

# Strategic Equity Capital plc

A specialist alternative equity Trust  
with a smaller companies portfolio

**Report & Financial Statements**  
for the half-year ended 31 December 2022

  
Since 1857  
**Gresham House**  
*Specialist asset management*

## 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 six Non-Executive Directors, all independent of the Investment Manager.

## 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.

The Company's investment policy can be found on page 26.

## 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 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. Quoted on the London Stock Exchange (GHE:LN) Gresham House actively manage c.£7.8bn 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.

A more detailed explanation of the Investment Strategy can be found in the Investment Manager's Report on page 7.





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# Financial Summary

Net Asset Value ("NAV")  
per Ordinary Share

**293.08 pence**

30 June 2022  
316.21 pence

**-7.3%**

Ordinary Share Price

**275.00 pence**

30 June 2022  
280.00 pence

**-1.8%**

NAV Total Return

for the six months ended  
31 December 2022

**-6.7%**

Year ended  
30 June 2022  
-9.2%

Share Price Total Return

for the six months ended  
31 December 2022

**-1.0%**

Year ended  
30 June 2022  
-9.5%

Discount of Ordinary  
Share Price to NAV

**-6.2%**

30 June 2022  
-11.5%

	As at 31 December 2022	As at 30 June 2022	As at 31 December 2021	Six months % change to 31 December 2022
<b>Capital return</b>				
Net asset value ("NAV") per Ordinary share <sup>†</sup>	293.08p	316.21p	355.19p	(7.3)%
Ordinary share price	275.00p	280.00p	317.00p	(1.8)%
Comparative index <sup>‡</sup>	5,026.45	5,164.05	5,935.33	(2.7)%
Discount <sup>1</sup> of Ordinary share price to NAV	(6.2)%	(11.5)%	(10.8)%	
Average discount <sup>1</sup> of Ordinary share price to NAV for the period	(7.1)%	(12.6)%	(13.7)%	
Total assets (£'000)	151,033	177,198	225,374	(14.8)%
Equity Shareholders' funds (£'000)	150,550	175,030	224,824	(14.0)%
Ordinary shares in issue with voting rights	51,368,273	55,352,088	63,296,844	(7.2)%

	Six month period to 31 December 2022	Year ended 30 June 2022	Six month period to 31 December 2021
<b>Performance</b>			
NAV total return for the period <sup>2</sup>	(6.7)%	(9.2)%	1.9%
Share price total return for the period <sup>3</sup>	(1.0)%	(9.5)%	2.5%
Comparative index <sup>‡</sup> total return for the period	(1.1)%	(14.6)%	2.1%
Ongoing charges – annualised <sup>4</sup>	1.21%	1.08%	1.05%
Ongoing charges (including performance fee) – annualised <sup>4</sup>	1.21%	1.08%	1.05%
Revenue return per Ordinary share	2.16p	2.43p	1.71p
Dividend yield <sup>5</sup>	n/a	0.7%	n/a
Proposed dividend for the period	n/a	2.00p	n/a

Interim period's Highs/Lows	High	Low
NAV per Ordinary share	329.2p	279.7p
Ordinary share price	303.0p	258.0p

<sup>†</sup> 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.

<sup>‡</sup> FTSE Small Cap (ex Investment Trusts) Index.

#### Alternative Performance Measures

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

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

3 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.

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

5 Dividend yield. The annual dividend expressed as a percentage of the share price.

# Chairman's Statement

## Introduction

I am delighted to introduce my first Chairman's statement since I was appointed as Chair of your Company at the AGM in November 2022. I would like to take this opportunity to thank my predecessor, Richard Hills, for all his efforts and leadership over the past 8 years on the Board. I have taken up this role at an exciting time in the Company's development and at an eventful time for equity markets and for the wider global economy. The period to the end of December was a mixed one in terms of market direction, NAV performance and share price. The political turmoil in the UK and sharp moves in bond markets catalysed by the aborted "mini-budget" injected uncertainty and volatility into global equity markets and UK smaller companies were not immune. However, the final quarter of the year seemed to demonstrate improving, if potentially fragile, market stability and share price recoveries resulting in NAV and the Company's share price ending the year on a somewhat brighter note.

Weaker market conditions and an uncertain economic backdrop in the UK and globally will inevitably throw up more challenges as 2023 progresses. However, market volatility and depressed equity valuations also present opportunities for your Investment Manager to uncover attractive long term investment opportunities, and the pipeline remains buoyant.

The Company's investment portfolio remains highly concentrated with 77% of the NAV made up of the top ten holdings as at the end of December 2022. 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 business. This analysis indicates a substantial margin of safety currently underpinning the potential for long term investment returns, which provides the Board with confidence notwithstanding the uncertain environment.

Weaker equity markets, particularly in the area of UK Smaller Companies, has increasingly been attracting the attention of well funded private equity funds seeking to take advantage of the relative valuation discount being applied to publicly listed companies compared to prevailing private market transaction valuation multiples. The Company's portfolio has been a beneficiary of this phenomenon, with takeover approaches for a number of companies over the past two years.

The Company is positioned as a high conviction concentrated portfolio of high quality businesses that have the potential to be strategically valuable. As such it remains susceptible to further approaches while valuation multiples remain depressed. This, together with the underlying financial health of the portfolio despite the weaker economic environment, provides the Board with confidence that our investment management team will be able to generate good long term returns for shareholders in the Company.

## Performance

During the six months to 31 December 2022, the Company's NAV per share (on a total return basis) decreased by 6.7%. The FTSE Small Cap (ex Investment Trusts) Total Return Index ("FTSE Small Cap Index"), which we use for comparison purposes only, decreased by 1.1%. Over the same period, the share price of the Company decreased by 1.0% on a total return basis. It is worthwhile to remind shareholders that the Investment Manager's strategy includes the avoidance of certain more cyclical sectors such as oil & gas, mining, banking and real estate. It is these sectors, in the main, that have driven the overall outperformance of the benchmark over this period. The Investment Manager and Board believe that over the long term the avoidance of these areas of the market will not be detrimental to performance but will also reduce volatility and improve the consistency of investment returns.

The performance of the Company varied significantly between Q3 and Q4. NAV per share (on a total return basis) decreased by 8.9% in Q3, before increasing by 2.4% in Q4. This trend of improving NAV performance has continued into this year with the NAV up a further 11.2% as I write.

Absolute NAV performance has inevitably been weaker during the period as a result of the broad market sell off. However, the relatively defensive positioning of the portfolio, focused on higher quality companies exposed to areas of structural growth where they have a degree of pricing power and largely in businesses with resilient business fundamentals and strong balance sheets, should enable the Company to outperform over the medium to long term. Performance is discussed more fully in the Investment Manager's Report on page 10.

## Development of the Company

Ken Wotton (Managing Director, Public Equity at Gresham House) has been Lead Manager of the Company since September 2020. Since then Ken and his team have gradually repositioned the portfolio into a high conviction set of businesses, in many of which the Company now holds strategic and influential equity stakes which form a platform to implement the Investment Manager's highly differentiated and engaged Strategic Public Equity strategy (summarised in the Investment Manager's Report on page 7).

Gresham House plc, directly and indirectly through its in-house fund, Gresham House UK Micro Cap Fund, purchased 1,158,813 shares in the Company during the year and ended the period with a combined direct and indirect equity stake of 8.9% of the Company as at the end of December 2022.

The Board is pleased with the progress made by Gresham House over the period. Although investment returns were weaker, this primarily reflected weaker equity markets with portfolio company fundamentals largely remaining strong, which should underpin the potential for future investment returns.

## Marketing

I'm pleased to report that good progress has been made in the marketing of the Company. The Board and the investment manager reviewed the proposition and communications of the Company, and have been working hard to roll out a refreshed positioning across a range of communication channels. This work has included updating the Company's website with updated messaging and imagery, a re-design of the Company's factsheet, a new template for the Annual and Interim Report & Accounts, and a refreshed presentation template. The team has also focused on creating updated, engaging content for existing investors and to attract new investors to the Company. This has included the introduction of a new video series with fund manager Ken Wotton interviewing the CEOs of the companies within our highly concentrated portfolio, to provide greater insights into the businesses and their opportunities.

Working with the Company's PR agency, KL Communications, the Board has sought to build the profile of the Company in key investment and retail investor media to highlight the Company's distinctive investment process of using a private equity approach to investing in public markets. While the focus has been on emphasising the Company's resilience in the face of a tough macroeconomic environment for UK equities, our strategy for the coming year is to highlight the opportunities ahead for UK smaller companies.

## Discount and Discount Management

The measures implemented in March 2022 to address the persistent share price discount to NAV are set out below. These have been encouraging, resulting in the discount narrowing from 11.5% at the beginning of the period to 6.2% at the end of the period. For comparison over the same period the average UK Smaller Company Investment Trust discount decreased from 11.7% to 8.2%.<sup>1</sup>

The average discount to NAV of the Company's shares during the period was 7.1%, compared to the equivalent 13.7% figure from the prior year. The discount range was 2.5% to 13.8%.

The Board has announced a series of proposals which it believes will address the persistent discount. These include:

- the implementation of a tender offer for up to 10 per cent. of the Company's share capital. The tender offer was approved by shareholders on 23 March 2022 and a total of 6,329,685 shares were repurchased at a cost of 322.8748 pence per share.
- following the completion of the initial tender offer, the implementation of a share buyback programme for up to an additional approximate 9 per cent. of NAV with Shares repurchased during the 2022 calendar year at a discount to NAV of greater than 5 per cent;
- a new buyback policy to return 50 per cent. of proceeds from profitable realisations, at greater than a 5 per cent. discount on an ongoing basis, in each financial year, commencing in the financial year ending 30 June 2023;
- a commitment by Gresham House plc to use £5 million of its cash resources to purchase Shares by June 2023 at greater than a 5 per cent. discount;
- an ongoing commitment by Gresham House Asset Management 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



1. Selected peer group



## Chairman's Statement

- the deferral of the continuation resolutions that would otherwise be proposed at the Company's annual general meetings in 2022, 2023 and 2024 in favour of the implementation of a 100 per cent. realisation opportunity for Shareholders in 2025, the structure and timing of which will be communicated by the Board in due course.

During the six month period the Company bought back 3,983,815 shares. For the year to 31 December 2022 5,598,886 shares were bought back.

## The Board

I am delighted to welcome Brigid Sutcliffe and Howard Williams to your Board as non-executive Directors. They were appointed on 8 February 2023.

Brigid qualified as a Chartered Accountant in 1983 and after gaining an MBA in 1987, spent thirty years working in investment banking and as a strategic change management consultant, advising companies across a wide range of sectors. She has been a non-executive director for a variety of organisations in the public, private and third sectors over the past eighteen years, including science and technology research, technical business services, higher education and social housing. Brigid is also a non-executive Director and Audit Chair of Troy Income & Growth Trust plc.

Howard has forty years of fund management experience and was, until October 2017, Chief Investment Officer and Head of the Global Equity Team at JPMorgan Asset Management. Prior to joining JPMorgan Asset Management in 1994, he held a number of senior positions at Shell Pensions and Kleinwort Benson Asset Management. He started his career at James Capel & Co. He is also a non-executive director of Schroders Unit Trust Limited, a non-executive director of Dunedin Income Growth Investment Trust PLC and of LifeSight Limited.

It is the intention that Brigid take over the role of Audit Committee Chair after Jo Dixon retires at the conclusion of the Company's AGM in November.

## 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. The Board, together with the Investment Manager, has a conservative approach to gearing because of the concentrated nature of the portfolio. No gearing has been in place at any point during the period. Cash balances are generally maintained to take advantage of suitable investment opportunities as they arise.

## 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

The global macroeconomic and geopolitical environment remains highly uncertain. Closer to home the UK's economic outlook remains lacklustre. This backdrop remains challenging for company earnings and UK smaller company equity market ratings.

Despite these obvious challenges the Investment Manager is observing an increasing number of attractive long term investment opportunities. Strong underlying fundamentals across the existing portfolio provide a robust and resilient platform for future investment returns. The significant dislocation between current UK public market valuations and the comparisons in private market provides good grounds for optimism about the prospects for positive valuation momentum over the medium term.

The resilient positioning of the Company's portfolio should enable it to outperform in the current challenging environment and deliver attractive long-term capital growth when markets stabilise. The enhanced marketing programme, ongoing share buybacks and purchases by Gresham House should support the Company's ability to maintain a structurally narrower share price discount to NAV over the coming year.

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



**William Barlow**  
Chairman

8 March 2023



# Investment Manager's Report

## Investment Strategy

In the following section, we remind shareholders of our strategy and investment process.

### Our Strategic Public Equity strategy

The appointment of Gresham House as Investment Manager in May 2020 and the subsequent appointment of Ken Wotton as Lead Fund Manager in September 2020 resulted in a refocus of the investment strategy, ensuring that it is strictly applied and is able to effectively leverage the experienced resource of the Gresham House Strategic Equity team, the wider Group platform and its extensive network. We set out this strategy in detail in the Company's 2022 Annual Report which we summarise again below.

### Investment focus

Our investment focus is to invest into high quality, publicly quoted 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 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

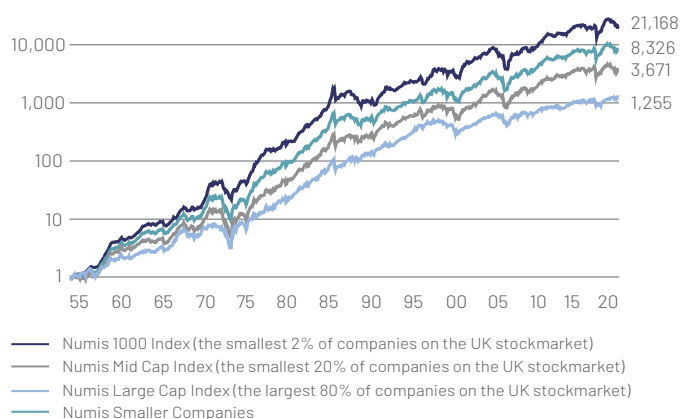
We believe that UK Smaller Companies represent a structurally attractive part of the public markets. Academic research demonstrates that smaller companies in the UK have delivered substantial outperformance over the long term (see Figure 1). This is partially because there is a large number of under-researched and under-owned businesses that typically trade at a valuation discount to larger companies (see Figure 2 on the following page) 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 key attractions of smaller companies are:

- **Inefficient markets** – Smaller companies remain under-researched and below the radar for most investors thus creating an opportunity for those willing to devote time and resource to this area.
- **A large universe** – Most UK listed companies are in the smaller companies category and are listed on the main market or AIM. Two-thirds of UK listed companies have a market capitalisation below £500m, offering a large opportunity set for smaller company specialists.
- **Valuation discounts** – Such discounts, arising for whatever reason, present attractive entry points at which the intrinsic worth of a company's long-term prospects are undervalued.
- **M&A activity** – Smaller companies often offer strategic opportunities within their niche markets and can become attractive, bolt-on acquisitions to both trade and private equity buyers. These buyers provide an additional source of liquidity and realisation of value for smaller company investors.

Figure 1: Long-term performance

Cumulative return 1955-2022

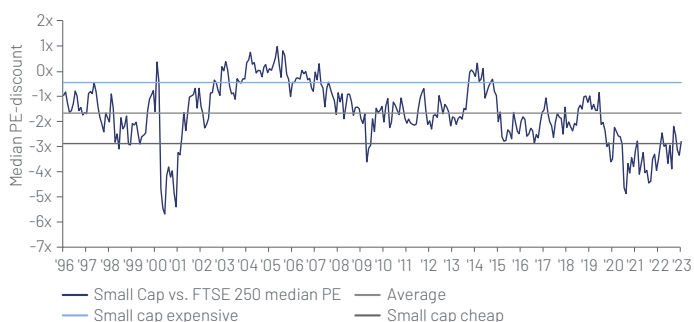


Source: Scott Evans, Paul Marsh, Numis Indices 2022 Annual Review, 16 January 2023

Note: Logarithmic scale

Figure 2: 'Small-cap discount'

Median SC P/E – FTSE 250



Source: Liberum, Datastream, 31 December 2022

### Portfolio construction

We will 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 10-15 holdings, with other positions representing potential "springboard" investments, where we are still undertaking due diligence or awaiting a catalyst to increase our stake to an influential, strategic level.

Bottom-up stock picking determines the Company'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 and the absence of early stage or pre-profit businesses, typically result in a portfolio weighted towards, but not exclusively, profitable cash generative service sector businesses, particularly in technology, healthcare, business services, financials and industrials. The underlying value drivers are typically company specific and exhibit limited correlation even within the same broad sectors. Figure 3 sets out the sector exposure of the Company as at 31 December 2022.

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.

Figure 3: Sector exposure by value

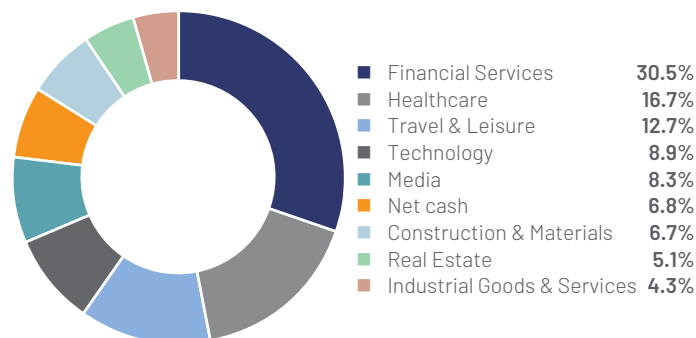
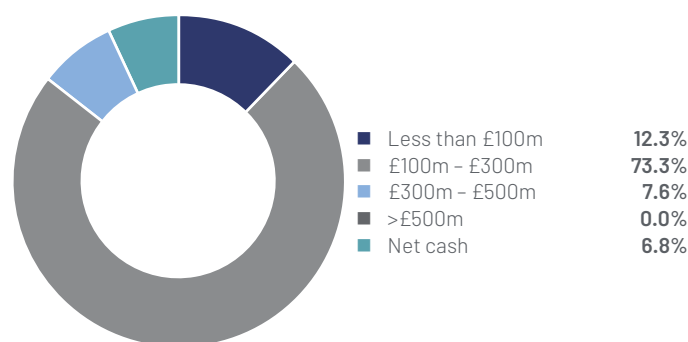


Figure 4: Value by market cap band



The average market capitalisation of portfolio holdings decreased to £205m as at 31 December 2022 compared to £231m as at 30 June 2022, largely reflecting weaker share prices as equity markets sold off during 2022. This level of average market capitalisation supports the Investment Manager's strategy of focusing on smaller market capitalisation companies where the Company has the potential to take a meaningful equity stake as a platform to effectively apply its active engagement strategy.

We set out a description of the Top 10 holdings as at 31 December 2022 on pages 11-13 together with a high level summary of the investment case and recent developments for each position.

### Constructive Active Engagement Approach

As far as possible, the Company aims to build consensus with other stakeholders. We want to unlock value for shareholders, but also create stronger businesses over the long term. The objective is to develop a dialogue with management so that the GHAM team and its network are seen as trusted advisors.

Operating with a highly-focused portfolio, the Company's management team can build and maintain a deep understanding of its portfolio companies and their potential. The team engages with company management teams and boards in a number of areas including:

- **Strategy** – Working with boards to ensure business strategy and operations are effectively aligned with long term value creation and focused on building strategic value within a company's market.
- **Corporate activity** – Support for acquisition and divestment activity through advice, network introductions and provision of cornerstone capital.
- **Capital allocation** – Seeking to work with boards to optimise capital allocation by prioritising the highest

return and value added projects and areas of focus for investment of both capital and resource.

- **Board composition** – Ensuring that boards are appropriately balanced between executive and non-executive directors and contain the right balance of skills and experience; we actively use our talent network to introduce high quality candidates to enhance the quality of investee company boards as appropriate.
- **Management incentivisation** – Ensuring that key management are appropriately retained and incentivised to deliver long term shareholder value with schemes that fit with GHAM's principles and are well aligned to our objectives as shareholders.
- **ESG** – Leveraging the Gresham House sustainable investing framework and central resource to help to identify, understand and monitor key ESG risks and opportunities as well as seeking to drive enhancements to a company's approach where there are critical material issues with a particular focus on corporate governance.
- **Investor Relations** – Helping management teams to hone their equity story, select appropriate advisors and target their investor relations activities in the most effective way to ensure that value creation activity is understood and reflected by the market.

Engagement is undertaken privately, as far as possible. The team will also work to leverage its extensive network to the benefit of portfolio companies. We seek to make introductions to our network in as collaborative way as appropriate where we believe there is an opportunity to support initiatives to create shareholder value.

In summary, we follow a practice of constructive corporate engagement and aim to work with management teams in order to support and enhance shareholder value creation. We attempt to build a consensus with other stakeholders and prefer to work collaboratively alongside like-minded co-investors.

## Portfolio review for the six months to 31 December 2022

Over the course of the six months to 31 December 2022 the portfolio remained steady, with no new holdings purchased, and one full exit, Tyman plc, which represented 4.2% of NAV at the start of the period. At the end of the period the number of influential equity stakes where GHAM funds, in aggregate, hold a 5% or more equity stake now stands at ten, and represented 75% of the portfolio by value at 31 December 2022.

## Market Background

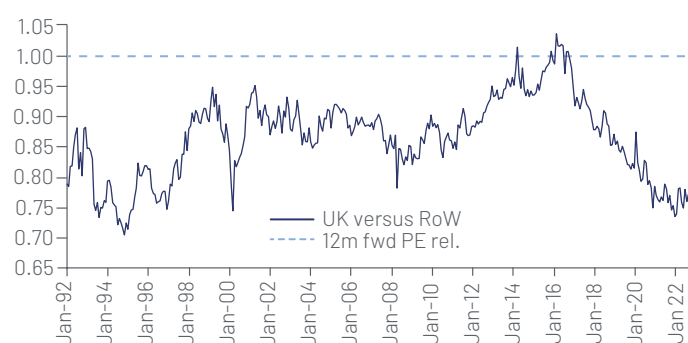
Over the six months to the end of December, the FTSE Smaller Companies (ex Investment Trusts) Index ("the index") fell by 1.1% on a total return basis underperforming the FTSE All Share (+5.1%) but outperforming the FTSE AIM (-5.1%). The market witnessed a substantial style shift from growth to value as expectations of increasing interest rates took hold. This led to certain more value orientated sectors outperforming such as oil & gas, mining

and banks, all areas where the Company does not invest. In addition during 2022 the very largest stocks in the FTSE 100, typically focused on these same defensive and value sectors outperformed, with the vast majority of other stocks, demonstrating negative absolute returns.

Significant geopolitical and macroeconomic uncertainty continued to dominate sentiment, driving falling share prices particularly in smaller companies and heightened market volatility. This was particularly acute during the Company's first fiscal quarter ending September 2022 with the UK's mini-budget and political turmoil destabilising debt markets and exacerbating an already building shift towards a higher inflation, higher interest rate environment and accelerating the shift in equity markets from the growth style that has dominated for much of the period since the financial crisis in 2008, towards a more value focused style.

The UK equity market continued to be out of favour with asset allocators with a reported £20bn of net outflows from UK equity funds during 2022. This volume of money leaving the UK market has weighed on valuations with the UK at multi-decade lows relative to other developed markets, particularly the US, despite the drawdowns experienced last year.

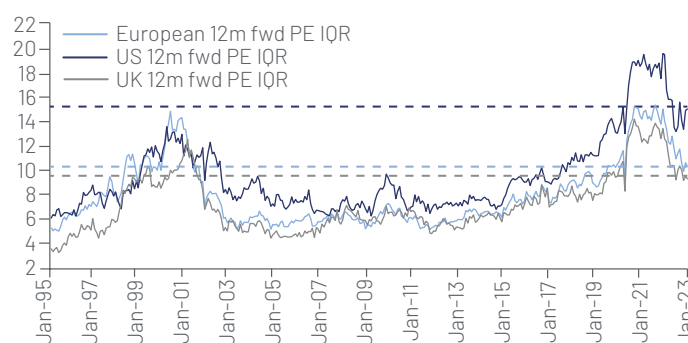
### UK 12-month forward Price/Earnings relative to global equities



Source: Berenberg research, Eikon

In addition the dispersion of valuation multiples within the UK market remains at elevated levels albeit moderated from their 2021 peak.

### European, US and UK equity markets' 12-month forward P/E inter-quartile range



Source: Berenberg research, Eikon

Inter Quartile Range (IQR) - Quartiles segment any distribution that's ordered from low to high into four equal parts. The interquartile range (IQR) contains the second and third quartiles, or the middle half of the data set.

## Investment Manager's Report

These two facts together highlight the value opportunities in the UK market but the need for careful assessment of the bottom up characteristics of each company. This suits the private equity approach taken by the Investment Manager to investing on behalf of the Company.

## Performance Review

The net asset value ("NAV") decreased 6.7%, on a total return basis, over the six months to the end of December, closing at 293.08p per share. This reduction in NAV reflected the volatile equity market conditions over the period driven by the well documented geopolitical and macroeconomic challenges impacting investor sentiment. The Company underperformed its benchmark during the period, as the FTSE Smaller Companies (ex Investment Trusts) index fell by 1.1%. This reflected the relatively defensive positioning of the portfolio compared to the wider market – focused on high quality businesses in less cyclical parts of the market and with resilient business models and robust balance sheets. This under performance was achieved without exposure to sectors such as oil & gas, mining or banks which were strong relative performers during the period.

Despite the market volatility experienced over the year, 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 2022 £'000	Period Contribution to return (basis points)
Wilmington	12,483	260
Hostelworld	10,428	144
XPS Pensions	20,279	125
Ten Entertainment	8,733	119
Ricardo	6,562	83

**Wilmington**, a professional media provider, delivered strong operational performance and upgraded financial forecasts benefitting from a substantial period of restructuring and a refocused strategy supported by the Gresham House team. **Hostelworld**, an online travel agent demonstrating recovering demand driven by the easing of global travel restrictions. **XPS Pensions**, an actuarial services provider, which announced the earnings enhancing acquisition of Penfida Limited, a leading independent corporate finance and covenant advisor to UK pension funds; **Ten Entertainment**, a leading operator of ten pin bowling centres, which reported strong results and continued positive trading momentum.

### Bottom Five Absolute Contributors to Performance

Security	Valuation 31 December 2022 £'000	Period Contribution to return (basis points)
Inspired	6,545	(421)
Tribal	7,423	(420)
LSL Property Services	7,719	(154)
R&Q Insurance Holdings	1,912	(87)
lomart	3,410	(80)

In challenging equity market conditions a number of the portfolio holdings suffered from share price weakness during the period, reversing the very positive trend during the prior year. The largest detractors included **Inspired**, an energy consultancy, was de-rated on negative sentiment due to the disruption to the UK energy market; **Tribal**, an international provider of student administration software, which downgraded expectations due to challenges with a large contract resulting in a provision for potential losses; **LSL Property Services**, which de-rated on a weaker outlook for the UK housing market; **R&Q Insurance Holdings**, a global non-life specialty insurance company, following a cautionary statement and weaker than expected interim results; **lomart**, an information technology and cloud computing company, following annual results at the lower end of market expectations.

## Portfolio Review

The portfolio remained highly focused with a total of 17 holdings and the top 10 accounted for 77% of the NAV at the end of the period. 7% of the NAV was held in cash at the period end.

Over the period there was one full exit, from Tyman, at an IRR of 23.4%.











We believe the Company currently has a number of key holdings which currently trade at material valuation discounts to comparable private market transaction values which provides a strong margin of safety on the long term upside potential of the portfolio.

Changes in sector weightings have been minimal in the period, with the largest change being in cash, which has decreased from 8.6% to 6.8% of the NAV of the Company.



# Top 10 Investee Company Review<sup>1</sup>

(as at 31 December 2022)

Company	% of NAV	Description	GHAM stake <sup>2</sup>	Company	% of NAV	Description	GHAM stake <sup>2</sup>
 XPS Pensions	13.5%	A leading pensions consulting and administration services provider	15.8%	 HOSTELWORLD GROUP	6.9%	A hostel-focussed online travel agent	7.9%
 medica:	13.3%	A leading provider of teleradiology services to the clinical services and pharmaceutical research sectors	19.3%	 ten. ENTERTAINMENT GROUP PLC	5.8%	A leading operator of ten pin bowling centres in the UK	12.3%
 Wilmington plc	8.3%	A provider of business information and training & education solutions	5.3%	 LSL Property Services plc	5.1%	A provider of financial services, surveying, valuation and estate agency services	3.4%
 BM BROOKS MACDONALD	7.6%	A UK national wealth manager and investment advisor	3.9%	 TRIBAL	4.9%	A leading provider of software to the higher education sector	9.0%
 FINTEL	7.4%	A software, services and data provider to the wealth management sector	9.9%	 RICARDO	4.4%	An engineering, environmental and strategic consultancy, operating across a range of market sectors	9.2%

Case studies selected for illustrative purposes only to demonstrate investment strategy and are not investment recommendations.

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

Gresham House plc, as at 31 December 2022

1. Top ten holdings representing 77% of NAV

2. Aggregate Gresham House Asset Management equity stake.

## Top 10 Investee Company Review

Company	Investment Thesis	Developments
<b>XPS Pensions</b>	<ul style="list-style-type: none"> <li>Leading 'challenger' brand in the pensions administration and advice market with organic market share opportunity following industry consolidation</li> <li>Highly defensive – high degree of revenue visibility and largely non-discretionary, regulation driven client activity</li> <li>Below market rating despite favourable cash flow characteristics</li> </ul>	<ul style="list-style-type: none"> <li>Strong results over the period with inflation linked contract pricing and rate increases accelerating revenue growth</li> <li>Multiple industry award winners for 2022</li> <li>Alan Bannatyne appointed as chairman</li> <li>Acquisition of Penfida added scale to covenants advisory business</li> </ul>
<b>Medica</b>	<ul style="list-style-type: none"> <li>A niche market leader in the UK teleradiology sector which is acyclical and is growing rapidly driven by increasing healthcare requirements and a structural shortage of radiologists</li> <li>Above market organic growth and underappreciated cash generation characteristics</li> </ul>	<ul style="list-style-type: none"> <li>Softer summer utilisation levels recovered strongly supporting operating margins</li> <li>Progress made with FutureTech investment programme</li> <li>US and Irish businesses growing strongly</li> </ul>
<b>Wilmington</b>	<ul style="list-style-type: none"> <li>International provider of B2B data and training in the compliance, insurance, financial and healthcare sectors</li> <li>New chair, CEO and CFO incentivised to re-focus the business and deliver a return to organic growth</li> </ul>	<ul style="list-style-type: none"> <li>Revenue and margin growth accelerating resulting in forecast upgrades</li> <li>Non-core asset disposal programme continued driving increased focus</li> </ul>
<b>Brooks Macdonald</b>	<ul style="list-style-type: none"> <li>UK focused wealth management platform; structural growth given continuing transition to self-investment</li> <li>Opportunity to leverage operational investments to grow margin and continue strong cash flow generation</li> <li>A consolidating market; opportunity for Brooks as both predator and prey</li> </ul>	<ul style="list-style-type: none"> <li>Adverse market movements to AUM partially offset by sustained net inflows</li> <li>Revised pricing introduced to Managed Portfolio Service offering to improve competitiveness</li> <li>Chairman retired due to ill health</li> <li>CFO and COO exited the business</li> </ul>
<b>Fintel</b>	<ul style="list-style-type: none"> <li>Leading UK provider of technology enabled regulatory solutions and services to IFAs, financial institutions and other intermediaries</li> <li>Strategically valuable technology platform with opportunity to drive material growth in revenues and margins through supporting customers' digitisation journeys</li> </ul>	<ul style="list-style-type: none"> <li>Accelerating revenue growth and increased proportion of contracted recurring income</li> <li>Strong cash generation eliminated group debt</li> <li>Strategic distribution partnership with M&amp;G</li> </ul>
<b>Hostelworld</b>	<ul style="list-style-type: none"> <li>Category leader within the hosteling niche of the online travel sector</li> <li>Social media led customer acquisition and engagement strategy to enhance profitability and customer lifetime value</li> <li>Growth driven by post-Covid recovery in international travel and value for money positioning</li> </ul>	<ul style="list-style-type: none"> <li>Strong momentum in bookings, average order value</li> <li>Launch of app to underpin social media strategy</li> <li>Return to profitability and cash generation</li> <li>Reducing marketing spend as a proportion of revenue</li> <li>Reduction in net debt</li> </ul>
<b>Ten Entertainment</b>	<ul style="list-style-type: none"> <li>Leading UK operator of ten pin bowling centres</li> <li>High ROCE operating model with strong cash characteristics</li> <li>Improving competitive and property dynamics post Covid driving a long term growth opportunity</li> </ul>	<ul style="list-style-type: none"> <li>Strong like-for-like revenue growth well ahead of pre pandemic levels</li> <li>Continued measured new site expansion</li> </ul>

Company	Investment Thesis	Developments
<b>LSL Property Services</b>	<ul style="list-style-type: none"> <li>▪ Leading provider of services to the UK residential property sector with activities spanning mortgage broking, surveying and real estate agencies</li> <li>▪ Significant opportunity to reallocate capital to the Financial Services division which is strategically valuable, high growth and underappreciated by the market</li> </ul>	<ul style="list-style-type: none"> <li>▪ Weak housing market transaction volumes weighing on mortgage volumes</li> <li>▪ Conveyancing volumes below expectations</li> <li>▪ Sale of Marsh &amp; Parsons estate agency business accelerated transformation strategy</li> <li>▪ Chairman succession plan announced</li> </ul>
<b>Tribal</b>	<ul style="list-style-type: none"> <li>▪ International provider of student administration software with market leading positions in the UK, Australia and NZ</li> <li>▪ Strong defensive characteristics with high visibility of earnings</li> <li>▪ Transition to cloud-based platform has potential to drive growth, margins and rating</li> </ul>	<ul style="list-style-type: none"> <li>▪ Independent Gresham House review of technology platform confirmed best in class proposition</li> <li>▪ Onerous contract in Singapore led to profit downgrade</li> <li>▪ Good progress in cloud contract win rate</li> </ul>
<b>Ricardo</b>	<ul style="list-style-type: none"> <li>▪ Environmental and Engineering consultancy business</li> <li>▪ Ongoing strategic transformation to refocus and prioritise the business towards higher growth, higher margin and less capital intensive parts of the business</li> <li>▪ Strong market position underpinned by significant sector expertise</li> </ul>	<ul style="list-style-type: none"> <li>▪ In line interims – environmental transition part of the business growing significantly YoY, in line with the redefined strategy</li> <li>▪ A&amp;I facing headwinds, however not core to the thesis going forwards, and largely offset by growth in E&amp;E</li> <li>▪ Positive outlook with record order pipeline</li> </ul>

## Outlook

The Investment Manager's core planning assumption is that continued geopolitical and macroeconomic uncertainty will drive market volatility throughout 2023. The paradigm shift to a period of higher inflation and higher interest rates has fundamentally impacted asset markets and equities in particular with the value style outperforming growth substantially during 2022. 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.

The Manager does not seek to make major macroeconomic predictions or to tilt portfolio construction materially in any direction to mitigate or benefit from macro trends. Rather the core focus remains building a portfolio bottom up by investing in high-quality, resilient companies exposed to structural growth, key competitive advantages or self-help opportunities and maintain valuation discipline such that they could drive attractive investment returns over the medium-to-long term regardless of the economic environment and where the Investment Manager's constructive active engagement approach can help to support or unlock that potential.

The Investment Manager continues to believe that stock-level volatility across the market, while creating some challenges, will provide an attractive environment for investors to back quality companies with attractive long-term structural capital growth at reasonable valuations across the market cap spectrum. The economic environment and market discontinuity will provide agile smaller businesses with strong management teams the opportunity to take market share and build strong, enduring franchises.

The elevated levels of corporate activity within the UK equity space continue to play out. The investment process and private equity lens across public markets position enables identification of investment opportunities with potential strategic value that could be attractive acquisitions for both, corporate and financial buyers.

We continue to believe that our fundamental focused investment style has the potential to outperform 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.

## Portfolio as at 31 December 2022

Company	Sector Classification	Date of first Investment	Cost £'000	Valuation £'000	% of invested portfolio at 31 December 2022	% of invested portfolio at 30 June 2022	% of net assets
XPS	Financial Services	Jul 2019	16,851	20,279	14.5	11.8	13.5
Medica	Healthcare	Mar 2017	19,120	20,019	14.3	13.3	13.3
Wilmington	Media	Oct 2010	8,143	12,483	8.9	7.4	8.3
Brooks Macdonald	Financial Services	Jun 2016	9,810	11,367	8.1	7.4	7.6
Fintel	Financial Services	Oct 2020	10,076	11,105	7.9	5.8	7.4
Hostelworld	Travel & Leisure	Oct 2019	9,137	10,428	7.4	5.3	6.9
Ten Entertainment	Travel & Leisure	Oct 2020	6,372	8,733	6.2	4.6	5.8
LSL Property Services	Real Estate	Mar 2021	13,256	7,719	5.5	6.5	5.1
Tribal	Technology	Dec 2014	11,742	7,423	5.3	9.0	4.9
Ricardo	Construction & Materials	Sep 2021	5,892	6,562	4.7	2.5	4.4
Inspired Energy	Industrial Goods & Services	Jul 2020	13,325	6,545	4.7	8.4	4.3
Benchmark	Healthcare	Jun 2019	6,734	5,138	3.7	4.3	3.5
Nexus Infrastructure	Construction & Materials	Jul 2021	4,523	3,516	2.5	2.1	2.3
Iomart	Technology	Mar 2022	4,346	3,410	2.4	3.0	2.2
Idox	Technology	Mar 2021	2,487	2,599	1.9	1.5	1.7
Randall & Quilter	Financial Services	Jun 2022	3,396	1,912	1.4	1.7	1.3
Assetco	Financial Services	Jun 2022	-	1,045	0.6	0.8	0.7
<b>Total investments</b>				140,283			93.2
Cash				10,723			7.1
Net current liabilities				(456)			(0.3)
<b>Total shareholders' funds</b>				<b>150,550</b>			<b>100.0</b>

### Ken Wotton

Gresham House Asset Management

8 March 2023



# Statement of Directors' Responsibilities, Going Concern, 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 8 March 2023 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 and the cost base of the Company, 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 18 and 19 of the Annual Report for the year ended 30 June 2022, which is available at [www.strategicequitycapital.com](http://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 2022

	Note	Six month period to 31 December 2022 unaudited			Year ended 30 June 2022 audited			Six month period to 31 December 2021 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
<b>Investments</b>										
(Losses)/gains on investments held at fair value through profit or loss	6	-	(13,459)	(13,459)	-	(21,776)	(21,776)	-	3,187	3,187
		-	(13,459)	(13,459)	-	(21,776)	(21,776)	-	3,187	3,187
<b>Income</b>										
Dividends	2	2,124	-	2,124	4,173	-	4,173	2,221	-	2,221
Interest	2	35	-	35	6	-	6	-	-	-
<b>Total income</b>		<b>2,159</b>	<b>-</b>	<b>2,159</b>	<b>4,179</b>	<b>-</b>	<b>4,179</b>	<b>2,221</b>	<b>-</b>	<b>2,221</b>
<b>Expenses</b>										
Investment Manager's fee	8	(603)	-	(603)	(1,564)	-	(1,564)	(831)	-	(831)
Other expenses	3	(397)	-	(397)	(1,128)	-	(1,128)	(309)	-	(309)
<b>Total expenses</b>		<b>(1,000)</b>	<b>-</b>	<b>(1,000)</b>	<b>(2,692)</b>	<b>-</b>	<b>(2,692)</b>	<b>(1,140)</b>	<b>-</b>	<b>(1,140)</b>
<b>Net return before taxation</b>		<b>1,159</b>	<b>(13,459)</b>	<b>(12,300)</b>	<b>1,487</b>	<b>(21,776)</b>	<b>(20,289)</b>	<b>1,081</b>	<b>3,187</b>	<b>4,268</b>
<b>Taxation</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net return and total comprehensive income for the period</b>		<b>1,159</b>	<b>(13,459)</b>	<b>(12,300)</b>	<b>1,487</b>	<b>(21,776)</b>	<b>(20,289)</b>	<b>1,081</b>	<b>3,187</b>	<b>4,268</b>
		<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
<b>Return per Ordinary share</b>	5	<b>2.16</b>	<b>(25.08)</b>	<b>(22.92)</b>	<b>2.43</b>	<b>(35.53)</b>	<b>(33.10)</b>	<b>1.71</b>	<b>5.03</b>	<b>6.74</b>

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 20 to 24 form an integral part of these Half-Yearly financial statements.

# Statement of Changes in Equity

for the six month period to 31 December 2022

	Note	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
<b>For the six month period to 31 December 2022 unaudited</b>								
1 July 2022		6,353	11,300	19,767	132,350	2,897	2,363	175,030
Net return and total comprehensive income for the period		-	-	-	(13,459)	-	1,159	(12,300)
Dividend paid	4	-	-	-	-	-	(1,061)	(1,061)
Share buy-backs		-	-	(11,119)	-	-	-	(11,119)
<b>31 December 2022</b>		<b>6,353</b>	<b>11,300</b>	<b>8,648</b>	<b>118,891</b>	<b>2,897</b>	<b>2,461</b>	<b>150,550</b>
<b>For the year to 30 June 2022 audited</b>								
1 July 2021		6,986	31,737	24,567	154,126	2,264	1,889	221,569
Net return and total comprehensive income for the year		-	-	-	(21,776)	-	1,487	(20,289)
Dividend paid	4	-	-	-	-	-	(1,013)	(1,013)
Share buy-backs		(633)	(20,437)	(4,800)	-	633	-	(25,237)
<b>30 June 2022</b>		<b>6,353</b>	<b>11,300</b>	<b>19,767</b>	<b>132,350</b>	<b>2,897</b>	<b>2,363</b>	<b>175,030</b>
<b>For the six month period to 31 December 2021 unaudited</b>								
1 July 2021		6,986	31,737	24,567	154,126	2,264	1,889	221,569
Net return and total comprehensive income for the period		-	-	-	3,187	-	1,081	4,268
Dividend paid	4	-	-	-	-	-	(1,013)	(1,013)
<b>31 December 2021</b>		<b>6,986</b>	<b>31,737</b>	<b>24,567</b>	<b>157,313</b>	<b>2,264</b>	<b>1,957</b>	<b>224,824</b>

The notes on pages 20 to 24 form an integral part of these Half-Yearly financial statements.

# Balance Sheet

as at 31 December 2022

	Note	As at 31 December 2022 unaudited £'000	As at 30 June 2022 audited £'000	As at 31 December 2021 unaudited £'000
<b>Non-current assets</b>				
Investments held at fair value through profit or loss	6	140,283	159,950	208,708
<b>Current assets</b>				
Trade and other receivables		27	885	211
Cash and cash equivalents		10,723	16,363	16,455
		10,750	17,248	16,666
<b>Total assets</b>		<b>151,033</b>	<b>177,198</b>	<b>225,374</b>
<b>Current liabilities</b>				
Trade and other payables		(483)	(2,168)	(550)
<b>Net assets</b>		<b>150,550</b>	<b>175,030</b>	<b>224,824</b>
<b>Capital and reserves</b>				
Share capital	7	6,353	6,353	6,986
Share premium account		11,300	11,300	31,737
Special reserve		8,648	19,767	24,567
Capital reserve		118,891	132,350	157,313
Capital redemption reserve		2,897	2,897	2,264
Revenue reserve		2,461	2,363	1,957
<b>Total shareholders' equity</b>		<b>150,550</b>	<b>175,030</b>	<b>224,824</b>
<b>Net asset value per share</b>		<b>pence</b> <b>293.08</b>	pence 316.21	pence 355.19
<b>Ordinary shares in issue</b>	7	<b>number</b> <b>51,368,273</b>	number 55,352,088	number 63,296,844

The notes on pages 20 to 24 form an integral part of these Half-Yearly financial statements.



# Statement of Cash Flows

for the six month period to 31 December 2022

	Six month period to 31 December 2022 unaudited £'000	Year ended 30 June 2022 audited £'000	Six month period to 31 December 2021 unaudited £'000
<b>Operating activities</b>			
Net return before taxation	(12,300)	(20,289)	4,268
Adjustment for losses/(gains) on investments	13,459	21,776	(3,187)
Operating cash flows before movements in working capital	1,159	1,487	1,081
Decrease/(increase) in receivables	615	(219)	212
(Decrease)/increase in payables	(101)	(19)	26
Purchases of portfolio investments	(8,264)	(36,443)	(26,352)
Sales of portfolio investments	13,229	70,129	34,921
<b>Net cash flow from operating activities</b>	<b>6,638</b>	<b>34,935</b>	<b>9,888</b>
<b>Financing activities</b>			
Equity dividend paid	(1,061)	(1,013)	(1,013)
Shares bought back in the period	(11,217)	(25,139)	-
<b>Net cash flow from financing activities</b>	<b>(12,278)</b>	<b>(26,152)</b>	<b>(1,013)</b>
<b>(Decrease)/increase in cash and cash equivalents for period</b>	<b>(5,640)</b>	<b>8,783</b>	<b>8,875</b>
Cash and cash equivalents at start of period	16,363	7,580	7,580
<b>Cash and cash equivalents at end of the period</b>	<b>10,723</b>	<b>16,363</b>	<b>16,455</b>

The notes on pages 20 to 24 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 condensed 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 2022, 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 2022 and 31 December 2021 have not been either audited or reviewed by the Company's Auditor. Information for the year ended 30 June 2022 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 2022.

## 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 2022, had no significant effect on the accounting or reporting of the Company.

## 2. Income

	Six month period to 31 December 2022 unaudited £'000	Year ended 30 June 2022 audited £'000	Six month period to 31 December 2021 unaudited £'000
<b>Income from investments</b>			
UK dividend income	2,124	4,173	2,221
<b>Other operating income</b>			
Liquidity interest	35	6	-
<b>Total income</b>	<b>2,159</b>	<b>4,179</b>	<b>2,221</b>

## 3. Other expenses

	Six month period to 31 December 2022 unaudited £'000	Year ended 30 June 2022 audited £'000	Six month period to 31 December 2021 unaudited £'000
Secretarial services	85	153	77
Auditors' remuneration for:			
Audit services	36	43	21
Directors' remuneration	74	140	65
Other expenses	202	792	146
	<b>397</b>	<b>1,128</b>	<b>309</b>

## 4. Dividend

The Company paid a final dividend of 2.00p in respect of the year ended 30 June 2022 (30 June 2021: 1.60p) per Ordinary share on 53,027,547 (30 June 2021: 63,296,844) shares, amounting to £1,060,551 (30 June 2021: £1,012,750). The dividend was paid on 16 November 2022 to Shareholders on the register at 15 October 2022. 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 2022			Year ended 30 June 2022			Six month period to 31 December 2021		
	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	2.16	(25.08)	(22.92)	2.43	(35.53)	(33.10)	1.71	5.03	6.74

Returns per Ordinary share are calculated based on 53,653,477 (30 June 2022: 61,286,517 and 31 December 2021: 63,296,844) being the weighted average number of Ordinary shares, excluding shares held in treasury, in issue throughout the period.

## 6. Investments

	31 December 2022 £'000
Investment portfolio summary	
Quoted investments at fair value through profit or loss	140,283

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 2022

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	140,283	–	–	140,283
Liquidity funds	–	2,489	–	2,489
Total	140,283	2,489	–	142,772

A list of the portfolio holdings is given in the Investment Manager's Report on page 14.

	31 December 2022 Total £'000
<b>Analysis of capital gains/(losses):</b>	
Gains on sale of investments	334
Movement in investment holding gains	(13,793)
	(13,459)

## 7. Share capital

	Number	31 December 2022 £'000
Allotted, called up and fully paid Ordinary shares of 10p each:		
Ordinary shares in circulation at 30 June 2022	63,529,206	6,353
Shares held in treasury at 30 June 2022	(8,177,118)	(818)
Ordinary shares in issue per Balance Sheet at 30 June 2022	55,352,088	5,535
Shares bought back during the period to be held in treasury	(3,983,815)	(398)
Ordinary shares in issue per Balance Sheet at 31 December 2022	51,368,273	5,137
Shares held in treasury at 31 December 2022	12,160,933	1,216
Ordinary shares in circulation at 31 December 2022	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 on the following page.

## 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 2022 (30 June 2022: £nil; 31 December 2021: £nil).

## 10. Taxation

The tax charge for the half year is £nil (30 June 2022: £nil; 31 December 2021: £nil). The estimated effective corporation tax rate for the year ended 30 June 2023 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.

# Directors and Advisers

## Directors

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

## Auditor

KPMG LLP  
 Saltire Court  
 20 Castle Street  
 Edinburgh EH1 2EG

## Broker

Liberum Capital Limited  
 Ropemaker Place  
 25 Ropemaker Street  
 London EC2Y 9LY

## Custodian

J.P. Morgan Chase Bank N.A.  
 25 Bank Street  
 Canary Wharf  
 London E14 5JP

## Depository

J.P. Morgan Europe Limited  
 25 Bank Street  
 Canary Wharf  
 London E14 5JP

## Investment Manager

Gresham House Asset Management Limited  
 80 Cheapside  
 London EC2V 6EE  
 Tel: 020 3837 6270

## Registrar

Computershare Investor Services plc  
 The Pavilions  
 Bridgwater Road  
 Bristol BS99 6ZY  
 Tel: 0370 707 1285  
 Website: [www.computershare.com](http://www.computershare.com)

## Solicitor

Stephenson Harwood LLP  
 1 Finsbury Circus  
 London EC2M 7SH

## Company Secretary and Administrator

Juniper Partners Limited  
 28 Walker Street  
 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.

## 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	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 25.

## NAV

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](http://www.strategicequitycapital.com)

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







Since 1857

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