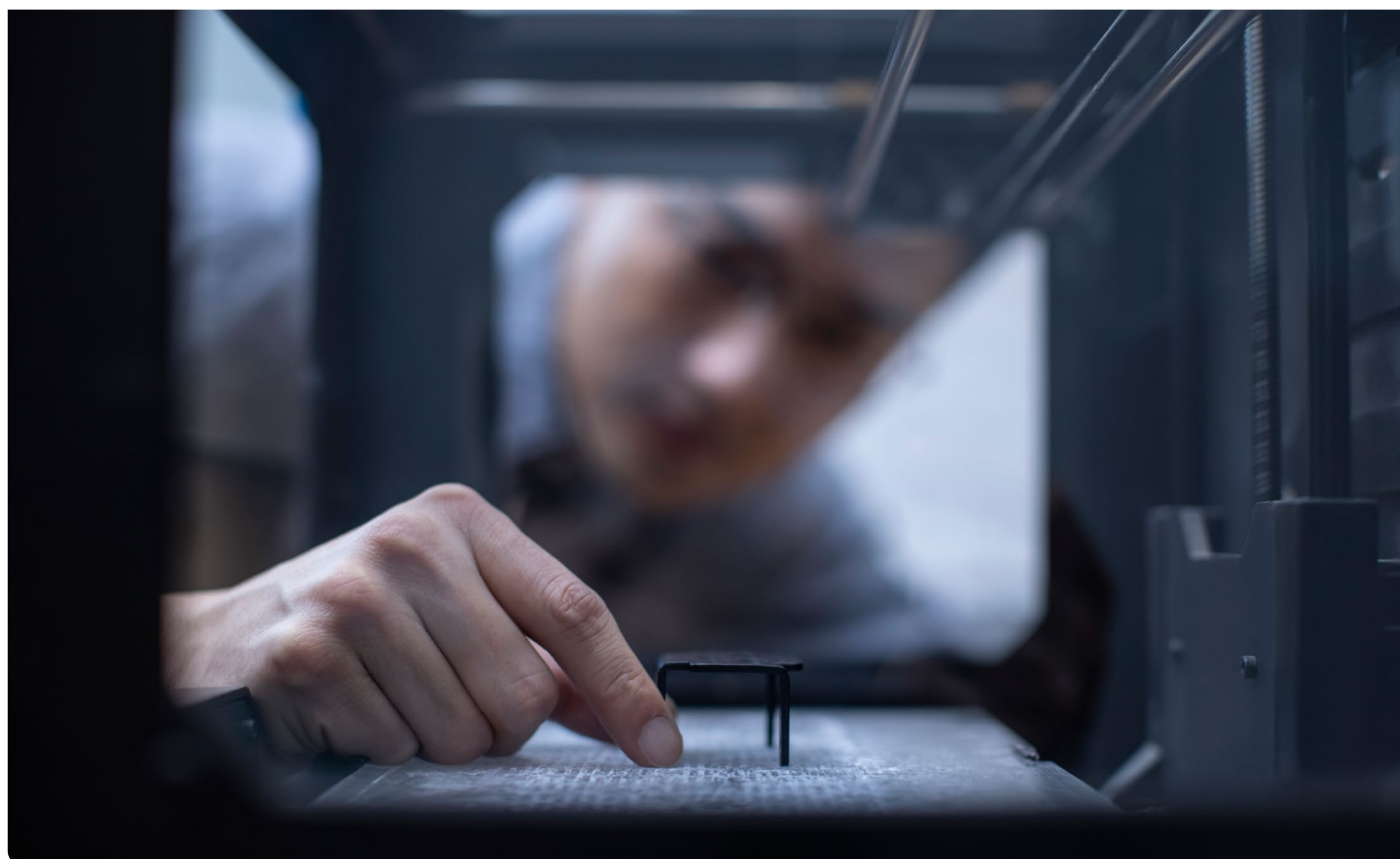
1. Top ten holdings representing 78% of NAV

2. Aggregate Gresham House Asset Management equity stake

Company	Investment Thesis	Developments
Brooks Macdonald	<ul style="list-style-type: none"> UK focused wealth management platform; structural growth given continuing transition to self-investment Opportunity to leverage operational investments to grow margin and continue strong cash flow generation A consolidating market; opportunity for Brooks as both consolidator and potential target with recent takeover interest for sector peers 	<ul style="list-style-type: none"> Announced the disposal of its non-core international division, in addition to two small, strategically accretive bolt-on acquisitions (Post-period end) announced its intention to migrate from AIM to the Main Market
Ricardo	<ul style="list-style-type: none"> Global strategic, environmental and engineering consultancy Ongoing strategic transformation to refocus and prioritise the business towards higher growth, higher margin and less capital intensive activities Strong market position underpinned by significant sector expertise 	<ul style="list-style-type: none"> Announced the disposal of its legacy defence business in line with our value creation thesis Acquisition of E3 an international environmental consultancy business

Company	Investment Thesis	Developments
XPS Pensions Group	<ul style="list-style-type: none"> ▪ Leading 'challenger' brand in the pensions consulting, advisory and administration market ▪ Highly defensive – high degree of revenue visibility and largely non-discretionary, regulation driven client activity ▪ Significant inflation pass-through ability ▪ Highly fragmented sector with recent M&A activity, providing opportunity to XPS as a consolidator and potential target 	<ul style="list-style-type: none"> ▪ Delivered FY25 interim results demonstrating 23% year-on-year revenue growth, and further analyst forecast upgrades ▪ Continued elevated demand for pensions advisory given Gilt volatility and changes in funding positions, and material sector developments (e.g. McCloud Remedy)
Costain Group	<ul style="list-style-type: none"> ▪ UK infrastructure delivery partner with particularly strong franchise presence across Rail and Water, which are both secular growth markets ▪ Significantly better capitalised versus history, with a substantially de-risked contracting model (risk sharing and/ or transfer vs. historically fixed price contracts) ▪ Embedded consultancy offering delivering material margin upside above and beyond project delivery 	<ul style="list-style-type: none"> ▪ Continued orderbook momentum particularly in winning AMP8 framework agreements in the Water sector
Fintel	<ul style="list-style-type: none"> ▪ Leading UK provider of technology enabled regulatory solutions and services to IFAs, financial institutions and other intermediaries ▪ Strategically valuable technology platform with opportunity to drive material growth in revenues and margins through supporting customers' digitisation journeys 	<ul style="list-style-type: none"> ▪ In-line interim FY24 results demonstrating encouraging growth in subscription revenues, which now account for 65% of total revenue ▪ Small analyst forecast upgrades
Iomart Group	<ul style="list-style-type: none"> ▪ Integrated datacentre and cloud services provider ▪ Provides both self-managed infrastructure and cloud-managed services, with the latter being a key strategic focus area ▪ Highly cash generative with significant recurring revenue ▪ Structural growth opportunity from hybrid cloud adoption 	<ul style="list-style-type: none"> ▪ Announced a material acquisition of Atech, a highly accredited Microsoft Solutions Partner, in-line with the previously communicated strategy of becoming a leading UK hybrid cloud managed services provider ▪ In conjunction, announced some elevated churn in its legacy self managed infrastructure business
The Property Franchise Group ("TPFG")	<ul style="list-style-type: none"> ▪ Franchised network of lettings-focused UK residential estate agencies ▪ Attractive quality of earnings profile driven by lettings dominance and the group's franchise model, with upside from franchisee cross-sell of financial services and property sales in a normalised housing transaction market ▪ Attractive financial metrics with high returns on capital employed, and cash generation 	<ul style="list-style-type: none"> ▪ Announced interim FY24 results with 8% like for like growth in lettings managed service fees, and a 16% like for like growth in the sales agreed pipeline

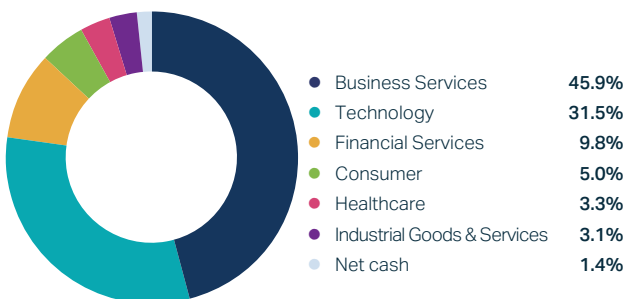
Company	Investment Thesis	Developments
Netcall	<ul style="list-style-type: none"> ▪ Provider of AI-driven process automation and customer engagement solutions ▪ Structural tailwinds driving adoption of process automation, catalysed further by rising employment costs and AI technology capabilities ▪ High levels of revenue visibility due to contracted revenues, with >100% Net Revenue Retention in FY24 	<ul style="list-style-type: none"> ▪ Announced FY24 results demonstrating 9% growth in both automation and customer engagement sales, with a significant uptick in cloud contact centre revenues (in-line with the company's shift to cloud strategy)
Everplay Group (formerly Team 17 Group)	<ul style="list-style-type: none"> ▪ Independent video game developer and publisher ▪ Attractive quality of earnings underpinned by revenue generation from the back catalogue of titles, including the Worms franchise which, first released in 1995, is still a revenue contributor today ▪ High quality leadership team (ex. Codemasters) with a significant founder shareholder still involved in the business 	<ul style="list-style-type: none"> ▪ Announced the appointment of a new CFO/COO (ex. Codemasters) ▪ Reported interim FY24 results demonstrating 11% year on year revenue growth (with 30% growth from the back catalogue), and six new game launches
Trufin	<ul style="list-style-type: none"> ▪ Provider of financing, payment and video game publishing software and services ▪ Significant latent value when appraised on a sum of the parts basis 	<ul style="list-style-type: none"> ▪ Year end trading update guiding to revenue and EBITDA significantly ahead of market expectations ▪ Exceptional trading from the group's "Playstack" division, underpinned by strong takeup in the acclaimed Balatro and Abiotic Factor game launches



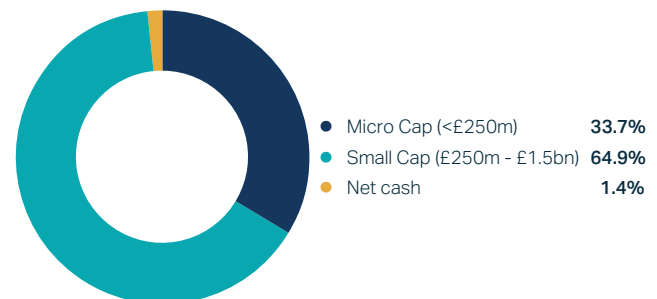
Portfolio as at 31 December 2024

Company	Sector Classification	Date of first Investment	Cost £'000	Valuation £'000	% of invested portfolio at 31 December 2024	% of invested portfolio at 30 June 2024	% of net assets
Brooks Macdonald	Financial Services	Jun 2016	18,355	16,346	9.9	10.3	9.8
Ricardo	Business Services	Sep 2021	18,133	16,344	9.9	8.2	9.8
XPS Pensions Group	Business Services	Jul 2019	5,384	15,896	9.7	23.8	9.5
Costain Group	Business Services	Jun 2024	11,187	12,904	7.8	2.1	7.7
Fintel	Business Services	Oct 2020	8,884	12,686	7.7	9.5	7.6
Iomart Group	Technology	Mar 2022	24,702	12,589	7.7	10.0	7.6
The Property Franchise Group	Business Services	Oct 2023	9,125	11,476	7.0	6.8	6.9
Netcall	Technology	Mar 2023	10,048	11,018	6.7	2.2	6.6
Everplay Group (formerly Team 17 Group)	Technology	Dec 2023	10,875	10,886	6.6	6.0	6.5
Trufin	Technology	Jul 2023	7,805	10,135	6.2	3.0	6.1
Halfords Group	Consumer	Jun 2024	9,564	8,357	5.1	1.0	5.0
Tribal Group	Technology	Dec 2014	11,742	7,625	4.7	4.9	4.7
Diaceutics	Healthcare	Sep 2024	5,597	5,469	3.3	–	3.3
Benchmark	Industrial Goods & Services	Jun 2019	6,734	5,250	3.2	3.8	3.1
Inspired	Business Services	Jul 2020	13,754	4,168	2.5	4.1	2.5
Next 15 Group	Business Services	Oct 2024	3,393	3,247	2.0	–	1.9
Total investments				164,396			98.6
Cash				2,364			1.4
Net current liabilities				(27)			(0.0)
Total shareholders' equity				166,733			100.0

Sector exposure by value



Value by market cap band



Ken Wotton

Gresham House Asset Management

25 February 2025

Statement of Directors' Responsibilities, Going Concern and Principal Risks and Uncertainties

Statement of Directors' Responsibilities

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements contained within the Half-Yearly Report has been prepared in accordance with IAS 34, 'Interim Financial Reporting', and give a true and fair view of the assets, liabilities, financial position and profit of the Company as required by Disclosure Guidance and Transparency Rules ("DTR") 4.2.4R;
- the Half-Yearly Report includes a fair review of the information required by:
 - (a) DTR 4.2.7 of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8 of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

This Half-Yearly Report was approved by the Board of Directors on 25 February 2025 and the above responsibility statement was signed on its behalf by William Barlow, Chairman.

Going Concern

The Company has adequate financial resources to meet its investment commitments and, and as a consequence, the Directors believe that the Company is well placed to manage its business risks. After making appropriate enquiries and due consideration of the Company's cash balances, the liquidity of the Company's investment portfolio, the cost base of the Company and (as referenced in the Chairman's Statement on [page 4](#)), consideration of the 2025 Realisation event, the Directors have a reasonable expectation that the Company has adequate available financial resources to continue in operational existence for the foreseeable future and accordingly have concluded that it is appropriate to continue to adopt the going concern basis in preparing the Half-Yearly Report, consistent with previous periods.

Principal Risks and Uncertainties

The overriding risks and uncertainties to an investor relate to the markets on which are traded the Company's shares and the shares of the companies in which the Company invests.

The principal risks and uncertainties are set out on [pages 22 to 24](#) of the Annual Report for the year ended 30 June 2024, which is available at www.strategicequitycapital.com.

The Company's principal risks and uncertainties have not changed since the date of the Annual Report and are not expected to change for the remaining six months of the Company's financial year.

Statement of Comprehensive Income

For the six month period to 31 December 2024

	Note	Six month period to 31 December 2024 unaudited			Year ended 30 June 2024 audited			Six month period to 31 December 2023 unaudited		
		Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Investments										
(Losses)/gains on investments held at fair value through profit or loss	6	–	(18,649)	(18,649)	–	24,099	24,099	–	1,573	1,573
		–	(18,649)	(18,649)	–	24,099	24,099	–	1,573	1,573
Income										
Dividends	2	2,822	–	2,822	3,997	2,111	6,108	2,344	–	2,344
Interest	2	39	–	39	55	–	55	31	–	31
Total income		2,861	–	2,861	4,052	2,111	6,163	2,375	–	2,375
Expenses										
Investment Manager's fee	8	(669)	–	(669)	(1,270)	–	(1,270)	(616)	–	(616)
Performance fee	9	–	–	–	–	(1,409)	(1,409)	–	(369)	(369)
Other expenses	3	(447)	–	(447)	(756)	–	(756)	(408)	–	(408)
Total expenses		(1,116)	–	(1,116)	(2,026)	(1,409)	(3,435)	(1,024)	(369)	(1,393)
Net return before taxation		1,745	(18,649)	(16,904)	2,026	24,801	26,827	1,351	1,204	2,555
Taxation	10	–	–	–	–	–	–	–	–	–
Net return and total comprehensive income for the period		1,745	(18,649)	(16,904)	2,026	24,801	26,827	1,351	1,204	2,555
		pence	pence	pence	pence	pence	pence	pence	pence	pence
Return per Ordinary share	5	3.70	(39.49)	(35.79)	4.15	50.84	54.99	2.74	2.44	5.18

The total column of this statement represents the Statement of Comprehensive Income. The supplementary revenue and capital return columns are both prepared under guidance published by the AIC.

All items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

The notes on [pages 25 to 28](#) form an integral part of these Half-Yearly financial statements.

Statement of Changes in Equity

for the six month period to 31 December 2024

	Note	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
For the six month period to 31 December 2024 unaudited								
1 July 2024		6,353	11,300	–	165,489	2,897	3,926	189,965
Net return and total comprehensive income for the period		–	–	–	(18,649)	–	1,745	(16,904)
Dividends paid	4	–	–	–	–	–	(1,648)	(1,648)
Share buy-backs		–	–	–	(4,680)	–	–	(4,680)
31 December 2024		6,353	11,300	–	142,160	2,897	4,023	166,733
For the year to 30 June 2024 audited								
1 July 2023		6,353	11,300	3,590	142,952	2,897	3,131	170,223
Net return and total comprehensive income for the year		–	–	–	24,801	–	2,026	26,827
Dividends paid	4	–	–	–	–	–	(1,231)	(1,231)
Share buy-backs		–	–	(3,590)	(2,264)	–	–	(5,854)
30 June 2024		6,353	11,300	–	165,489	2,897	3,926	189,965
For the six month period to 31 December 2023 unaudited								
1 July 2023		6,353	11,300	3,590	142,952	2,897	3,131	170,223
Net return and total comprehensive income for the period		–	–	–	1,204	–	1,351	2,555
Dividends paid	4	–	–	–	–	–	(1,231)	(1,231)
Share buy-backs		–	–	(3,035)	–	–	–	(3,035)
31 December 2023		6,353	11,300	555	144,156	2,897	3,251	168,512

The notes on [pages 25 to 28](#) form an integral part of these Half-Yearly financial statements.

Balance Sheet

as at 31 December 2024

	Note	As at 31 December 2024 unaudited £'000	As at 30 June 2024 audited £'000	As at 31 December 2023 unaudited £'000
Non-current assets				
Investments held at fair value through profit or loss	6	164,396	182,364	166,393
Current assets				
Trade and other receivables		312	166	75
Cash and cash equivalents		2,364	9,153	2,979
		2,676	9,319	3,054
Total assets		167,072	191,683	169,447
Current liabilities				
Trade and other payables		(339)	(1,718)	(935)
Net assets		166,733	189,965	168,512
Capital and reserves				
Share capital	7	6,353	6,353	6,353
Share premium account		11,300	11,300	11,300
Special reserve		–	–	555
Capital reserve		142,160	165,489	144,156
Capital redemption reserve		2,897	2,897	2,897
Revenue reserve		4,023	3,926	3,251
Total shareholders' equity		166,733	189,965	168,512
		pence	pence	pence
Net asset value per share		358.41	396.87	345.83
		number	number	number
Ordinary shares in issue	7	46,520,577	47,865,450	48,726,211

The notes on [pages 25 to 28](#) form an integral part of these Half-Yearly financial statements.

Statement of Cash Flows

for the six month period to 31 December 2024

	Six month period to 31 December 2024 unaudited £'000	Year ended 30 June 2024 audited £'000	Six month period to 31 December 2023 unaudited £'000
Operating activities			
Net return before taxation	(16,904)	26,827	2,555
Adjustment for losses/(gains) on investments	18,649	(24,099)	(1,573)
Operating cash flows before movements in working capital	1,745	2,728	982
(Increase)/decrease in receivables	(139)	102	321
(Decrease)/increase in payables	(1,323)	1,134	209
Purchases of portfolio investments	(42,205)	(67,433)	(32,988)
Sales of portfolio investments	41,461	78,465	37,479
Net cash flow from operating activities	(461)	14,996	6,003
Financing activities			
Equity dividends paid	(1,648)	(1,231)	(1,231)
Shares bought back in the period	(4,680)	(5,854)	(3,035)
Net cash flow from financing activities	(6,328)	(7,085)	(4,266)
(Decrease)/increase in cash and cash equivalents for the period	(6,789)	7,911	1,737
Cash and cash equivalents at start of period	9,153	1,242	1,242
Cash and cash equivalents at period end	2,364	9,153	2,979

The notes on [pages 25 to 28](#) form an integral part of these Half-Yearly financial statements.

Notes to the Financial Statements

1.1 Corporate information

Strategic Equity Capital plc is a public limited company incorporated and domiciled in the United Kingdom, registered in England and Wales under the Companies Act 2006 whose shares are publicly traded. The Company is an investment company as defined by Section 833 of the Companies Act 2006.

The Company carries on business as an investment trust within the meaning of Sections 1158/1159 of the Corporation Tax Act 2010.

1.2 Basis of preparation/statement of compliance

The Half-Yearly financial statements of the Company have been prepared on a going concern basis and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. They do not include all the information required for a full report and financial statements and should be read in conjunction with the report and financial statements of the Company for the year ended 30 June 2024, which have been prepared in accordance with IFRS. Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trust companies and venture capital trusts issued by the AIC is consistent with the requirements of IFRS, the Directors have sought to prepare financial statements on a basis compliant with the recommendations of the SORP.

The condensed Half-Yearly financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial statements for the six month periods to 31 December 2024 and 31 December 2023 have not been either audited or reviewed by the Company's Auditor. Information for the year ended 30 June 2024 has been extracted from the latest published Annual Report and financial statements, which have been filed with the Registrar of Companies. The report of the Auditor on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

Convention

The financial statements are presented in Sterling, being the currency of the Primary Economic Environment in which the Company operates, rounded to the nearest thousand.

Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business.

1.3 Accounting policies

The accounting policies, presentation and method of computation used in these condensed financial statements are consistent with those used in the preparation of the financial statements for the year ended 30 June 2024.

1.4 New standards and interpretations not applied

Implementation of changes and accounting standards in the financial periods, as outlined in the financial statements for the year ended 30 June 2024, had no significant effect on the accounting or reporting of the Company.

2. Income

	Six month period to 31 December 2024 unaudited £'000	Year ended 30 June 2024 audited £'000	Six month period to 31 December 2023 unaudited £'000
Income from investments			
UK dividend income	2,822	3,997	2,344
Other operating income			
Liquidity interest	39	55	31
Total income	2,861	4,052	2,375

3. Other expenses

	Six month period to 31 December 2024 unaudited £'000	Year ended 30 June 2024 audited £'000	Six month period to 31 December 2023 unaudited £'000
Secretarial services	92	181	92
Auditor's remuneration for:			
Audit services	20	39	39
Directors' remuneration	86	175	92
Other expenses	249	361	185
	447	756	408

4. Dividend

The Company paid a final dividend of 3.50p in respect of the year ended 30 June 2024 (30 June 2023: 2.50p) per Ordinary share on 47,080,561 (30 June 2023: 49,233,260) shares, amounting to £1,647,820 (30 June 2023: £1,230,832). The dividend was paid on 20 November 2024 to Shareholders on the register at 10 October 2024. In line with previous years, the Board does not intend to propose an interim dividend.

5. Return per Ordinary share

	Six month period to 31 December 2024			Year ended 30 June 2024			Six month period to 31 December 2023		
	Revenue return pence	Capital return pence	Total pence	Revenue return pence	Capital return pence	Total pence	Revenue return pence	Capital return pence	Total pence
Return per Ordinary share	3.70	(39.49)	(35.79)	4.15	50.84	54.99	2.74	2.44	5.18

Returns per Ordinary share are calculated based on 47,224,964 (30 June 2024: 48,778,400 and 31 December 2023: 49,290,313) being the weighted average number of Ordinary shares, excluding shares held in treasury, in issue throughout the period.

6. Investments

	31 December 2024 £'000
Quoted investments at fair value through profit or loss	164,396

The Company is required to classify its investments using a fair value hierarchy that reflects the subjectivity of the inputs used in measuring the fair value of each asset. The fair value hierarchy has the following levels:

Investments whose values are based on quoted market prices in active markets are classified within level 1 and include active listed equities. The Company does not adjust the quoted price for these instruments.

The definition of level 1 inputs refers to 'active markets' which is a market in which transactions take place with sufficient frequency and volume for pricing information to be provided on an ongoing basis. Due to the liquidity levels of the markets in which the Company trades, whether transactions take place with sufficient frequency and volume is a matter of judgement, and depends on the specific facts and circumstances. The Investment Manager has analysed trading volumes and frequency of the Company's portfolio and has determined these investments as level 1 of the hierarchy.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Level 3 instruments include private equity, as observable prices are not available for these securities the Company has used valuation techniques to derive the fair value. In respect of unquoted instruments, or where the market for a financial instrument is not active, fair value is established by using recognised valuation methodologies, in accordance with International Private Equity and Venture Capital ("IPEV") Valuation Guidelines.

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value of the investment.

Financial instruments at fair value through profit or loss as at 31 December 2024

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	161,661	2,735	–	164,396
Liquidity funds	–	1	–	1
Total	161,661	2,736	–	164,397

A list of the portfolio holdings is given on [page 19](#).

	31 December 2024 £'000
Analysis of capital gains/(losses):	
Gains on sale of investments	23,008
Movement in investment holding losses	(41,657)
	(18,649)

7. Share capital

	Number	£'000
Allotted, called up and fully paid Ordinary shares of 10p each:		
Ordinary shares in circulation at 30 June 2024	63,529,206	6,353
Shares held in treasury at 30 June 2024	(15,663,756)	(1,566)
Ordinary shares in issue per Balance Sheet at 30 June 2024	47,865,450	4,787
Shares bought back during the period to be held in treasury	(1,344,873)	(134)
Ordinary shares in issue per Balance Sheet at 31 December 2024	46,520,577	4,653
Shares held in treasury at 31 December 2024	17,008,629	1,700
Ordinary shares in circulation at 31 December 2024	63,529,206	6,353

8. Investment Manager's fee

A basic management fee is payable to the Investment Manager at the annual rate of 0.75% of the NAV of the Company. The basic management fee accrues daily and is payable quarterly in arrears.

The Investment Manager is also entitled to a performance fee, details of which are set out in note 9.

9. Performance fee arrangements

The Company's performance is measured over rolling three-year periods ending on 30 June each year, by comparing the NAV total return per share over a performance period against the total return performance of the FTSE Small Cap (ex Investment Companies) Index. A performance fee is payable if the NAV total return per share (calculated before any accrual for any performance fee to be paid in respect of the relevant performance period) at the end of the relevant performance period exceeds both:

- (i) the NAV per share at the beginning of the relevant performance period as adjusted by the aggregate amount of (a) the total return on the FTSE Small Cap (ex Investment Companies) Index (expressed as a percentage) and (b) 2.0% per annum over the relevant performance period ("Benchmark NAV"); and
- (ii) the high watermark (which is the highest NAV per share by reference to which a performance fee was previously paid).

The Investment Manager is entitled to 10% of any excess of the NAV total return over the higher of the Benchmark NAV per share and the high watermark. The aggregate amount of the Management Fee and the Performance Fee in respect of each financial year of the Company shall not exceed an amount equal to 1.4% per annum of the NAV of the Company as at the end of the relevant financial period.

A performance fee of £nil has been accrued in respect of the six months ended 31 December 2024 (30 June 2024: £1,409,000; 31 December 2023: £369,000).

10. Taxation

The tax charge for the half year is £nil (30 June 2024: £nil; 31 December 2023: £nil). The estimated effective corporation tax rate for the year ended 30 June 2025 is 0%. This is because investment gains are exempt from tax owing to the Company's status as an investment company and there is expected to be an excess of management expenses over taxable income.

Alternative Performance Measures

Alternative Performance Measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes IFRS and the AIC SORP. The Directors assess the Company's performance against a range of criteria which are viewed as particularly relevant for closed-end investment companies. The Alternative Performance Measures chosen are widely used in the investment trust sector and thus provide information for users of the accounts to compare the results with other closed-end investment companies.

Discount

The amount by which the Ordinary share price is lower than the NAV per Ordinary share. The discount is normally expressed as a percentage of the NAV per share.

		Six month period to 31 December 2024	Year ended 30 June 2024	Six month period to 31 December 2023
NAV per Ordinary share	a	358.41p	396.87p	345.83p
Share price	b	331.00p	365.50p	320.50p
Discount	c $c=(b-a)/a$	7.6%	7.9%	7.3%

Average discount

The average discount is calculated by taking the average of each day's share price discount to NAV over the course of the period. The discount range during the six month period to 31 December 2024 was 4.1% to 10.3% (six month period to 31 December 2023: 4.6% to 11.6% and year to 30 June 2024: 2.9% to 11.6%) and the average discount was 7.8% (six month period to 31 December 2023: 8.0% and year to 30 June 2024: 7.6%).

NAV total return

NAV total return is the increase/(decrease) in NAV per Ordinary share plus dividends paid, which are assumed to be reinvested at the time the share price is quoted ex-dividend.

	Six month period to 31 December 2024	Year ended 30 June 2024	Six month period to 31 December 2023
Opening NAV	396.87p	342.47p	342.47p
(Decrease)/increase in NAV per Ordinary share	(38.46)p	54.40p	3.36p
Closing NAV	358.41p	396.87p	345.83p
% (Decrease)/increase in NAV	(9.7)%	15.9%	1.0%
Impact of dividends reinvested	0.9%	0.7%	0.7%
NAV total return	(8.8)%	16.6%	1.7%

Share price total return

Share price total return is the increase/(decrease) in share price plus dividends paid, which are assumed to be reinvested at the time the share price is quoted ex-dividend.

	Six month period to 31 December 2024	Year ended 30 June 2024	Six month period to 31 December 2023
Opening share price	365.50p	309.00p	309.00p
(Decrease)/increase in share price	(34.50)p	56.50p	11.50p
Closing share price	331.00p	365.50p	320.50p
% (Decrease)/increase in share price	(9.4)%	18.3%	3.7%
Impact of dividends reinvested	0.9%	0.9%	0.9%
Share price total return	(8.5)%	19.2%	4.6%

Ongoing charges – annualised

Ratio of expenses as a percentage of average daily shareholders' funds calculated as per the Association of Investment Companies industry standard method.

		Six month period to 31 December 2024	Year ended 30 June 2024	Six month period to 31 December 2023
Investment management fee		1,332	1,270	1,225
Administrative expenses		819	756	731
Ongoing charges	a	2,151	2,026	1,956
Average net assets	b	179,935	169,118	164,971
Ongoing charges ratio (%)	c c=a/b	1.20%	1.20%	1.19%

Ongoing charges (including performance fee) – annualised

As per above, with the addition of the performance fee.

		Six month period to 31 December 2024	Year ended 30 June 2024	Six month period to 31 December 2023
Investment management fee		1,332	1,270	1,225
Administrative expenses		819	756	731
Performance fee		–	1,409	369
Ongoing charges (including performance fee)	a	2,151	3,435	2,325
Average net assets	b	179,935	169,118	164,971
Ongoing charges ratio (including performance fee) (%)	c c=a/b	1.20%	2.03%	1.41%

Directors and Advisers

Directors

William Barlow (Chairman)
Richard Locke (Deputy Chairman)
Annie Coleman
Brigid Sutcliffe
Howard Williams

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Depository

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Registrar

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Company Secretary and Administrator

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Edinburgh EH3 7HR
Tel: 0131 378 0500

Registered Office

c/o Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

Shareholder Information

Investment Policy

The Company invests primarily in equities quoted on markets operated by the London Stock Exchange where the Investment Manager believes the securities are undervalued and could benefit from strategic, operational or management initiatives. The Company also has the flexibility to invest up to 20% of the Company's gross assets at the time of investment in securities quoted on other recognised exchanges.

The Company may invest up to 20% of its gross assets at the time of investment in unquoted securities, provided that, for the purpose of calculating this limit, any undrawn commitments which may still be called shall be deemed to be an unquoted security.

The maximum investment in any single investee company will be no more than 15% of the Company's investments at the time of investment.

The Company will not invest more than 10%, in aggregate, of the value of its total assets at the time the investment is made in other listed closed-end investment funds.

Other than as set out above, there are no specific restrictions on concentration and diversification. The Board does expect the portfolio to be relatively concentrated, with the majority of the value of investments typically in the securities of 10 to 15 issuers across a range of industries. There is also no specific restriction on the market capitalisation of securities into which the Company will invest, although it is expected that the majority of the investments by value will be invested in companies too small to be considered for inclusion in the FTSE 250 Index.

The Company's Articles of Association permit the Board to take on borrowings of up to 25% of the NAV at the time the borrowings are incurred for investment purposes.

An investment company as defined under Section 833 of the Companies Act 2006.

REGISTERED IN ENGLAND AND WALES No. 5448627

A member of the Association of Investment Companies

Financial calendar

Company's year-end	30 June
Annual results announced	September
Annual General Meeting	November
Company's half-year	31 December
Half-yearly results announced	February/March

Share price

The Company's Ordinary shares are premium listed on the main market of the London Stock Exchange plc (the "London Stock Exchange"). The share price is quoted daily in the Financial Times under 'Investment Companies'.

Share dealing

Shares can be traded through your usual stockbroker.

Share register enquiries

The register for the Ordinary shares is maintained by Computershare Investor Services plc ("Registrar"). In the event of queries regarding your holding, please contact the Registrar, on 0370 707 1285. Changes of name and/or address must be notified in writing to the Registrar, whose address is shown on [page 31](#).

Net Asset Value

The Company's NAV is announced daily to the London Stock Exchange.

Website

Further information on the Company can be accessed via the Company's website: www.strategicequitycapital.com



Gresham House
Specialist investment