STRATEGIC EQUITY CAPITAL PLC

HALF-YEARLY REPORT & FINANCIAL STATEMENTS

for the six month period to 31 December 2017

Investment Objective

The investment objective of Strategic Equity Capital plc ("the Company") 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 2.

Investment Manager's Strategy

The strategy of GVQ Investment Management Limited ("GVQIM" or the "Investment Manager") is to invest in publicly quoted companies which will increase their value through strategic, operational or management change. GVQIM follows a practice of constructive corporate engagement and aims to work with management teams in order to enhance shareholder value.

A more detailed explanation can be found in the Investment Manager's Report on page 5.

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Financial Summary

	As at 31 December 2017	As at 30 June 2017	As at 31 December 2016	Six months % change to 31 December 2017
Capital return				
Net asset value ("NAV") per Ordinary share[1]	**273.28p**	256.00p	225.14p	6.7%
Ordinary share price (mid-market)	**239.00p**	223.50p	199.50p	6.9%
Discount[2] of Ordinary share price to NAV	**12.5%**	12.7%	11.4%	
Average discount[2] of Ordinary share price to NAV for the period	**13.4%**	11.0%	9.0%	
Total assets (£'000)	**185,934**	179,176	157,917	3.8%
Equity Shareholders' funds (£'000)	**185,374**	176,344	157,170	5.1%
Ordinary shares in issue with voting rights	**67,833,324**	68,883,472	69,808,891	(2.8)%

	Six month period to 31 December 2017	Year ended 30 June 2017	Six month period to 31 December 2016
Performance			
Total return for the period[3]	**7.2%**	29.6%	14.1%
Ongoing charges – annualised[4]	**1.19%**	1.25%	1.28%
Ongoing charges (including performance fee) – annualised[4]	**1.19%**	2.41%	1.46%
Revenue return per Ordinary share	**0.38p**	1.31p	0.43p
Dividend yield[5]	**n/a**	0.3%	n/a
Proposed dividend for period	**n/a**	0.78p	n/a

Interim period's Highs/Lows	**High**	**Low**
NAV per Ordinary share	274.58p	252.77p
Ordinary share price	239.00p	218.00p

[1] *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.*

[2] *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 net asset value per share.*

[3] *Total return. Total return is the increase/(decrease) in NAV per share plus the 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 proposed annual dividend expressed as a percentage of the share price.*

Investment Policy

The Company invests primarily in equity and equity-linked securities 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 concentrated 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.

Chairman's Report

Introduction

The last six months of 2017 were characterized by global equity markets being driven higher by increasing economic growth within a low inflation environment. Market volatility remained subdued with investors appearing to take the potential systemic risks from both geopolitics and the wider global economy in their stride. The new year started in much the same positive vein as the previous year ended. Then in early February concerns over labour market capacity constraints in the United States created fears that this could lead to a more rapid rise in interest rates than previously expected. A sharp sell off across all world stock markets followed.

The Company's Net Asset Value ("NAV") has increased but, unlike the wider market, the aggregate rating of its underlying holdings has not. Therefore compared to the market our portfolio has become less expensive. Details of the Company's portfolio are included in the Investment Manager's Report on pages 5 to 9.

Performance

Over the six month period to 31 December 2017, the net assets of the Company increased to £185.4m (273.28p per share) while the Company's share price rose by 6.9% to 239.0p. The NAV per share increased by 6.7% and the NAV total return per share was 7.2%, comparing favourably with the total return of the FTSE Small Cap ex Investment Companies Index ("FTSE Small Cap Index"), which was 6.2% over the same period. This performance is discussed more fully in the Investment Manager's Report on page 5.

Over calendar year 2017, the Company's NAV total return per share was a healthy 21.7%, the comparable figure for the FTSE Small Cap Index was 15.6%. Over five years, the Company has delivered annualised growth in NAV per share of 20.4%, meanwhile the total return from the Index has been 15.5% per annum. It is notable that the growth in the Company's NAV has been delivered without the use of gearing and that the Company continues to demonstrate relatively low volatility as measured by Morningstar.

During the half-year most of our companies put in solid performances at the operational level. It was pleasing to see the positive effect of the Investment Manager's constructive engagement at Wilmington where it led a shareholder initiative to bring about a change in the longstanding Chairman. Meanwhile patience paid off with Servelec, a core holding, which was taken-over at a material premium to the pre-announcement share price.

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.

Gearing and Cash Management

The Company has historically operated without a debt or overdraft facility, a policy that is periodically reviewed by the Board in conjunction with the Investment Manager. The Board and the Investment Manager have a conservative approach to gearing as a result of the concentrated nature of the Company's portfolio. No gearing has been in place at any point during the period. Cash positions are generally maintained to take advantage of suitable investment opportunities as they arise.

Discount and Discount Management

During the period, the Company's shares continued to trade at a discount to NAV. In the six months to 31 December 2017, the discount to NAV averaged 13.4% and ended at 12.5%. Over the period, the Board bought back 1,050,148 shares via 58 separate transactions for aggregate consideration of £2,388,000. The Board will continue to monitor closely the discount to NAV at which the Company's shares trade and will including, inter alia the potential re-introduction of tender offers, keep making use of share buybacks in normal market conditions, believing as it does, that the ability to buy the Company's portfolio at a discount is a sensible use of Shareholders' funds.

Management arrangements

During the period, the Board announced that it had reached agreement with GVQ Investment Management Limited ("**GVQIM**"), the Company's investment manager, for the management fees to be amended as follows with effect from 1 January 2018:

- The basic management fee (the "**Management Fee**") has been amended from the lower of 1% of the Company's net asset value ("**NAV**") and 1% of the Company's market capitalisation, to 0.75%. of the Company's NAV.

- The performance fee ("**Performance Fee**") has been reduced from 15% to 10%, measured over rolling 3 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.

- The cap of 1.75% of NAV which used to apply to the Performance Fee has been abolished and has been replaced by a cap on the total fees payable to GVQIM:

  The aggregate amount of the Management Fee and the Performance Fee in respect of any financial year shall not exceed 1.4% of the NAV of the Company at the relevant financial year end (the "**Revised Cap**") (provided always that in calculating such NAV, no account shall be taken of any accrued performance fee earned in that period as a liability of the Company).

- There is now no provision for any Performance Fee in excess of the Revised Cap to be 'carried forward'.

All other provisions relating to the calculation of the Management and Performance Fees (including the high watermark) remain unchanged.

In December 2017 it was announced that the senior personnel of GVQ Investment Management Ltd had concluded a management buy-out deal with RIT Capital Partners plc and, as a result, now wholly own this company. On a day-to-day basis and post this new ownership structure the Board does not expect to see any significant changes to the manner in which the assets of your company are managed.

Outlook

Over the past 18 months improving economic news and corporate earnings growth have led to an almost uninterrupted run in stock markets. However, strong economic growth is creating a tightening in labour markets with the possibility of increasing inflation and a more rapid rise in interest rates than previously anticipated. If this is indeed the outcome then stock markets could enter a more testing period.

Richard Hills
Chairman
12 February 2018

Investment Manager's Report

Investment Strategy

Our strategy is to invest in publicly quoted companies that we believe will increase their value through strategic, operational or management change. We follow a practice of constructive corporate engagement and aim to work with management teams in order to enhance shareholder value. We seek to build a consensus with other stakeholders and prefer to work alongside like-minded co-investors as leaders, followers or supporters. We try to avoid confrontation with investee companies as we believe that there is strong evidence that overtly hostile activism generally produces poor returns for investors.

We are long-term investors and typically aim to hold companies for the duration of rolling three-year investment plans that include an entry and exit strategy and a clearly identified route to value creation. The duration of these plans can be shortened by transactional activity or lengthened by adverse economic conditions. Before investing we undertake an extensive due diligence process, assessing market conditions, management and stakeholders. Our investments are underpinned by valuations which we derive using private equity based techniques. These include a focus on cash flows, the potential value of the company to trade or financial buyers and potentially beneficial changes in capital structure over the investment period.

The typical investee company, at the time of initial investment, is too small to be eligible for inclusion in the FTSE 250 Index. We believe that smaller companies provide the greatest opportunity for our investment style as they are relatively under-researched, often have more limited resources, and frequently can be more attractively valued.

We believe that this approach, if properly executed, has the potential to generate favourable risk-adjusted returns for shareholders over the long term.

Market Background

The period under review saw very low volatility in the UK equity markets. Over the six months, there were only two out of the 127 trading days where there was a greater than one per cent move in the market closing price from the prior day. The rise in the market was supported by good growth in earnings alongside a re-rating.

The FTSE Small Cap Index produced a total return of 6.2%. This lagged the FTSE 100 and FTSE 250, which delivered 6.9% and 8.5% respectively. Across the FTSE All-Share Index, the energy and materials sectors are estimated to have contributed c.60% of the Index returns. Given our investment strategy, we do not invest in these sectors.

The period saw a large number of profit warnings across the market, with data from EY showing that, in the third quarter of 2017, UK quoted companies issued 75 profit warnings, 21% more than the third-quarter post-credit crisis average of 62. Recent data for Q4 highlighted the highest quarterly level of warnings. Notable warnings came from companies such as Xaar, Low & Bonar and Luceco. The New Year has seen notable warnings from Debenhams, Carclo, Mothercare and McBride.

Performance Review

The investment objective of the Company 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. As such, the period was positive with 7.2% growth in NAV, ending a strong 2017 where NAV per share grew 21.7%, building on the 20.4% annualised growth achieved over the past five years.

The strong performance over 2017 was delivered despite an average net cash balance of 9.4%. In addition, as measured by Morningstar, the NAV 'captured' the upside by outperforming the Index during periods of positive return. And, more pleasingly, the downside capture ratio was negative indicating that the Trust lost less than the Index when it was 'in the red'. If a fund generates positive returns while the benchmark declines, the fund's downside capture ratio will be negative.

Top 5 Contributors to Performance

Company	Valuation at period end £'000	Period attribution (basis points)
Equiniti	16,746	242
Clinigen	13,446	172
Alliance Pharma	9,454	128
IFG Group	16,571	121
EMIS	12,894	76

Investment Manager's Report *(continued)*

The share price of **Equiniti** responded well to the announced acquisition of Wells Fargo's Share Services business in July. The transaction is potentially transformational and improves what was an already strong investment thesis in providing access to the world's largest capital market (seven times the size of the UK).

Clinigen's full year results were positive and ahead of expectations, particularly at the net debt level. With much of the focus on the significant structural growth opportunities, the company's strong cash characteristics are often neglected. It also announced the acquisition of Quantum Pharma to broaden their unlicensed-to-licensed drug strategy.

Alliance Pharma was a new investment made towards the end of the previous period. The company's interim results showed good underlying growth driven by the International Star brands alongside a de-gearing of the balance sheet. Two sensible bolt-on acquisitions were announced towards the end of the year. The company has a combination of steady growth in sales and operating cash flow at a below market valuation and we believe the shares have further potential to re-rate.

IFG Group's interim results and more recent trading statement were positive. Investment made in recent years is contributing to good growth in the James Hay platform business and the Saunderson House discretionary offering. There is potential margin upside in James Hay through IT and process optimisation and any future increases in the Bank of England base rate will drive further increases in profitability. We believe IFG consists of two strategic assets and after further diligence, we increased our position over the course of 2017.

EMIS's interim results were the first from the new CEO and were as expected with continued growth in recurring revenue. The shares were stronger after the private equity approach for Servelec. In our view, the bid highlights the strategic attractiveness of the UK healthcare software market and potential future consolidation opportunities.

Bottom 5 Contributors to Performance

Company	Valuation at period end £'000	Period attribution (basis points)
Dialight	3,578	(115)
Medica Group	10,213	(67)
Brooks MacDonald	4,332	(51)
Goals Soccer Centres	–	(17)
Proactis Holdings	4,386	(11)

The primary disappointment over the period was **Dialight**. Owing to the company's outsourced contract manufacturing partner failing to fulfil delivery obligations, the company had to issue two profit warnings. Although the single manufacturing issue is unfortunate and has negatively impacted the share price, our due diligence suggests management are close to resolving the short term supply problems; and, in our view, this doesn't reduce the long term attractions of the company. Dialight has a leading position in the growing niche industrial lighting market. The strategy should improve its manufacturing capabilities, sales effectiveness and cash generation. Based on our research, we believe Dialight is a highly covetable asset. We have been encouraged by conversations with the company's distributors and the Chairman, together with the recent director share buying.

After a very strong initial performance after the IPO in late March, the share price of **Medica** came back in the period. The maiden interim results highlighted the ongoing growth in scanning activity and the structural shortage of hospital based radiologists to interpret these scans. Medica's recruitment activity is running ahead of their forecasts and their outlook is positive. The company achieved 18% organic growth in 2017 and believes strong double digit growth is sustainable.

The share price of **Brooks MacDonald** suffered from additional costs relating to increasing regulatory requirements and the need to address legacy legal issues. The company is continuing to experience strong growth in net flows.

The legacy holding in **Goals Soccer Centres** was fully realised early in the period.

Proactis was a new investment made late in the period.

Dealing Activity

The level of portfolio activity was in line with the typical long term portfolio turnover. Disposals netted £25.3m (excluding distributions from unlisted investments) representing around 14% of the weighted average NAV. In addition, £0.4m of net distributions were received from unlisted investments. £24.8m of purchases were made, representing 14% of the weighted average NAV.

After the material new investments made in Medica and Alliance Pharma in the previous six months, capital deployments were primarily made in existing investments as well as the initiation of some smaller positions.

A material top up was made in **Wilmington** (£2.9m). Over the period, we engaged actively with the company and its shareholders. As one of the five largest shareholders, we led an engagement supported by other major shareholders to change the long standing Chairman, who had been on the Board for over 12 years and had overseen the appointment of all other Board members. We questioned whether this could be considered to be independent in keeping with best corporate governance guidelines, and after we had presented to several other shareholders and to the company's Senior Independent Director, the Chairman announced he would be stepping down. A process has now been initiated to recruit a successor. We have put forward two experienced candidates who we believe are well suited for the role. In our opinion, Wilmington is a deeply undervalued quality asset the public market valuation of which doesn't reflect the inherent value of the portfolio. We have discussed our views with the company and believe this valuation anomaly will close over time.

We participated in the **Equiniti** rights issue, fully taking up our rights (£2.7m). Equiniti began (and ended) the period as the largest holding. The shares were very strong over the six months rising by 23% and we sold £10.7m of shares. Despite the top-slicing, we still have strong conviction in the company and its structural position and view the WFSS acquisition as potentially transformative.

Other notable portfolio top ups were made in **IFG Group** (£1.1m) and **Alliance Pharma** (£0.8m).

The position in legacy investment **Goals Soccer Centres** (£6.7m) was fully realised in August. Following a site visit and as part of a regular stock review, the decision was taken that the quality of the asset has deteriorated and no longer meets our hurdle for investment. Owing to the additional capex required to maintain the estate, our assessment of the return on capital the business makes has decreased. Returns will potentially be impacted by the difficult UK consumer environment and likely cost increases from the 'Living Wage' legislation. In addition, the competitive landscape has significantly worsened. Management state the number of artificial grass pitches in the UK has increased from 36 in 2009 to over 700 today. We believe that the interim results subsequent to our exit highlighted some of the challenges the business faces.

Other notable sell-downs included Clinigen (£2.5m) and Gooch and Housego (£0.8m).

Portfolio Review

At the end of the financial period, the portfolio remained highly focused, with a total of 19 holdings and while the top 10 holdings accounted for 73.7% of the NAV. The portfolio was 99.5% invested in quoted companies. The percentage of the portfolio invested in unlisted securities reduced slightly to 0.5%. 6.3% of the NAV was invested in cash.

On the whole, the sector weightings were largely unchanged from the end of the previous period. Exposure to Support Services decreased from 16.8% to 14.8% with the profit taking in Equiniti. Consumer Services reduced from 4.1% to zero following the realisation of the investment in Goals Soccer Centres.

The weighting in Financials increased to 13.5% from 9.8% owing to investments in IFG Group, Brooks MacDonald and Numis.

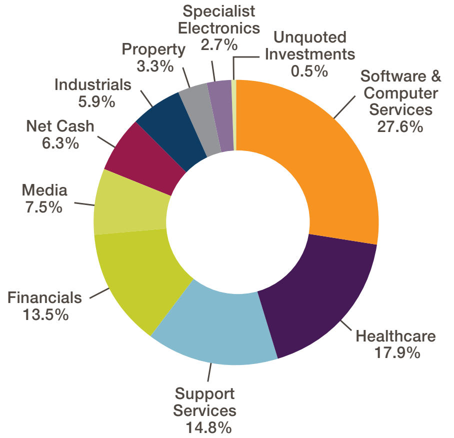
Investment Manager's Report *(continued)*

Portfolio as at 31 December 2017 – Top 10 Largest Investments

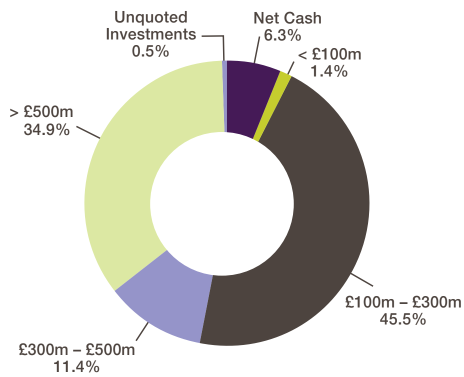
Company	Sector classification	Date of first investment	Cost £'000	Valuation £'000	% of invested portfolio at 31 December 2017	% of invested portfolio at 30 June 2017	% of net assets
Equiniti Group	Support Services	Mar 2016	10,235	16,746	9.6	12.4	9.0
IFG Group	Financials	Apr 2015	13,103	16,571	9.5	8.2	8.9
Servelec Group	Software & Computer Services	Nov 2013	12,004	15,910	9.2	11.3	8.6
Tribal Group	Software & Computer Services	Dec 2014	13,661	15,259	8.8	9.2	8.2
Wilmington Group	Media	Oct 2010	11,847	13,939	8.0	6.7	7.5
Clinigen Group	Healthcare	Jul 2014	6,618	13,446	7.7	8.1	7.3
EMIS Group	Software & Computer Services	Mar 2014	10,075	12,894	7.4	7.2	7.0
Tyman Group	Industrials	Apr 2007	6,273	10,929	6.3	6.1	5.9
4imprint Group	Support Services	Feb 2006	2,190	10,749	6.2	5.9	5.8
Medica Group	Healthcare	Mar 2017	7,026	10,213	5.9	7.0	5.5

Portfolio as at 31 December 2017

Sector split by industry



Size split by market capitalisation



The largest sector weightings are in Software & Computer Services and Healthcare which finished the period at 27.6% and 17.9% respectively.

Consistent with previous periods, the portfolio's aggregate valuation is higher than the constituents of the broader FTSE Small Cap Index. However, the portfolio companies have higher forecast earnings growth and much lower levels of financial gearing.

Further, unlike the broader Index, the rating of the portfolio has reduced year on year, whereas the Index is at a higher rating. Both have seen an increase in forecast earnings growth from the same point last year. The portfolio is in aggregate, in a net cash position, whereas the forecast net debt to EBITDA for the Index has increased from the same point last year to 2.0x.

Portfolio Characteristics as at 31 December 2017

Consensus Median portfolio characteristics	Strategic Equity Capital	FTSE Small Cap ex Investment Trusts
Price/Earnings ratio (FY1)	15.6x	13.8x
Dividend yield	2.3%	3.6%
Price/Book ratio	2.3x	1.4x
Price/Sales ratio	2.2x	0.7x
Price/Cashflow ratio	16.9x	n/a
GVQIM Cashflow yield*	8.8%	n/a
Forecast earnings growth (FY1)	14.0%	12.6%
Forecast net debt to EBITDA	-0.5x	2.0x

Source: Factset Portfolio Analysis System, Bloomberg. Portfolio excludes Vintage and Harworth Group.

* GVQIM Cash Flow Yield: (12 Month Forward Cash EBITDA Minus Maintenance Capex)/(Market Capitalisation plus 12 month forward Net Debt).

Unlisted Investments

Over the period, the Company received a total of £0.4m from Vintage I. The outstanding commitment relating to Vintage I is €1,560,000 and its adviser has communicated that it does not expect to make any further net draw downs.

Outlook

Our investment strategy is based on a strict process seeking to find a combination of four drivers of equity returns. In that regard three of the four drivers we look for in deriving returns appear strong across the portfolio, namely growth in operating cash flow, de-gearing and M&A prospects.

Owing to our application of private equity techniques, valuation remains a strict focus. Whilst the rating equation is more controvertible, interestingly the portfolio in aggregate hasn't materially re-rated over the past year, with a median GVQ cash yield of 8.8% at the end of 2017 compared to 9.0% at the same point a year ago. Of course, the general re-rating across the market makes sourcing new ideas trickier as many companies have invariably become more expensive. We retain a disciplined approach to investing your capital with a view to delivering long term growth in the value of our investments.

Although there are pockets of over-valuation, in aggregate the UK stock market isn't demonstrably expensive and equities remain generationally cheap compared to gilts. Despite the '30-year bull market', money continues to flow into bonds with a recent Investment Week article describing 2017 as 'the year of the bond fund.' The UK is the biggest 'underweight' in global portfolios according to data from Columbia Threadneedle Investments and a change to this sentiment could provide a tailwind.

Focusing down on the portfolio, the constituent companies are in good health. The earnings growth is at a healthy mid-teens level, the valuation opportunity was alluded to above and balance sheets have low or no gearing. In terms of M&A opportunity, the recent public-to-private takeover of Servelec, (the second core holding acquired in the last 12 months), has demonstrated how high quality companies 'unloved' by the public market can find suitors who place a greater importance on their strategic positioning and ascribe higher value to the durability of their cash flows. The private equity backdrop has rarely looked stronger with 2017 seeing record funds raised and over $1 trillion of 'dry powder' on the side-lines looking for quality assets. With all this in mind, we are encouraged but remain vigilant.

Jeff Harris/Adam Khanbhai
GVQ Investment Management Limited
12 February 2018

Top 10 Investee Company Review

(as at 31 December 2017)

4imprint Group is a leading direct marketer of promotional products with an international network of companies in North America and the UK. It processed over one million customised orders in 2016. We have been involved with the company since a change of management in 2003. Following the disposal of Brand Addition, virtually all of the profits of the group are generated by the fast growing US business. The company has a significant net cash balance. Funds managed by the Investment Manager currently hold approximately 3% of the company's equity.

Clinigen Group is a speciality pharmaceutical and services company. It has three business units – Clinical Trial Services, Unlicensed Medicines and Commercial Medicines. Activities undertaken by these businesses include: acquiring, licencing and revitalising hospital-only critical care medicines; and providing patient access to its own or other pharmaceutical companies' products, whether to meet unmet medical needs or for use in clinical trials. The company has grown rapidly since its IPO in 2012, both organically and through targeted acquisitions. In April 2015 it acquired Idis, a peer, for £225m through a mixture of debt and equity and in September 2015, acquired Link Healthcare, a specialist pharmaceutical and medical business focused on the Asia, Africa and Australasia region. We believe the cash flow characteristics are underappreciated which should see the company de-gear rapidly over the next two years. The company has a leading position in a multi-year growth market. Funds managed by the Investment Manager hold c.3% of the company's equity.

EMIS Group is a specialist healthcare software and services provider. It is the UK market leader in the provision of electronic patient records for GPs, with a 55% market share, and over 80% of total revenues are recurring. It also supplies electronic patient records to other healthcare organisations including community pharmacies, community and mental health trusts and accident & emergency departments. With solutions across every major healthcare setting, we believe EMIS is uniquely positioned to benefit from the NHS's connected care strategy. During the reporting period, the company announced additional investment into Patient, an online platform with 18 million unique monthly users to provide high quality healthcare information and solutions. EMIS is highly cash generative with a strong balance sheet providing future opportunity. Funds managed by the Investment Manager currently hold c.4% of the company's equity.

Equiniti Group is a business services company providing administration, processing payments services and technology products typically to FTSE 350 companies and large public sector organisations. It is one of the three main share registrars for UK quoted companies. It administers company benefits schemes and share savings schemes. It also provides software and services to help manage the administration of company and public sector pension funds. We believe the business has a strong combination of stable, long-term repeatable non-discretionary corporate services alongside offering technology based solutions to growing regulatory requirements. The business was founded with the buyout of Lloyds TSB Share Registrars by private equity house Advent International in 2007. Following the buyout the company added to its product and service capability through a number of targeted acquisitions. The company IPO'd in October 2015. Whilst it was well invested under private equity ownership, there are significant medium to long term opportunities through rationalising its UK office footprint as well as offshoring more activities to its base in India. Together with moderate organic growth we believe that the company has the potential to deliver high single digit/low double digit earnings growth, which should not be significantly impacted by the broad market cycle. Despite its quality, the company trades at a moderate rating. The recently announced acquisition of Wells Fargo's Share Services business in North America is a positive development in our view. Funds managed by the Investment Manager currently hold c.5% of the company's equity.

IFG Group is a financial services holding company with two operating assets. London-based Saunderson House is a wealth manager with almost £5bn of assets under advice. James Hay is an investment platform, originally a pioneer in the provision of Self-Invested Pension Plans (SIPPs). Over the past few years, IFG has sold a number of other activities to focus on Saunderson House and James Hay. We believe that both of these businesses offer long-term structural sales growth, as well as scope to make higher margins. The shares are dual-listed in Dublin and London, with the primary listing in Dublin. Comparative M&A multiples suggest that IFG shares trade at a considerable discount to its Sum-of-Parts valuation. Funds managed by the Investment Manager currently hold 8% of the company's equity.

Medica Group is the leading provider of teleradiology services in the UK. The company provides outsourced interpretation and reporting of MRI, CT and plain film x-ray images. This is delivered through three primary services to UK hospital radiology departments: Nighthawk out-of-hours service; Routine cross-sectional reporting on MRI and CT scans; and Routine plain film reporting on x-ray images.

Top 10 Investee Company Review
(as at 31 December 2017) *(continued)*

Teleradiology as a service aims to improve patient care through faster response and overcoming the challenge hospitals face in the increasing volume in scanning activity. Medica was previously owned by Close Brothers Private Equity following a 2013 buyout. The company was IPO'd in March 2017 on the LSE and admitted to the FTSE Small Cap index in June 2017. Funds managed by the Investment Manager currently hold c.5% of the company's equity.

Servelec Group is a UK technology company with three key divisions. The health and social care software division is a market leader in the design and operation of electronic patient records for NHS mental and community trusts. The controls division specifies, designs, assembles, installs and maintains safety and remote control systems for process industries. The technologies division provides software, hardware and systems for industrial telemetry and SCADA applications. It was listed in November 2013, having previously been owned by a Singaporean-listed group. The company has strong cash generation and a robust balance sheet and has utilised this effectively through acquisitions to augment the proposition. We believe the company has strong positions in markets exposed to long term structural change. Funds managed by the Investment Manager currently hold 9% of the company's equity.

Tribal Group is a global provider of products and services to the international education, training and learning markets. Today, the company focuses its activities on student records and administration systems and quality review inspection services. It has a high market share in a number of product niches and geographies. We believe that the company has the potential to grow through increasing its international sales, as well as updating and upselling to its existing UK customer base. Since November 2015 the company's board has been substantially refreshed, a non-core subsidiary sold and equity raised to strengthen the balance sheet. The company is one year in to a three year strategy and has effectively reduced its overhead and is developing its next generation software platform. Funds managed by the Investment Manager currently hold just below 10% of the company's equity.

Tyman Group is a leading international supplier of engineered components to the door and window industry in the new build and repair and maintenance (RMI) markets. We originally invested in the company following the fall in residential activity around the financial crisis in 2009. Under the current management team, the company has, through organic and inorganic investment, increased its market leadership, strengthened the product proposition and delivered significant cost and sales synergies. We believe future upside exists in the company's ability to replicate its North American manufacturing template to its operations in Europe and the Rest of the World to achieve material efficiencies, and in the recovery of U.S. single family housing activity to long term historical levels. Funds managed by the Investment Manager currently hold c.6% of the company's equity.

Wilmington Group provides business information and training services to professional business customers in the financial services, medical and white-collar professional service sectors. More than 80% of revenues in the main publishing and information divisions are delivered digitally, typically on a subscription basis, and with high levels of client retention. The company is highly cash generative. Growth has been held back over recent years by a significant fall, and no recovery, in its legal training market and the decline in some legacy print publications. This has masked strong growth in the rest of the business, in particular in Risk and Compliance. The company's strong cash flow has enabled it to make value-enhancing acquisitions again. In January 2017, it acquired Health Service Journal (HSJ) from Ascential to bolster the Healthcare division. Funds managed by the Investment Manager currently hold 5% of the company's equity.

GVQ Investment Management Limited
12 February 2018

The unconstrained, long-term philosophy and concentrated portfolios resulting from the Investment Manager's investment style can lead to periods of significant short-term variances of performance relative to comparative indices. The Investment Manager believes that evaluating performance over rolling periods of no less than three years, as well as assessing risk taken to generate these returns, is most appropriate given the investment style and horizon. The Investment Manager believes that this investment style, properly executed, can generate attractive long-term risk adjusted returns.

All statements of opinion and/or belief contained in this Investment Manager's report and all views expressed and all projections, forecasts or statements relating to expectations regarding future events or the possible future performance of the Company represent the Investment Manager's own assessment and interpretation of information available to it at the date of this report. As a result of various risks and uncertainties, actual events or results may differ materially from such statements, views, projections or forecasts. No representation is made or assurance given that such statements, views, projections or forecasts are correct or that the objectives of the Company will be achieved.

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

Statement of Directors' Reponsibilities

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 International Accounting Standard ("IAS") 34, 'Interim Financial Reporting' issued by the International Accounting Standards Board ("IASB") as adopted by the EU, and gives a true and fair view of the assets, liabilities, financial position and profit of the Company as required by Disclosure Guidance and Transparency Rule ("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 12 February 2018 and the above responsibility statement was signed on its behalf by Richard Hills, Chairman.

Going Concern

The Company has adequate financial resources to meet its investment commitments 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

For the Company, the overriding risks and uncertainties to an investor relate to the markets on which the Company's shares trade, and the shares of the companies in which it invests trade, may move outside the control of the Board.

The principal risks and uncertainties are set out on pages 17 and 18 of the Annual Report for the year ended 30 June 2017, 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 2017

	Note	**Six month period to 31 December 2017 unaudited** Revenue return £'000	Capital return £'000	Total £'000	Year ended 30 June 2017 audited Revenue return £'000	Capital return £'000	Total £'000	Six month period to 31 December 2016 unaudited Revenue return £'000	Capital return £'000	Total £'000
Investments										
Gains on investments held at fair value through profit or loss	6	**–**	**11,679**	**11,679**	–	41,587	41,587	–	19,405	19,405
Currency gains		**–**	**10**	**10**	–	–	–	–	1	1
		–	**11,689**	**11,689**	–	41,587	41,587	–	19,406	19,406
Income										
Dividends	2	**1,349**	**–**	**1,349**	2,955	–	2,955	1,265	–	1,265
Interest	2	**14**	**–**	**14**	36	–	36	23	–	23
Total income		**1,363**	**–**	**1,363**	2,991	–	2,991	1,288	–	1,288
Expenses										
Investment Manager's fee	8	**(785)**	**–**	**(785)**	(1,418)	–	(1,418)	(689)	–	(689)
Investment Manager's performance fee	9	**–**	**–**	**–**	–	(1,856)	(1,856)	–	(262)	(262)
Other expenses	3	**(288)**	**–**	**(288)**	(583)	–	(583)	(279)	–	(279)
Total expenses		**(1,073)**	**–**	**(1,073)**	(2,001)	(1,856)	(3,857)	(968)	(262)	(1,230)
Net return before taxation		**290**	**11,689**	**11,979**	990	39,731	40,721	320	19,144	19,464
Taxation		**(30)**	**–**	**(30)**	(75)	–	(75)	(17)	–	(17)
Net return and total comprehensive income for the period		**260**	**11,689**	**11,949**	915	39,731	40,646	303	19,144	19,447
		pence	**pence**	**pence**	pence	pence	pence	pence	pence	pence
Return per Ordinary share										
Basic	5	**0.38**	**17.12**	**17.50**	1.31	56.98	58.29	0.43	27.41	27.84

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 17 to 22 form an integral part of these Half-Yearly financial statements.

Statement of Changes in Equity

for the six month period to 31 December 2017

	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 2017 unaudited								
1 July 2017		**6,986**	**31,737**	**36,814**	**97,305**	**2,264**	**1,238**	**176,344**
Net return and total comprehensive income for the period		**–**	**–**	**–**	**11,689**	**–**	**260**	**11,949**
Dividend paid	4	**–**	**–**	**–**	**–**	**–**	**(531)**	**(531)**
Share buy-backs		**–**	**–**	**(2,388)**	**–**	**–**	**–**	**(2,388)**
31 December 2017		**6,986**	**31,737**	**34,426**	**108,994**	**2,264**	**967**	**185,374**
For the year to 30 June 2017 audited								
1 July 2016		6,986	31,737	38,932	57,574	2,264	868	138,361
Net return and total comprehensive income for the year		–	–	–	39,731	–	915	40,646
Dividend paid	4	–	–	–	–	–	(545)	(545)
Share buy-backs		–	–	(2,118)	–	–	–	(2,118)
30 June 2017		6,986	31,737	36,814	97,305	2,264	1,238	176,344
For the six month period to 31 December 2016 unaudited								
1 July 2016		6,986	31,737	38,932	57,574	2,264	868	138,361
Net return and total comprehensive income for the period		–	–	–	19,144	–	303	19,447
Dividend paid	4	–	–	–	–	–	(545)	(545)
Share buy-backs		–	–	(93)	–	–	–	(93)
31 December 2016		6,986	31,737	38,839	76,718	2,264	626	157,170

The notes on pages 17 to 22 form an integral part of these Half-Yearly financial statements.

Balance Sheet

as at 31 December 2017

	Note	**As at 31 December 2017 unaudited £'000**	As at 30 June 2017 audited £'000	As at 31 December 2016 unaudited £'000
Non-current assets				
Investments held at fair value through profit or loss	6	**173,705**	162,931	139,568
Current assets				
Trade and other receivables		**275**	354	106
Cash and cash equivalents		**11,954**	15,891	18,243
		12,229	16,245	18,349
Total assets		**185,934**	179,176	157,917
Current liabilities				
Trade and other payables		**(560)**	(2,832)	(747)
Net assets		**185,374**	176,344	157,170
Capital and reserves:				
Share capital	7	**6,986**	6,986	6,986
Share premium account		**31,737**	31,737	31,737
Special reserve		**34,426**	36,814	38,839
Capital reserve		**108,994**	97,305	76,718
Capital redemption reserve		**2,264**	2,264	2,264
Revenue reserve		**967**	1,238	626
Total shareholders' equity		**185,374**	176,344	157,170
		pence	pence	pence
Net asset value per share				
Basic		**273.28**	256.00	225.14
		number	number	number
Ordinary shares in issue	7	**67,833,324**	68,883,472	69,808,891

The notes on pages 17 to 22 form an integral part of these Half-Yearly financial statements.

Statement of Cash Flows

for the six month period to 31 December 2017

	Six month period to 31 December 2017 unaudited £'000	Year ended 30 June 2017 audited £'000	Six month period to 31 December 2016 unaudited £'000
Operating activities			
Net return before finance costs and taxation	**11,979**	40,721	19,464
Adjustment for gains on investments	**(11,679)**	(41,587)	(19,405)
Currency gains	**(10)**	–	(1)
Irrecoverable withholding tax	**(30)**	(75)	(17)
Operating cash flows before movements in working capital	**260**	(941)	41
Increase in receivables	**(145)**	(76)	(52)
(Decrease)/increase in payables	**(2,212)**	2,262	292
Purchases of portfolio investments	**(24,897)**	(42,186)	(15,194)
Sales of portfolio investments	**25,914**	46,197	20,490
Net cash flow from operating activities	**(1,080)**	5,256	5,577
Financing activities			
Equity dividend paid	**(531)**	(545)	(545)
Shares bought back in the period	**(2,336)**	(2,116)	(93)
Net cash flow from financing activities	**(2,867)**	(2,661)	(638)
(Decrease)/increase in cash and cash equivalents for period	**(3,947)**	2,595	4,939
Cash and cash equivalents at start of period	**15,891**	13,303	13,303
Revaluation of foreign currency balances	**10**	(7)	1
Cash and cash equivalents at end of the period	**11,954**	15,891	18,243

The notes on pages 17 to 22 form an integral part of these Half-Yearly financial statements.

Notes to the Financial Statements

for the six month period to 31 December 2017

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 interim financial statements of the Company have been prepared on a going concern basis and in accordance with IAS 34, 'Interim financial reporting' issued by the International Accounting Standards Board (as adopted by the EU). 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 2017, which have been prepared in accordance with IFRS as adopted by the EU. 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 interim 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 2017 and 31 December 2016 have not been either audited or reviewed by the Company's Auditor. Information for the year ended 30 June 2017 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 2017.

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 2017, had no significant effect on the accounting or reporting of the Company.

Notes to the Financial Statements

for the six month period to 31 December 2017 *(continued)*

2. Income

	Six month period to 31 December 2017 unaudited			Year ended 30 June 2017 audited			Six month period to 31 December 2016 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
Income from investments:									
UK dividend income	**1,201**	**–**	**1,201**	2,582	–	2,582	1,178	–	1,178
Overseas dividend income	**148**	**–**	**148**	373	–	373	87	–	87
	1,349	**–**	**1,349**	2,955	–	2,955	1,265	–	1,265
Liquidity interest	**14**	**–**	**14**	36	–	36	23	–	23
	1,363	**–**	**1,363**	2,991	–	2,991	1,288	–	1,288
Total income comprises:									
Dividends	**1,349**	**–**	**1,349**	2,955	–	2,955	1,265	–	1,265
Liquidity interest	**14**	**–**	**14**	36	–	36	23	–	23
	1,363	**–**	**1,363**	2,991	–	2,991	1,288	–	1,288
Income from investments:									
Listed UK	**1,201**	**–**	**1,201**	2,582	–	2,582	1,178	–	1,178
Listed overseas	**148**	**–**	**148**	373	–	373	87	–	87
Liquidity interest	**14**	**–**	**14**	36	–	36	23	–	23
	1,363	**–**	**1,363**	2,991	–	2,991	1,288	–	1,288

3. Other expenses

	Six month period to 31 December 2017 unaudited			Year ended 30 June 2017 audited			Six month period to 31 December 2016 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
Secretarial services	**55**	**–**	**55**	120	–	120	55	–	55
Auditors' remuneration for:									
Audit services	**13**	**–**	**13**	20	–	20	12	–	12
Directors' remuneration	**70**	**–**	**70**	135	–	135	70	–	70
Other expenses	**150**	**–**	**150**	308	–	308	142	–	142
	288	**–**	**288**	583	–	583	279	–	279

4. Dividend

The Company paid a final dividend of 0.78p in respect of the year ended 30 June 2017 (30 June 2016: 0.78p) per Ordinary share on 68,108,396 (30 June 2016: 69,858,891) shares, amounting to £531,245 (30 June 2016: £544,899). The dividend was paid on 15 November 2017 to Shareholders on the register at 13 October 2017. 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 2017			Year ended 30 June 2017			Six month period to 31 December 2016		
	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	**0.38**	**17.12**	**17.50**	1.31	56.98	58.29	0.43	27.41	27.84

Returns per Ordinary share are calculated based on 68,297,684 (30 June 2017: 69,731,772 and 31 December 2016: 69,849,652) being the weighted average number of Ordinary shares, excluding shares held in treasury, in issue throughout the period.

6. Investments

	31 December 2017 £'000
Investment portfolio summary	
Listed investments at fair value through profit or loss	**172,721**
Unlisted investments at fair value through profit or loss	**984**
	173,705

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 market' 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 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.

6. Investments *(continued)*

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 underlying funds primarily invest in private companies which are recorded at cost or Fair Value derived from private equity valuation models and techniques. The main inputs into the valuation models of the underlying funds include industry performance, company performance, quality of management, the price of the most recent financing round or prospects for the next financing round, exit opportunities which are available, liquidity preference and net present value analysis.

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 and loss as at 31 December 2017

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Total £'000**
Equity investments and limited partnership interests	172,721	–	984	**173,705**
Liquidity funds	–	11,323	–	**11,323**
Total	172,721	11,323	984	**185,028**

The below table presents the movement in level 3 instruments for the period ended 31 December 2017.

	£'000
Opening balance at 1 July 2017	**1,352**
Proceeds from disposals during the period	**(414)**
Gains on disposals during the period	**394**
Decrease in unrealised profit for the period included in the Statement of Comprehensive Income	**(348)**
Closing balance at 31 December 2017	**984**

Investments in unquoted investment funds are generally held at the valuations provided by the managers of those funds. The valuation for Vintage I is as at 30 November 2017.

There were no transfers between levels for the period ended 31 December 2017.

6. Investments *(continued)*

A list of the top ten portfolio holdings by their aggregate market values is given in the Investment Manager's Report on page 9.

	31 December 2017 Total £'000
Analysis of capital gains:	
Gains on sale of investments	4,705
Movement in investment holding gains	6,974
	11,679

7. Share capital

	Number	31 December 2017 £'000
Allotted, called up and fully paid Ordinary shares of 10p each:		
At 1 July 2017	69,858,891	6,986
Ordinary shares of 10p each held in treasury	(975,419)	(98)
Ordinary shares in circulation at 1 July 2017	68,883,472	6,888
Share buy-backs during the period to be held in treasury	(1,050,148)	(105)
Ordinary shares in issue per Balance Sheet	67,833,324	6,783
Shares held in treasury	2,025,567	203
Ordinary shares in circulation at 31 December 2017	69,858,891	6,986

During the period to 31 December 2017 1,050,148 Ordinary shares were bought back by the Company and held in treasury.

8. Investment Manager's fee

The Board has negotiated the following changes to the management fee arrangements with GVQ Investment Management Limited ("**GVQIM**"), effective from 1 January 2018:

- The basic management fee (the "**Management Fee**") has been amended from the lower of (i) 1% of the Company's NAV or (ii) 1% of the Company's market capitalisation, to 0.75% of the Company's NAV.
- The performance fee ("**Performance Fee**") has been reduced from 15% to 10%, 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.
- The cap of 1.75% of NAV which used to apply to the Performance Fee has been abolished and has been replaced by a cap on the total fees payable to GVQIM. The aggregate amount of the Management Fee and the Performance Fee in respect of any financial year shall now not exceed 1.4% of the NAV of the Company at the relevant financial year end (the "**Revised Cap**") (provided always that in calculating such NAV, no account shall be taken of any accrued performance fee earned in that period as a liability of the Company).
- There is now no provision for any Performance Fee in excess of the Revised Cap to be 'carried forward'.

The revised Management Fee and Performance Fee arrangements are as follows:

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 below.

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.

No performance fee has been accrued in respect of the six months ended 31 December 2017 (30 June 2017: £1,856,000; 31 December 2016: £262,000).

10. Taxation

The tax charge for the half year is £30,000 (30 June 2017: £75,000; 31 December 2016: £17,000). The tax charge is wholly comprised of irrecoverable withholding tax. The estimated effective corporation tax rate for the year ended 30 June 2018 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.

11. Capital commitments and contingent liabilities

The Company has a commitment to invest €1,560,000 in Vintage I (30 June 2017: €1,560,000; 31 December 2016: €1,560,000).

12. Related party transactions and transactions with the Investment Manager

The Investment Manager is regarded as a related party of the Company. The Investment Manager may draw upon advice from the Industry Advisory Panel ("IAP") of which Sir Clive Thompson, a Director of the Company, is a member. The IAP was established to provide advice to the Investment Manager in relation to the strategy, operations and management of potential investee companies.

The amounts payable to the Investment Manager, in respect of management fees, during the period to 31 December 2017 was £785,000 (30 June 2017: £1,418,000; 31 December 2016: £689,000), of which £401,000 (30 June 2017: £728,000; 31 December 2016: £341,000) was outstanding at 31 December 2017. The amount due to the Investment Manager for performance fees at 31 December 2017 was £nil (30 June 2017: £1,856,000; 31 December 2016: £262,000).

13. Change of Depositary and Custodian

On 31 January 2018 J.P. Morgan Europe Limited replaced Northern Trust Global Services Limited as Depositary to the Company and J.P. Morgan Chase Bank N.A. replaced The Northern Trust Company as Custodian.

Directors and Advisers

Directors
Richard Hills (Chairman)
Sir Clive Thompson (Deputy Chairman)
William Barlow
Josephine Dixon
Richard Locke

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Broker
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GVQ Investment Management Limited
12-13 St. James's Place
London SW1A 1NX
Tel: 020 3824 4500

Registrar
Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol BS99 6ZY
Tel: 0370 707 1285
Website: www.computershare.com

Company Secretary and Administrator
PATAC Limited
21 Walker Street
Edinburgh EH3 7HX
Tel: 0131 538 6610

Solicitor
Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

Shareholder Information

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

Share price

The Company's Ordinary shares are listed on the main market of 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 23.

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

An investment company as defined under Section 833 of the Companies Act 2006
REGISTERED IN ENGLAND No. 5448627

A member of the Association of Investment Companies

STRATEGIC EQUITY CAPITAL PLC

Registered Office:
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