

A close-up photograph of a hand adjusting the eyepiece of a microscope. The hand is in the foreground, with fingers gripping the textured metal ring. The microscope's objective lens is positioned over a slide, which is resting on the stage. The background is softly blurred, showing the body of the microscope. The lighting is warm and focused on the hand and the lens.

Strategic Equity Capital plc

Report & Financial Statements
for the half-year ended 31 December 2023



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 five 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.

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. Gresham House actively manages c.£8.5bn 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

as at 31 December 2023

345.83 pence 30 June 2023
342.47 pence

+1.0%

Ordinary Share Price

as at 31 December 2023

320.50 pence 30 June 2023
309.00 pence

+3.7%

NAV Total Return

for the six months ended
31 December 2023

+1.7%

Year ended
30 June 2023
+9.2%

Share Price Total Return

for the six months ended
31 December 2023

+4.6%

Year ended
30 June 2023
+11.2%

Discount of Ordinary Share Price to NAV

as at 31 December 2023

-7.3%

30 June 2023
-9.8%

	As at 31 December 2023	As at 30 June 2023	As at 31 December 2022	Six months % change to 31 December 2023
Capital return				
Net asset value ("NAV") per Ordinary share [†]	345.83p	342.47p	293.08p	1.0%
Ordinary share price	320.50p	309.00p	275.00p	3.7%
Comparative index [‡]	5,353.66	4,970.43	5,026.45	7.7%
Discount ¹ of Ordinary share price to NAV	(7.3)%	(9.8)%	(6.2)%	
Average discount of Ordinary share price to NAV for the period ¹	(8.0)%	(7.4)%	(7.8)%	
Total assets (£'000)	169,447	170,784	151,033	(0.8)%
Equity shareholders' funds (£'000)	168,512	170,223	150,550	(1.0)%
Ordinary shares in issue with voting rights	48,726,211	49,704,711	51,368,273	
	Six month period to 31 December 2023	Year ended 30 June 2023	Six month period to 31 December 2022	
Performance				
NAV total return for the period ¹	1.7%	9.2%	(6.7)%	
Share price total return for the period ¹	4.6%	11.2%	(1.0)%	
Comparative index [‡] total return for the period	9.6%	(0.4)%	(1.1)%	
Ongoing charges – annualised ¹	1.19%	1.22%	1.21%	
Ongoing charges (including performance fee) – annualised ¹	1.43%	1.22%	1.21%	
Revenue return per Ordinary share	2.74p	3.53p	2.16p	
Dividend yield	n/a	0.81%	n/a	
Proposed final dividend for the period	n/a	2.50p	n/a	
Interim period's Highs/Lows				
	High	Low		
NAV per Ordinary share	346.8p	317.9p		
Ordinary share price	323.5p	290.0p		

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

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

Alternative Performance Measures

¹ Please refer to pages 25 and 26 for definitions and reconciliations of the Alternative Performance Measures to the half-year results.

Chairman's Statement

Introduction

The six-month period to the end of December followed similar themes to the prior period, namely macroeconomic uncertainty, geopolitical volatility and weak equity fund flow dynamics, all of which acted as a drag on equity market performance. Ongoing uncertainty will continue to throw up more challenges as the current financial year progresses, but will also present opportunities for your Manager to uncover attractive long term investment opportunities.

The Company's investment portfolio remains highly concentrated with almost 84% of the Company's Net Asset Value ("NAV") made up of the top ten holdings as at the end of December 2023. The Manager has undertaken a detailed review of the valuations of these key assets including benchmarking them against the valuations applied to private market transactions for comparable businesses. This analysis 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, have increasingly been attracting the attention of private equity and trade buyers 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 with takeover approaches for a number of companies over the period, most recently involving Ten Entertainment Group, which received a recommended cash takeover offer from US private equity firm Trive Capital (the transaction completed post period end in February 2024); and Tribal Group¹, which received a recommended cash takeover offer from Ellucian (a trade competitor backed by Blackstone and Vista Equity Partners).

The Company is positioned as a high conviction concentrated portfolio of high quality businesses on attractive valuations 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, provides the Board with confidence that our investment management team will be able to generate good long term returns for shareholders in the Company.

1. The recommended offer for Tribal Group lapsed following certain shareholder feedback, notwithstanding the 42% spot premium implied by the offer price.

Performance

During the six months to 31 December 2023, the Company's NAV per share (on a total return basis) increased by 1.7%. The FTSE Small Cap (ex Investment Trusts) Total Return Index ("FTSE Small Cap Index"), which we use for comparison purposes only, increased by 9.6%. Over the same period, the share price of the Company increased by 4.6% on a total return basis. It is worthwhile to remind shareholders that the Manager's strategy includes the avoidance of certain more cyclical sectors, instead focussing the portfolio on relatively defensive businesses with compelling structural tailwinds. In particular, consumer discretionary stocks were large positive contributors to benchmark performance over this period, and represent a materially greater weight in the index relative to the Company. Whilst these sectors often demonstrate short periods of outperformance when sentiment inflects positively, they are similarly prone to periods of sharp drawdown when macroeconomic conditions and/or sentiment weaken. The 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 rather reduce volatility and improve the consistency of investment returns.

Whilst positive, NAV performance during the period lagged the relevant index, although remains significantly ahead of the benchmark index over the three year period to 31 December 2023. Encouragingly, the total return of the Company's shares over the six month period tracked relatively closer to the index than the NAV performance, reflecting the discount reduction mechanisms put in place by the Board in recent years, including most recently a co-ordinated bookbuild to diversify the Company's shareholder register. With regards to portfolio construction, the Manager believes that continuing to prioritise companies with resilient business fundamentals and strong balance sheets should enable the Company to outperform over the long term. Performance is discussed more fully in the Investment Manager's Report on page 7.

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 Manager's highly differentiated and engaged Strategic Public Equity strategy (summarised in the Investment Manager's Report on page 7).

Gresham House plc, purchased 123,166 shares in the Company during the period ended 31 December 2023 with a combined direct and indirect equity stake of 11.1% in the Company.

The Board is pleased with the progress made by Gresham House since September 2020, and notes the strong outperformance against the benchmark over that period. Whilst performance in the six months ended 31 December 2023 lagged the benchmark index, the Board believes that the Manager's investment approach should continue to deliver outperformance over the medium to longer term. The Board also notes that Gresham House has undergone a change in ownership during the period, pursuant to the Recommended Cash Offer from Searchlight Capital ("Searchlight") which completed in December 2023. As such, Gresham House is no longer a publicly quoted company, but a portfolio company of Searchlight, a leading transatlantic private equity investor. The valuation multiple implied by this transaction was at a significant premium to the valuation ascribed to Gresham House by the public markets, which is part of a wider theme of public vs private market undervaluation that this Company seeks to capitalise on in its investment approach (with several recent examples within the Company's investment portfolio). The Board sought and received assurances that Searchlight is supportive of Gresham House's incumbent strategy, and is comfortable that there are no direct implications for the investment team managing this Company.

Discount and Discount Management

The average discount to NAV of the Company's shares during the period was 8.0%, compared to the equivalent 7.4% figure from the prior year. The discount range was 11.6% to 4.6%.

Many of the measures implemented in Q1 2022 to address the persistent share price discount to NAV are now complete. These included a 10 per cent. tender offer; the implementation of a share buyback programme with 2,642,062 shares repurchased during the 2023 calendar year; and a commitment by Gresham House to use £5 million of its cash resources to purchase shares in the Company. Gresham House now has a 11.1% equity stake in the Company. These have been successful, resulting in the discount narrowing from 9.8% at the beginning of the period to 7.3% at the end of the period. For comparison, over the same period the average UK Smaller Company Investment Trust discount decreased from 12.7% to 10.0%.

Other measures, also implemented in Q1 2022, remain ongoing. These include: a buy back 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; 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 the deferral of an annual continuation resolution and cancellation of the 2024 contingent tender offer in favour of the implementation of a 100 per cent. realisation opportunity for shareholders in 2025.



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 Manager and remains under review.

Dividend

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

Outlook

The global macroeconomic and geopolitical environment continues to drive uncertainty, although evidence of disinflation and growing consumer confidence should support both corporate earnings and equity valuations.

UK equity markets, particularly across the small cap universe, remain significantly undervalued relative to history, global equity indices, and private M&A transaction multiples. In conjunction with strong underlying fundamentals across the portfolio, this valuation dynamic adds to the margin of safety around prospective equity returns.

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 and ongoing share buybacks 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

13 March 2024

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 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 2023 Annual Report which we summarise again below.

Investment focus

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

We are long-term investors and typically aim to hold companies for three-to-five years to back a thesis that includes an entry and exit strategy and a clearly identified route to value creation. We have clear parameters for what we will invest in and areas which we will deliberately avoid.

Smaller company focus

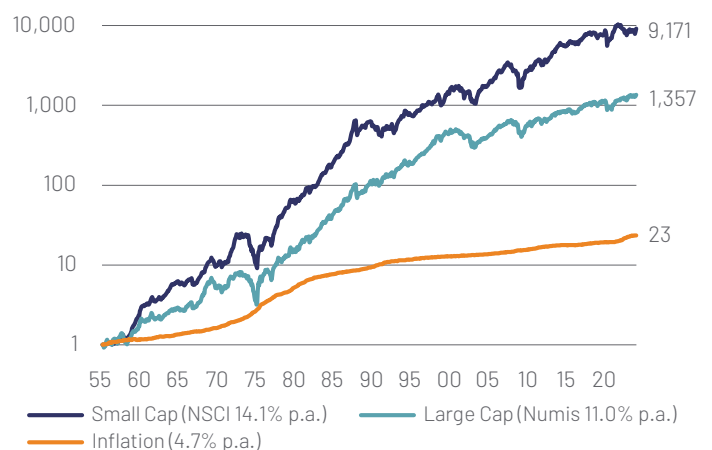
We believe that UK Smaller Companies represent a structurally attractive part of the public markets. Academic research demonstrates that smaller companies in the UK have delivered substantial outperformance over the long term (see Figure 1 below). This is partially because there is a large number of under-researched and under-owned businesses that typically trade at a valuation discount to larger companies (see Figure 2 on page 8) 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.

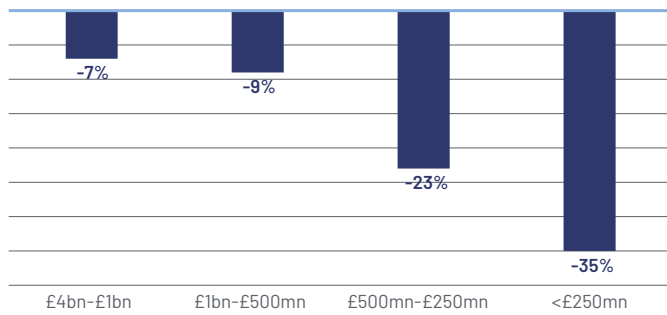
Figure 1: Long-term performance

Cumulative Percentage Index Returns 1955-2022 (log scale, based to 100)



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

Figure 2: UK Small and Mid Cap PE median discount vs Large Cap median PE



p/e multiple discount relative to large cap median
Source: Panmure Gordon as at 31 December 2023

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 SEC’s sector weightings which are not explicitly managed relative to a target benchmark weighting. The absence of certain sectors such as Oil & Gas, Mining, and Banks, as well as limited exposure to overtly cyclical parts of the market, 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, Financial Services and Business Services. The underlying value drivers are typically company specific and exhibit limited correlation even within the same broad sectors. Figure 3 opposite sets out the sector exposure of the Company as at 31 December 2023.

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

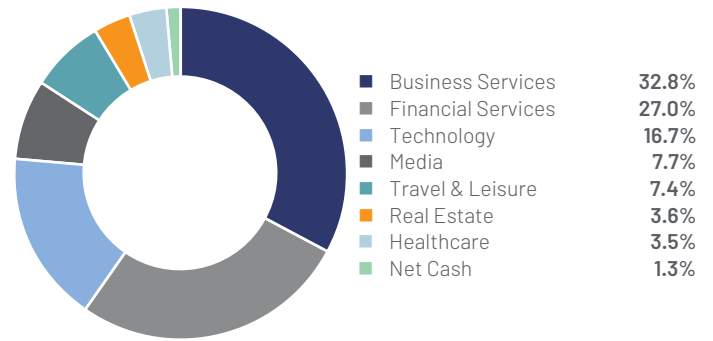
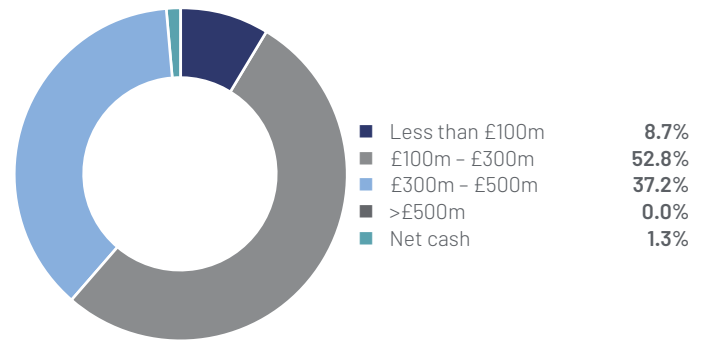


Figure 4: Value by market cap band



The weighted average market capitalisation of portfolio holdings increased to £276m as at 31 December 2023 compared to £252m as at 30 June 2023, largely reflecting share price growth across the portfolio, particularly in the case of the largest holding (XPS Pensions Group), which was a top performer throughout the period with a market capitalisation greater than the portfolio average as at 31 December 2023. This level of average market capitalisation supports the Manager’s strategy of focusing on smaller market capitalisation companies where SEC 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 2023 on page 11 together with a high level summary of the investment case and recent developments for each position.

Constructive Active Engagement Approach

As far as possible, SEC 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 Gresham House Asset Management (‘GHAM’) team and its network are seen as trusted advisors.

Operating with a highly-focused portfolio, SEC’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 that 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 the 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 GHAM 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 2023

Over the course of the six months to 31 December 2023 we continued to evolve the portfolio at a more normalised pace than in the previous two financial years: purchasing four new holdings which represented 6.4% of NAV at the end of the period, and fully exiting two positions which represented 20.6% at the start of the period. As of 31 December 2023, the number of influential equity stakes where GHAM funds, in aggregate, hold a 5% or more equity stake stood at 14, and represented 83% of the portfolio by value at 31 December 2023.

Market Background

Over the six months to the end of December, the FTSE Small Cap (ex Investment Trusts) Index ("the index") increased by 9.6% on a total return basis outperforming both the FTSE All Share (+5.1%) and the FTSE AIM (+2.3%). The first half of the period saw value outperform growth (as evidenced by the relative performance of the MSCI UK Growth and Value indices), in part as concerns over persistent inflation (and an additional base rate increase) fuelled longer term yields. However, the latter three months of the period saw a reversal of this trend as signs of disinflation (and hopes of rate cuts) emerged, with the MSCI UK Value Index performing neutrally over the period versus a notable recovery for its Growth counterpart. Aside from macroeconomic uncertainty, geopolitical developments continued to drive volatility and weigh on risk sentiment, resulting in falling share prices particularly in smaller companies.

The UK equity market continued to be out of favour with asset allocators, reaching 30 consecutive months of outflows by December 2023¹. This continued selling pressure from UK equities 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.

Figure 5: UK 12-month forward P/E relative to global equities



Source: Berenberg research, Eikon.

Whilst this demonstrates the value opportunities in the UK market, we believe that the challenging macroeconomic backdrop further fuels the need for careful assessment of the bottom up characteristics of each company. This suits the private equity approach taken by the Manager to investing on behalf of the Company.

Performance Review

The net asset value ("NAV") increased 1.7%, on a total return basis, over the six months to the end of December 2023, closing at 345.83p per share. This increase in NAV reflected the positive returns delivered by the majority of portfolio companies throughout the period, despite volatile equity market conditions as geopolitical and macroeconomic concerns weighed on investor sentiment.

1. Source: Peel Hunt UK M&A: accelerating pace of exits – January 2024.

Investment Manager's Report

The Company underperformed its benchmark during the period, as the FTSE Small Cap (ex Investment Trusts) Index increased by 9.6%. 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. In particular, consumer discretionary businesses contributed strongly to index outperformance in the period, and represent a materially greater weight in the index relative to the Company.

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 2023 £'000	Period Contribution to return (basis points)
XPS Pensions Group	33,994	565
Fintel	18,182	257
Tribal†	9,110	161
Wilmington	11,490	122
Ten Entertainment	3,745	77

XPS Pensions Group a pensions consulting, advisory and administration services provider, which delivered results in excess of market expectations, resulting in analyst upgrades, and divested a non-core business at a significantly accretive valuation multiple to the wider group; **Fintel**, a provider of tech-enabled regulatory services, following a number of strategic acquisitions which will significantly increase the capabilities, scale and IP of the organisation; **Tribal†**, a provider of technology products and services to the education, learning and training markets, following strong interim results with double digit EBITDA growth and strong performance from both divisions, along with the announcement of a recommended offer in early October at a 42% spot premium; **Wilmington**, a provider of business information and training solutions, following strong results and strong early trading in line with expectations of strong continued organic growth; and **Ten Entertainment**, a leading UK tenpin bowling operator, following a recommended cash offer from Trive Capital at a 33% premium to spot price.

† The shareholder vote for Tribal Group's Recommended Cash Offer was narrowly defeated in December 2023, resulting in the Company no longer being in an Offer Period. This caused the company's share price to retreat in December and January to similar levels as Summer 2023, before the offer had been announced.

Bottom Five Absolute Contributors to Performance

Security	Valuation 31 December 2023 £'000	Period Contribution to return (basis points)
R&Q Insurance Holdings	1,406	(377)
Inspired Energy	7,318	(192)
Ricardo	13,946	(101)
Iomart	15,226	(89)
Brooks Macdonald	14,750	(59)

In challenging equity market conditions certain portfolio holdings suffered from share price weakness during the period, typically in response to short term developments that, we believe, do not fundamentally change the long term values of the holdings. The largest detractors included **R&Q Insurance Holdings**, a provider of core services of legacy acquisitions and program management, following the proposed sale of the company's Program Management business at a valuation materially below market expectations; **Inspired Energy**, an energy procurement and ESG consultancy, despite strong current trading and limited newsflow; **Ricardo**, an engineering, environmental and strategic consultancy, following the release of an in-line full year 2023 trading update, which indicated some downward pressure on outer year forecasts due to higher interest costs; **Iomart**, a datacentre and cloud services provider, on no specific news flow; and **Brooks Macdonald**, a wealth manager, on the back of broader market concerns around potential sector-wide outflows, despite the release of FY23 results slightly ahead of consensus expectations.

Portfolio Review

The portfolio remained highly focused with a total of 18 holdings and the top 10 accounted for almost 84% of the NAV at the end of the period. Around 1% of the NAV was held in cash at period end.

Over the period positions in Medica (IRR¹ of 25% / 12%) and Carr's Group (IRR² of 17%) were exited.

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











Changes in sector weightings have seen exposure to Healthcare decrease from 21.6% to 3.5%, with exposure to Financial Services decreasing from 32.6% to 27.0%, and exposure to Technology increasing from 10.9% to 16.7%.

1. 12% reflects the IRR from the Company's initial investment in Medica in 2017. 25% reflects the IRR since Ken Wotton became Manager of the Company in September 2020, and actively decided to upweight the Company's holding in Medica.

2. Annualised figure based on c.6 month holding period.

Top 10 Investee Company Review¹

(as at 31 December 2023)

Company	% of NAV	Description	GHAM stake ²	Company	% of NAV	Description	GHAM stake ²
 XPS Pensions	20.2% Business Services	A leading pensions consulting and administration services provider	16.1%	 Wilmington plc	6.8% Media	A provider of business information and training & education solutions	4.7%
 Fintel	10.8% Financial Services	A provider of tech-enabled regulatory services to IFAs, financial institutions and other intermediaries	10.8%	 TRIBAL	5.4% Technology	A provider of technology products and services to the education, learning and training markets	8.0%
 iomart	9.0% Technology	An integrated telecommunications and internet company, which supplies web hosting and Internet security messaging services	12.9%	 HOSTELWORLD	5.2% Travel & Leisure	A provider of financial services, surveying, valuation and estate agency services	10.4%
 BM BROOKS MACDONALD	8.8% Financial Services	A UK national wealth manager and investment advisor	9.9%	 LSL Property Services plc	4.7% Financial Services	A provider of financial services, surveying, valuation and estate agency services	3.4%
 RICARDO	8.3% Business Services	An engineering, environmental and strategic consultancy, operating across a range of market sectors	14.5%	 INSPIRED PLC	4.3% Business Services	An engineering, environmental and strategic consultancy, operating across a range of market sectors	29.7%

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 2023

1. Top ten holdings representing 84% of NAV

2. Aggregate Gresham House Asset Management equity stake

Company	Investment Thesis	Developments
XPS Pensions Group	<ul style="list-style-type: none"> Leading 'challenger' brand in the pensions administration and advice market with organic market share opportunity following industry consolidation Highly defensive – high degree of revenue visibility and largely non-discretionary, regulation driven client activity with inflation protected contracts Trades at a material discount to comparable M&A transactions despite competitive positioning, operational delivery and financial characteristics 	<ul style="list-style-type: none"> Divested a non-core business at a significantly accretive valuation multiple to the broader group Strong visibility of regulatory changes driving sector demand Strong pipeline of opportunities as the current yield environment encourages corporates to explore pension risk transfer solutions Strong cash generation supporting growing dividend
Fintel	<ul style="list-style-type: none"> Leading UK provider of technology enabled regulatory solutions and services to IFAs, financial institutions and other intermediaries Strategically valuable technology platform with opportunity to drive material growth in revenues and margins through supporting customers' digitisation journeys 	<ul style="list-style-type: none"> New LTIP scheme implemented which strongly aligns to absolute equity value creation Execution of several small, strategic bolt-on acquisitions Cash generation strong resulting in significant balance sheet de-gearing

Top 10 Investee Company Review

Company	Investment Thesis	Developments
Iomart	<ul style="list-style-type: none"> Datacentre and cloud services provider Structurally growing market with particular demand for hybrid cloud Exceptional quality of earnings with >90% recurring revenue 	<ul style="list-style-type: none"> HY 24 results demonstrating 18% YoY revenue growth New CEO with a strong pedigree in IT services (incl. BT, Equiniti)
Brooks Macdonald	<ul style="list-style-type: none"> UK focused wealth management platform; structural growth given continuing transition to self-investment Opportunity to leverage operational investments to grow margin and continue strong cash flow generation A consolidating market; opportunity for Brooks Macdonald as both consolidator and potential target with recent takeover interest for sector peers 	<ul style="list-style-type: none"> Improvement in net fund flows despite market weakness Strategic technology partnership with SS&C underpins future scalability Continued sector M&A activity (e.g. 7IM / September 2023) at significant valuation premia to Brooks Macdonald's rating
Ricardo	<ul style="list-style-type: none"> Global strategic, environmental and engineering consultancy Ongoing strategic transformation to refocus and prioritise the business towards higher growth, higher margin and less capital intensive activities Strong market position underpinned by significant sector expertise 	<ul style="list-style-type: none"> Successfully extended its McLaren relationship (now in its fourth generation) demonstrating the stickiness of Ricardo's customer relationships Strong FY23 results with a record orderbook and particularly high growth in its Environmental & Energy Transition divisions, in line with the strategic ambition
Wilmington	<ul style="list-style-type: none"> International provider of B2B data and training in the compliance, insurance, financial and healthcare sectors New top team have reshaped the strategy and portfolio of businesses Operational momentum driving revenue and margin growth with potential for a valuation re-rating 	<ul style="list-style-type: none"> Profit and cash generation ahead of expectations driving forecast upgrades Recovery in live events underpinning growth and margin recovery Sector consolidation underlines valuation opportunity
Tribal	<ul style="list-style-type: none"> International provider of student administration software with market leading positions in the UK, Australia and NZ Strong defensive characteristics with high visibility of earnings Transition to cloud-based platform has potential to drive growth, margins and rating Low valuation relative to software sector averages and sector transaction multiples 	<ul style="list-style-type: none"> Recommended Cash Offer announced from Ellucian (Blackstone / Vista backed competitor) at a 42% spot premium – <i>N.B. the offer subsequently lapsed following lack of support from Tribal's shareholders</i>
Hostelworld	<ul style="list-style-type: none"> Leading online travel agent serving the global niche segment of hostelling Business rationalised and optimised during Covid with enhanced customer value proposition Recovery from Covid market dynamics well advanced with strong margin recovery potential 	<ul style="list-style-type: none"> Revenues have recovered to pre-Covid levels with further volume recovery still to come Average order value and customer lifetime values improving Technology and app investment starting to deliver a positive impact

Company	Investment Thesis	Developments
LSL Property Services	<ul style="list-style-type: none"> ▪ Leading provider of services to the UK residential property sector with activities spanning mortgage broking, surveying and real estate agencies ▪ Significant opportunity to reallocate capital to the Financial Services division which is strategically valuable, high growth and underappreciated by the market ▪ Potential for a material re-rating as business mix shifts to higher quality less cyclical divisions 	<ul style="list-style-type: none"> ▪ Depressed UK residential housing transaction volumes have provided a challenging backdrop, particularly for LSL's surveying business ▪ Successful transition of LSL's estate agency business from owned to franchised ▪ Significant open market share buying (December 2023) by LSL's Chair
Inspired Energy	<ul style="list-style-type: none"> ▪ UK B2B corporate energy services and procurement specialist with strong ESG credentials ▪ Leading player in a fragmented industry; significant opportunity to gain market share through client wins, proposition extension and M&A ▪ Valued at a substantial discount to comparable private market transaction multiples 	<ul style="list-style-type: none"> ▪ High energy costs have driven accelerated growth in optimisation services ▪ ESG revenues accelerating from a low base

Outlook

The Manager's core planning assumption is that continued geopolitical and macroeconomic uncertainty will drive market volatility throughout 2024. However, signs of disinflation and warming consumer confidence provide a helpful tailwind for business performance entering into 2024. As in prior periods, 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 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 Manager's constructive active engagement approach can help to support or unlock that potential.

The 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.

Continuing the theme from the first half of the calendar year, levels of takeover activity within the UK equity space continue to play out. 17 firm offers were announced during the six months ended 31 December 2023, with a relatively even balance between private equity and strategic bidders. Takeover activity was disproportionately concentrated in the small cap universe, reflecting the relative undervaluation against large cap equities, and comparable M&A transaction multiples; across the 2023 calendar year the combined equity value of firm offers was £19bn vs. £41bn in 2022, despite the number of firm offers¹ having risen from 48 to 59 year on year. The investment process and private equity lens across public markets enables the identification of investment opportunities with potential strategic value, that could be attractive acquisitions for both corporate and financial buyers.

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.

1. Peel Hunt M&A 2023 annual review and M&A monthly Q3 2023.

Portfolio as at 31 December 2023

Company	Sector classification	Date of first investment	Cost £'000	Valuation £'000	% of invested portfolio at 31 December 2023	% of invested portfolio at 30 June 2023	% of net assets
XPS Pensions Group	Business Services	Jul 2019	16,851	33,994	20.4	15.0	20.2
Fintel	Financial Services	Oct 2020	13,771	18,182	10.9	6.4	10.8
Iomart	Technology	Mar 2022	16,272	15,226	9.2	5.4	9.0
Brooks Macdonald	Financial Services	Jun 2016	15,302	14,750	8.9	7.0	8.8
Ricardo	Business Services	Sep 2021	13,579	13,946	8.4	6.8	8.3
Wilmington	Media	Oct 2010	6,818	11,490	6.9	5.6	6.8
Tribal	Technology	Dec 2014	11,742	9,110	5.5	3.9	5.4
Hostelworld	Travel & Leisure	Oct 2019	6,505	8,826	5.3	4.8	5.2
LSL Property Services	Financial Services	Mar 2021	13,256	7,935	4.8	5.1	4.7
Inspired Energy	Business Services	Jul 2020	13,754	7,318	4.4	6.1	4.3
Benchmark	Healthcare	Jun 2019	6,734	5,837	3.5	3.6	3.5
Netcall	Technology	Mar 2023	4,367	3,848	2.3	1.8	2.3
Ten Entertainment	Travel & Leisure	Oct 2020	1,592	3,745	2.2	3.3	2.2
TruFin	Financial Services	Jul 2023	4,111	3,253	2.0	-	1.9
Property Franchise	Real Estate	Oct 2023	3,000	3,205	1.9	-	1.9
Belvoir Group	Real Estate	Oct 2023	2,499	2,830	1.7	-	1.7
Team 17	Media	Dec 2023	1,487	1,492	0.9	-	0.9
R&Q Insurance Holdings	Financial Services	Jun 2022	10,308	1,406	0.8	4.3	0.8
Total investments				166,393			98.7
Cash				2,979			1.8
Net current liabilities				(860)			(0.5)
Total shareholders' equity				168,512			100.0

Ken Wotton

Gresham House Asset Management

13 March 2024

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

Statement of Directors' Responsibilities

The Directors confirm that to the best of their knowledge:

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

This Half-Yearly Report was approved by the Board of Directors on 13 March 2024 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 17 and 18 of the Annual Report for the year ended 30 June 2023, 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 2023

	Note	Six month period to 31 December 2023 unaudited			Year ended 30 June 2023 audited			Six month period to 31 December 2022 unaudited		
		Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Investments										
Gains/(losses) on investments held at fair value through profit or loss	6	-	1,573	1,573	-	10,602	10,602	-	(13,459)	(13,459)
		-	1,573	1,573	-	10,602	10,602	-	(13,459)	(13,459)
Income										
Dividends	2	2,344	-	2,344	3,782	-	3,782	2,124	-	2,124
Interest	2	31	-	31	78	-	78	35	-	35
Total income		2,375	-	2,375	3,860	-	3,860	2,159	-	2,159
Expenses										
Investment Manager's fee	8	(616)	-	(616)	(1,228)	-	(1,228)	(603)	-	(603)
Performance fee	9	-	(369)	(369)	-	-	-	-	-	-
Other expenses	3	(408)	-	(408)	(803)	-	(803)	(397)	-	(397)
Total expenses		(1,024)	(369)	(1,393)	(2,031)	-	(2,031)	(1,000)	-	(1,000)
Net return before taxation		1,351	1,204	2,555	1,829	10,602	12,431	1,159	(13,459)	(12,300)
Taxation		-	-	-	-	-	-	-	-	-
Net return and total comprehensive income for the period		1,351	1,204	2,555	1,829	10,602	12,431	1,159	(13,459)	(12,300)
		pence	pence	pence	pence	pence	pence	pence	pence	pence
Return per Ordinary share	5	2.74	2.44	5.18	3.53	20.44	23.97	2.16	(25.08)	(22.92)

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 2023

	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 2023 unaudited								
1 July 2023		6,353	11,300	3,590	142,952	2,897	3,131	170,223
Net return and total comprehensive income for the year		-	-	-	1,204	-	1,351	2,555
Dividends paid	4	-	-	-	-	-	(1,231)	(1,231)
Share buy-backs		-	-	(3,035)	-	-	-	(3,035)
31 December 2023		6,353	11,300	555	144,156	2,897	3,251	168,512
For the year to 30 June 2023 audited								
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 year		-	-	-	10,602	-	1,829	12,431
Dividends paid	4	-	-	-	-	-	(1,061)	(1,061)
Share buy-backs		-	-	(16,177)	-	-	-	(16,177)
30 June 2023		6,353	11,300	3,590	142,952	2,897	3,131	170,223
For the six month period to 31 December 2022 unaudited								
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 year		-	-	-	(13,459)	-	1,159	(12,300)
Dividends paid	4	-	-	-	-	-	(1,061)	(1,061)
Share buy-backs		-	-	(11,119)	-	-	-	(11,119)
31 December 2022		6,353	11,300	8,648	118,891	2,897	2,461	150,550

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

Balance Sheet

as at 31 December 2023

	Note	As at 31 December 2023 unaudited £'000	As at 30 June 2023 audited £'000	As at 31 December 2022 unaudited £'000
Non-current assets				
Investments held at fair value through profit or loss	6	166,393	169,274	140,283
Current assets				
Trade and other receivables		75	268	27
Cash and cash equivalents		2,979	1,242	10,723
		3,054	1,510	10,750
Total assets		169,447	170,784	151,033
Current liabilities				
Trade and other payables		(935)	(561)	(483)
Net assets		168,512	170,223	150,550
Capital and reserves				
Share capital	7	6,353	6,353	6,353
Share premium account		11,300	11,300	11,300
Special reserve		555	3,590	8,648
Capital reserve		144,156	142,952	118,891
Capital redemption reserve		2,897	2,897	2,897
Revenue reserve		3,251	3,131	2,461
Total shareholders' equity		168,512	170,223	150,550
Net asset value per share		pence 345.83	pence 342.47	pence 293.08
Ordinary shares in issue	7	number 48,726,211	number 49,704,711	number 51,368,273

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 2023

	Six month period to 31 December 2023 unaudited £'000	Year ended 30 June 2023 audited £'000	Six month period to 31 December 2022 unaudited £'000
Operating activities			
Net return before taxation	2,555	12,431	(12,300)
Adjustment for (gains)/losses on investments	(1,573)	(10,602)	13,459
Operating cash flows before movements in working capital	982	1,829	1,159
Decrease in receivables	321	374	615
Increase/(decrease) in payables	209	22	(101)
Purchases of portfolio investments	(32,988)	(30,473)	(8,264)
Sales of portfolio investments	37,479	30,463	13,229
Net cash flow from operating activities	6,003	2,215	6,638
Financing activities			
Equity dividend paid	(1,231)	(1,061)	(1,061)
Shares bought back in the period	(3,035)	(16,275)	(11,217)
Net cash flow from financing activities	(4,266)	(17,336)	(12,278)
Increase/(decrease) in cash and cash equivalents for the period	1,737	(15,121)	(5,640)
Cash and cash equivalents at start of period	1,242	16,363	16,363
Cash and cash equivalents at period end	2,979	1,242	10,723

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 2023, 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 2023 and 31 December 2022 have not been either audited or reviewed by the Company's Auditor. Information for the year ended 30 June 2023 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 2023.

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 2023, had no significant effect on the accounting or reporting of the Company.

2. Income

	Six month period to 31 December 2023 unaudited £'000	Year ended 30 June 2023 audited £'000	Six month period to 31 December 2022 unaudited £'000
Income from investments			
UK dividend income	2,344	3,782	2,124
Other operating income			
Liquidity interest	31	78	35
Total income	2,375	3,860	2,159

3. Other expenses

	Six month period to 31 December 2023 unaudited £'000	Year ended 30 June 2023 audited £'000	Six month period to 31 December 2022 unaudited £'000
Secretarial services	92	171	85
Auditor's remuneration for:			
Audit services	39	65	36
Directors' remuneration	92	161	74
Other expenses	185	406	202
	408	803	397

4. Dividend

The Company paid a final dividend of 2.50p in respect of the year ended 30 June 2023 (30 June 2022: 2.0p) per Ordinary share on 49,233,260 (30 June 2022: 53,027,547) shares, amounting to £1,230,832 (30 June 2022: £1,060,551). The dividend was paid on 10 November 2023 to Shareholders on the register at 13 October 2023. 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 2023			Year ended 30 June 2023			Six month period to 31 December 2022		
	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	2.74	2.44	5.18	3.53	20.44	23.97	2.16	(25.08)	(22.92)

Returns per Ordinary share are calculated based on 49,290,313 (30 June 2023: 51,853,838 and 31 December 2022: 53,653,477) being the weighted average number of Ordinary shares, excluding shares held in treasury, in issue throughout the period.

6. Investments

	31 December 2023 £'000
Quoted investments at fair value through profit or loss	166,393

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 2023

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	166,393	–	–	166,393
Liquidity funds	–	1	–	1
Total	166,393	1	–	166,394

A list of the portfolio holdings is given on page 14.

	31 December 2023 Total £'000
Analysis of capital gains/(losses):	
Gains on sale of investments	12,901
Movement in investment holding gains	(11,328)
	1,573

7. Share capital

	Number	31 December 2023 £'000
Allotted, called up and fully paid Ordinary shares of 10p each:		
Ordinary shares in circulation at 30 June 2023	63,529,206	6,353
Shares held in treasury at 30 June 2023	(13,824,495)	(818)
Ordinary shares in issue per Balance Sheet at 30 June 2023	49,704,711	5,535
Shares bought back during the period to be held in treasury	(978,500)	(98)
Ordinary shares in issue per Balance Sheet at 31 December 2023	48,726,211	5,437
Shares held in treasury at 31 December 2023	14,802,995	916
Ordinary shares in circulation at 31 December 2023	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 £369,000 has been accrued in respect of the six months ended 31 December 2023 (30 June 2023: £nil; 31 December 2022: £nil).

10. Taxation

The tax charge for the half year is £nil (30 June 2023: £nil; 31 December 2022: £nil). The estimated effective corporation tax rate for the year ended 30 June 2024 is 0%. This is because investment gains are exempt from tax owing to the Company's status as an investment company and there is expected to be an excess of management expenses over taxable income.

Alternative Performance Measures

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

Discount

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

		Six month period to 31 December 2023	Year ended 30 June 2023	Six month period to 31 December 2022
NAV per Ordinary share	a	345.83p	342.47p	293.08p
Share price	b	320.50p	309.00p	275.00p
Discount	c c=(b-a)/a	7.3%	9.8%	6.2%

Average discount

The average discount is calculated by taking the average of each day's share price discount to NAV over the course of the period. The discount range during the six month period to 31 December 2023 was 4.6% to 11.6% (six month period to 31 December 2022: 3.3% to 12.5% and year to 30 June 2023: 3.3% to 12.5%) and the average discount was 8.0% (six month period to 31 December 2022: 7.8% and year to 30 June 2023: 7.4%).

NAV total return

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

	Six month period to 31 December 2023	Year ended 30 June 2023	Six month period to 31 December 2022
Opening NAV	342.47p	316.21p	316.21p
Increase/(decrease) in NAV per Ordinary share	3.36p	26.26p	(23.13)p
Closing NAV	345.83p	342.47p	293.08p
% Increase/(decrease) in NAV	1.0%	8.3%	(7.3)%
Impact of dividends reinvested	0.7%	0.9%	0.6%
NAV total return	1.7%	9.2%	(6.7)%

Share price total return

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

	Six month period to 31 December 2023	Year ended 30 June 2023	Six month period to 31 December 2022
Opening share price	309.00p	280.00p	280.00p
Increase/(decrease) in share price	11.50p	29.00p	(5.00)p
Closing share price	320.50p	309.00p	275.00p
% Increase/(decrease) in share price	3.7%	10.4%	(1.8)%
Impact of dividends reinvested	0.9%	0.8%	0.8%
Share price total return	4.6%	11.2%	(1.0)%

Ongoing charges – annualised

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

		Six month period to 31 December 2023	Year ended 30 June 2023	Six month period to 31 December 2022
Investment management fee		1,225	1,228	1,186
Administrative expenses		731	803	793
Non recurring costs in relation to the recruitment of Directors		–	(48)	(48)
Ongoing charges	a	1,956	1,983	1,931
Average net assets	b	164,971	162,849	159,587
Ongoing charges ratio (%)	c c=a/b	1.19%	1.22%	1.21%

Ongoing charges (including performance fee) – annualised

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

		Six month period to 31 December 2023	Year ended 30 June 2023	Six month period to 31 December 2022
Investment management fee		1,225	1,228	1,186
Administrative expenses		731	803	793
Non recurring costs in relation to the recruitment of Directors		–	(48)	(48)
Performance fee		369	–	–
Ongoing charges (including performance fee)	a	2,325	1,983	1,931
Average net assets	b	164,971	162,849	159,587
Ongoing charges ratio (including performance fee)(%)	c c=a/b	1.41%	1.22%	1.21%

Directors and Advisers

Directors

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

Auditor

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Custodian

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Depository

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Registrar

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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	February/March

Share price

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

Share dealing

Shares can be traded through your usual stockbroker.

Share register enquiries

The register for the Ordinary shares is maintained by Computershare Investor Services plc ("Registrar"). In the event of queries regarding your holding, please contact the Registrar, on 0370 707 1285. Changes of name and/or address must be notified in writing to the Registrar, whose address is shown on page 27.

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 AND WALES No. 5448627

A member of the Association of Investment Companies



Since 1857

Gresham House
Specialist asset management