Gresham House Strategic plc

Interim results for the six months
to 30 September 2016

Strategic Public Equity

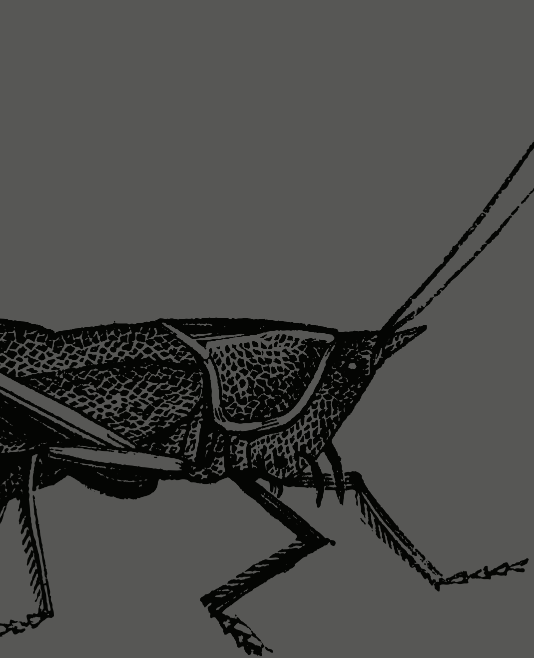
Investment returns through bridging the divide between public and private equity markets

Gresham House Strategic plc ("GHS") invests primarily in UK and European smaller public companies, applying private equity techniques and due diligence alongside a value investment philosophy to construct a focused portfolio expected to comprise of 10-15 companies.

The investment manager aims for a considerably higher level of engagement with investee company stakeholders, including: management, shareholders, customers, suppliers and competitors, in order to identify market pricing inefficiencies and support a clear equity value creation plan, targeting above market returns over the longer term

Strategic Public Equity

"A Private Equity approach to quoted companies"



www.ghsplc.com/ir2016

HIGHLIGHTS

- New investment of growth capital in Northbridge Industrial Services plc and subsequent increase in stake to 10.9%
- Significant second investment of growth capital in Be Heard backing the acquisition of MMT Digital, increasing stake to 10.6%
- Strategic co-investment agreement with Gresham House Strategic Public Equity Fund LP, leading to £4.6 million cash realised on the sale of 23.0% of original holding in IMImobile
- Strong operating and strategic progress within majority of the portfolio, driving 8.5% NAV per share growth, outperforming the FTSE Small-Cap Index (ex Investment Trusts) by 2.0%

Financial Highlights

- Portfolio valuation (including cash and other net assets) of £39.9 million (30 September 2015: £36.0 million)
- Realised and unrealised gains on investment of £3.7 million (30 September 2015: £2.9 million)
- Profit before tax of £3.2 million (30 September 2015: £0.5 million loss)
- At the period end circa 15p per share available for return to shareholders according to the policy to return half of net profit on realised gains on investment

Post-Period

Two further investments made/committed;

- £1 million pre-IPO, convertible loan note investment in private company MJ Hudson the integrated adviser and service provider to the alternative asset management industry and;
- Initial £0.8 million commitment to invest in Warpaint London plc a fast growing global cosmetics brand expected to be admitted to trading on AIM at the end of November 2016

STRATEGY

GHS will use the expertise and experience of its Board, the investment manager and the Investment Committee to invest in accordance with its Strategic Public Equity principles. The manager will focus on intrinsically undervalued smaller companies, actively and constructively engaging with management teams to identify and affect catalysts for long term shareholder value creation.

Portfolio investments will typically have the following characteristics:

- Investments that can generate a 15 per cent IRR over the medium to long term principally through capital appreciation;
- Profitable, cash generative companies with scope to improve return on capital; and
- Investments where the manager believes there are value creation opportunities through strategic, operational or management changes.

GHS intends to invest the majority of its capital in a concentrated portfolio of smaller publicly quoted companies, typically with market capitalisations of less than £250 million.

We expect a holding period of three to five years.

In addition, GHS may invest up to 30% of the portfolio in unquoted securities, including private equity, equity-related instruments, preferred equity, convertible and non-convertible debt instruments.

GHS will seek to acquire influential minority stakes for cash or share consideration.

CHAIRMAN'S STATEMENT

I am pleased to present our interim report for the half year ending 30 September 2016. The period was characterised by the focus on Britain's vote to leave the European Union and its effect on markets and sentiment. It spanned the vote on 23 June, with the first half of the period focused on the uncertainty surrounding which way the vote would fall, and the second half focused on what sort of Brexit the UK might adopt.

The result has been uncertainty throughout the period and I believe our investment manager, Gresham House Asset Management (GHAM), has been entirely correct in moving cautiously to invest our significant cash and other net assets (£14.7m and 36.9% of NAV at 30 September 2016).

New investments and additions were made in Northbridge, Be Heard and Miton, as described in the manager's report. Since the end of the first half a new pre-IPO investment has been made in advisor and specialist service provider to alternative asset managers, MJ Hudson. The Company has also committed to invest in Warpaint London plc, a fast growing cosmetics business due to be admitted to AIM at the end of November 2016.

We reduced our holding in IMImobile as part of a strategic co-investment with GHAM benefiting portfolio construction and in so doing realised a sizeable profit on part of our holding which is more fully described in the manager's report. IMImobile continues to perform strongly, benefitting from the powerful global trend in data consumption and engagement via smart phones and other mobile devices which supports the company's positioning. We continue to remain positive about the company and its prospects and it still represents a significant position, in excess of 34% of the Company's current portfolio.

I am sure the combination of our strong cash position and the concentration of IMImobile in the portfolio does contribute to the discount to NAV (25% at 30 September 2016), however, we believe that the manager's position on both of these has been justified in the circumstances. Following the marketing efforts that have been made, coupled with some excellent research and media coverage, we have welcomed a number of new shareholders. Members of the Board and the investment team increased their personal stakes in your Company during the period, a sign of commitment, confidence in the portfolio and strong alignment.

"Members of the Board and the investment team increased their personal stakes in your Company during the period, a sign of commitment and strong alignment."

As mentioned in my statement in the 2016 annual report, it is the Board's intention to commence dividend payments by distributing to shareholders 50% of net profits on realisations at the end of the financial year. To date we have had two such realisations, which in accordance with our proposed policy would give rise to approximately 15p per share available to return to shareholders. Details of any proposed dividend or other returns to shareholders will be announced with the full year results in 2017.

The Board is confident in the performance of and prospects for our investee companies. While we remain cautious, given the uncertain backdrop surrounding Brexit, select smaller companies continue to grow and increasingly need long term supportive shareholders who can provide growth capital and invest for the longer term. We are seeing a number of such opportunities and for this reason we remain confident in the outlook for our strategy.

I would like to thank our shareholders, old and new, for their continued support.

David Potter
Chairman
25 November 2016

INVESTMENT PORTFOLIO HOLDINGS

As of 30 September 2016 (also including two post-period end investments)

IMImobile

UK based global provider of software and services that enables organisations to maximise the potential of mobile technologies to improve customer engagement by providing a cloud based platform and a suite of software products to help clients rapidly create and deploy mobile and digital user journeys.

Deal type
Secondary – growth and re-rating

% ownership of the company
13.5%

% of total portfolio
37.6%

Value
£15.0m

BE HEARD

A digital marketing group operating at the intersection of marketing, technology and e-commerce. The company's vision is to build an agile interconnected group focused on helping clients maximise their return on investment from digital marketing. Their strategy is to acquire and connect best-in-class companies spanning the core digital marketing disciplines, providing management experience, access to deeper resources and a strong platform for growth.

Deal type
Growth capital supporting buy and build strategy

% ownership of the company
10.6%

% of total portfolio
6.8%

Value
£2.7m

The Quarto Group

The leading global illustrated book publisher and distribution group focused on niche areas of publishing such as cooking and children's books. The business covers subjects that can be better explained using illustrations or photographs.

Deal type
Secondary with primary growth capital supporting acquisitions

% ownership of the company
4.4%

% of total portfolio
6.3%

Value
£2.5m

NORTHBRIDGE

Hires and sells specialist industrial equipment and is the market leading global supplier of loadbanks. The business also supplies the oil and gas sector with specialist drill tools. The company has offices or agents in the UK, Europe, the Middle East and Asia Pacific. Customers include utility companies, the oil and gas sector, shipping, construction, banking, data centres and the public sector.

Deal type
Recovery and growth capital

% ownership of the company
10.9%

% of total portfolio
6.1%

Value
£2.4m

INVESTMENT PORTFOLIO HOLDINGS CONTINUED

As of 30 September 2016 (also including two post-period end investments)

Miton

A UK domiciled active Asset Manager with an established suite of multi-asset and single strategy equity funds.

Deal type
Secondary – operational gearing and AUM growth

% ownership of the company
4.1%

% of total portfolio
5.2%

Value
£2.1m

SPACEANDPEOPLE

Sells and administers space in high footfall venues, including shopping centres, garden centres, city centres, retail parks and travel hubs. The company matches brands, promoters and retailers campaigns to the venues and footfalls that are right for them, providing an end-to-end service from design and installation of kiosks to ongoing visual merchandising support for retailers to financial management and activity analysis.

Deal type
Secondary – recovery and growth

% ownership of the company
10.6%

% of total portfolio
1.1%

Value
£0.5m

INVESTMENTS AND COMMITMENTS MADE POST PERIOD END

MJ HUDSON

MJ Hudson is an integrated advisor and service provider to the alternative asset management industry covering legal, administrative, fiduciary and regulatory reporting services. The company has operations in London, Jersey, Guernsey, Paris, Luxembourg and New York. MJ Hudson is focused purely on alternatives, a fast growing niche where outsourcing is most prevalent and where longer term funds will provide a valuable and recurring revenue base.

Deal type
Pre-IPO growth capital (convertible loan note)

Investment
£1.0m

W7

We have made an initial commitment to invest in a £62.6 million market cap (on flotation), fast growing and highly cash generative global consumer cosmetics business, Warpaint London plc. Warpaint is the owner of the W7 brand and its shares are expected to be admitted to AIM on 30 November 2016.

Deal type
IPO growth capital

% ownership of the company
1.3%

Value
£0.8m

INVESTMENT MANAGER'S REPORT

On 10 August 2015 Gresham House Asset Management Ltd ("GHAM") was formally awarded the investment management contract for Gresham House Strategic plc ("GHS" or "the Company") and the Company adopted a new Strategic Public Equity ("SPE") investment strategy. In October 2015 the Company was rebranded Gresham House Strategic plc (formerly SPARK Ventures plc).

STRATEGIC PUBLIC EQUITY INVESTMENT STRATEGY

We use the philosophy, approach and techniques adopted by private equity investors to identify investment opportunities that we believe can generate a 15% annualised return over the medium to long term. Targeting UK and European smaller public companies, the strategy focuses on stocks with characteristics which indicate that the company is intrinsically undervalued, such as low valuation multiples and tangible asset cover. There is a strong focus on cash generation, scope to improve return on capital and where we believe there are opportunities to create shareholder value through strategic, operational or management initiatives.

Our approach is differentiated from other public equity investment strategies in a number of ways, including: depth of due diligence undertaken; the level of interaction and constructive engagement with management teams and boards; the focused and concentrated portfolio; and the investment horizon in which we typically seek to support a three to five year value creation plan with identified milestones and catalysts.

We apply a qualitative assessment matrix (Quality-score) to all investment opportunities looking at:

- Market characteristics and dynamics
- Positioning within the market, ability to grow and the quality of those prospects, pricing power, client/customer quality, extent of differentiation and competitive advantage
- The strength, quality, experience and alignment of management
- Financials, focusing on issues such as customer concentration, sustainability of margins, capital intensity and cashflow characteristics, stability and predictability
- M&A dynamics and attractiveness of the company to larger trade buyers and private equity
- Our ability to acquire a stake and assist in value creation and enhancement

We also make use of a network of seasoned executives from a range of professional and commercial backgrounds with whom we consult, including those who form part of the Gresham House Advisory Group.

GHAM believes this approach can lead to superior investment returns exploiting inefficiencies in certain segments of the public markets. There are over 1,000 companies in the FTSE Small Cap index and on AIM. These companies typically suffer from a lack of research coverage and often have limited access to growth capital. This often leads to investment opportunities being overlooked by the wider market, a topic covered by GHAM in the H2 Investment Perspectives publication, available on the Gresham House website www.greshamhouse.com.

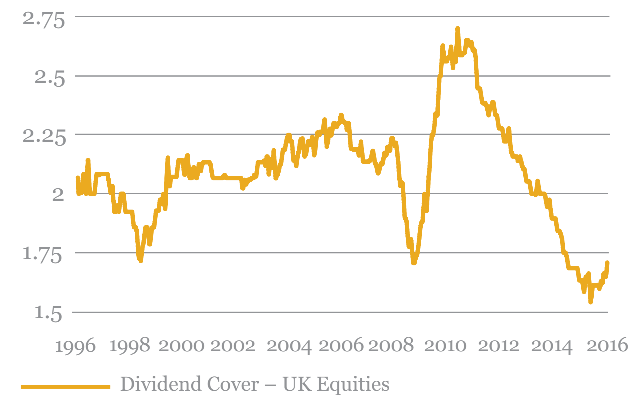
In addition to publicly quoted companies, we also have the flexibility to invest up to 30% of the portfolio in selected unquoted securities including preference shares, convertible instruments and other forms of investments supporting pre-IPO and take private opportunities.

MARKET BACKGROUND

The FTSE All-share and Smaller Companies indices saw a strong rebound in Q3 of the calendar year, having fallen initially in response to the UK's vote to leave the EU. 2016 has been a volatile year and we are pleased with the consistent performance of our portfolio holdings with stable net asset value (NAV) growth of 8.5% during the reporting period, outperforming the FTSE small-cap (ex Investment Trusts) Index by 2.0%. We commented in factsheets earlier this year that the market median valuation was towards the upper end of historic ranges (FTSE small-cap (ex Investment Trusts) Index trading on around 15x price to earnings ratio (PER), yielding circa 3.5%*). This continues to be the case with equities buoyed by quantitative easing and depressed bond yields albeit that since the US election, we have seen bond yields driven by inflation expectations and the anticipation of a more expansionary fiscal policy. This is against a backdrop where it will be tough to generate meaningful earnings growth given a slowing global economy and operating margins nearing peak levels, a result of the unprecedented low cost of capital. Investors are becoming increasingly cautious partly driven by valuations but also concerns over companies' ability to sustain dividends. The average dividend cover in the UK is significantly below its historic average (Fig.1) and market growth over the last twelve months has been driven primarily by a re-rating rather than supported by earnings upgrades (Fig.2).

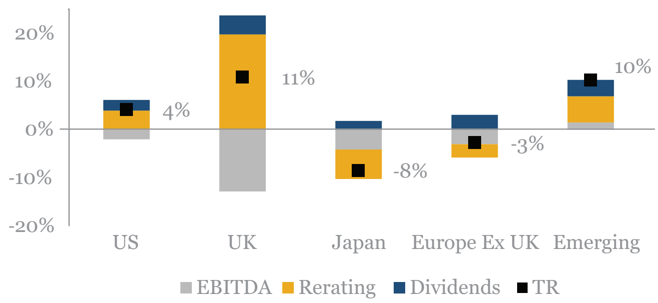
* FTSE Small-Cap Index (excluding Investment Trusts, mining and oil and gas exploration and only incorporating those constituents that are profitable).

Fig.1 Dividend Cover UK Equities



Source: Panmure Gordon – The UK Economy Q4 2016 "one more slug from the punchbowl". Data taken from the FTSE All-Share Index, Datastream

Fig.2 Return drivers – last twelve months



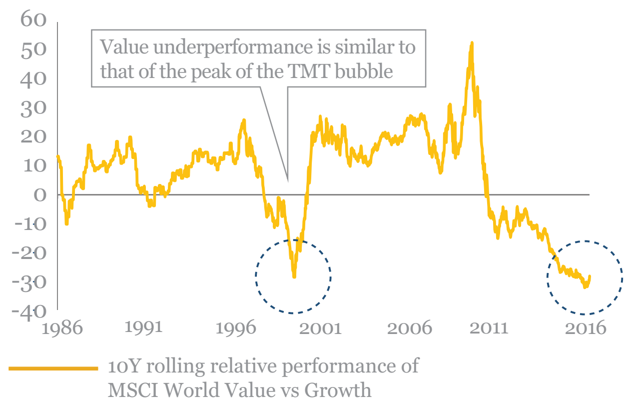
Source: Panmure Gordon – The UK Economy Q4 2016 "one more slug from the punchbowl". Data taken from the FTSE All-Share Index, Datastream

Rate decisions both in the US and closer to home and the UK finances post Brexit add to the uncertainty as evidenced by the recent fall in IPO activity and pressure on valuations at float with several companies delaying or cancelling IPO's. Against this backdrop and given the long term nature of the SPE strategy, GHS has maintained a significant cash weighting in the portfolio during the period.

As previously stated in our reports and factsheets, we see the UK market as one of extremes with a continued divergence within the equity markets, not just between larger and smaller company valuations, but also 'growth' versus 'value'. We flagged this in our H1 2016 investment perspectives publication published by GHAM at the beginning of this year and since then have seen a modest correction as shown in the chart below (Fig.3).

> "We believe now is the time to be switching out of over owned and highly valued 'growth' stocks into 'value' stocks which have been overlooked for much of the last ten years"

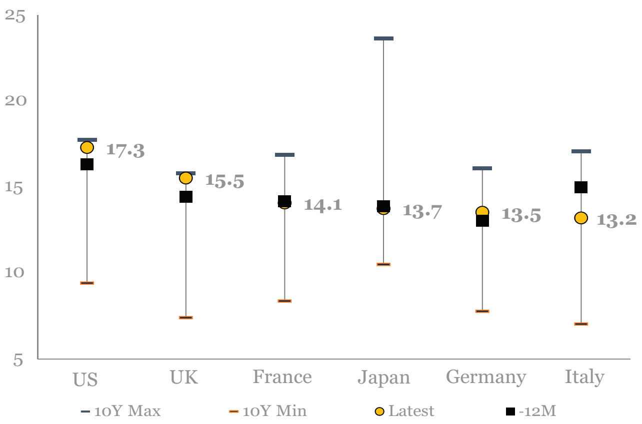
Fig.3 10 year rolling relative performance of value vs growth



Source: Morgan Stanley

While UK markets overall appear relatively expensive with price/earnings ratios nearing their decade long high (Fig.4), there is considerable dispersion within the indices, with an era of low bond yields having forced investors to chase larger public companies that are perceived higher quality and/or bond proxies many of which have benefited from recent currency movements. Investors have been paying up to 20x earnings for these companies, despite pedestrian growth rates.

Fig.4 Twelve month forward P/E ratio



Source: Panmure Gordon – The UK Economy Q4 2016 "one more slug from the punchbowl".

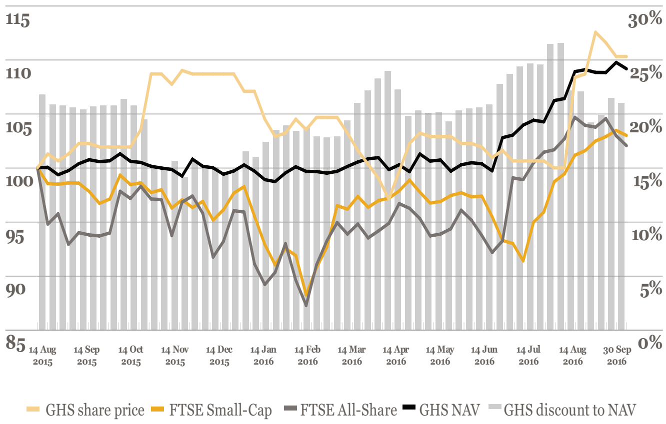
It is well documented that within UK equities, smaller companies have generated significant outperformance over the long term, with further outperformance from small 'value' companies. We believe the current environment represents a favourable backdrop in which to implement our focused, engaged strategy with significant opportunity at the inefficient, smaller end of the market where many stocks are overlooked and are perceived as 'private companies with a quote'. We believe this opportunity can be addressed by focusing on company fundamentals such as return on capital and cash generation, investing in smaller companies in support of a longer term value creation plan with an identified catalyst(s) or exit in mind. We believe this requires significantly higher levels of engagement with investee company management teams and boards and more thorough due diligence, applying techniques typical of private equity.

Within the first year as investment manager we have constructed what we believe to be an attractive, lowly valued portfolio with good prospects for long term earnings and share price growth. We have a strong pipeline of potential investments and deals which we believe can generate superior long term returns. This is focused on smaller companies with "value characteristics" where we can actively engage with management teams to support a three to five year plan to enhance shareholder value and provide growth capital where the stock market is not fulfilling its primary role to provide capital through conventional means. In addition, we are seeing attractive pre-IPO investment opportunities where our engaged approach is welcomed and our skill set suited to support value creation through an IPO or exit.

PERFORMANCE REVIEW

The GHS share price has risen 6.9%, marginally ahead of the FTSE small-cap (ex Investment Trusts) index (up 6.4%) in the period from 31 March 2016 to 30 Sept 2016. The NAV has been resilient against a volatile market and economic and political backdrop increasing 8.5% during the same period (Fig.5).

Fig.5 GHS performance



At present there are eight companies in the portfolio, two of which were added after the period end. Our medium term target is to have between 10 and 15 stocks representing more than 80% of the portfolio. At the period end, the portfolio comprised of six companies, was attractively valued, with strong cash generation characteristics, and which, excluding cash, was trading on an implied forward EV/EBITDA multiple of around 5x[2], approximately half of the market as a whole. We believe the portfolio offers EBITDA growth prospects in excess of 20%, more than twice the market average.

Performance	Since appointment[1] – 30 Sept 2016	Six months to 30 Sept 2016
GHS NAV	9.5%	8.5%
FTSE Small Cap (ex Investment Trusts)	3.2%	6.4%
FTSE All Share (ex Investment Trusts)	4.5%	11.0%
Relative performance		
Relative FTSE Small Cap (ex investment trusts)	6.3%	2.0%
Relative FTSE All Share (ex investment trusts)	5.0%	-2.5%

[1] 14 Aug 2015 – First release of NAV since GHAM's appointment as investment manager to GHS

[2] GHAM calculations applying house broker forecasts for each portfolio holding (applying forecast net debt for current year market cap as of 30 September when calculating EV) we use implied EV for GHS

Holdings as at 30 Sept 2016 (above 2% of NAV)	Value (£m)	% of NAV	% shareholding in company 30-Sept-16
IMImobile	£15.0	37.6%	13.5%
Be Heard Group	£2.7	6.8%	10.6%
Quarto Group	£2.5	6.3%	4.4%
Northbridge Industrial Services	£2.4	6.1%	10.9%
Miton Group	£2.1	5.2%	4.1%
SpaceandPeople	£0.5	1.1%	10.6%
Cash and other net assets	£14.7	36.9%	
Net Asset Value	**£39.9**		
*Weighted average EV/EBITDA portfolio**	*5.2x*		
*Forecast EBITDA growth FY17**	*22%*		
*Average Free Cashflow Yield**	*10.5%*		

* GHAM calculations applying house corporate broker forecasts for each portfolio holding (applying the forecast net debt for the current year when calculating EV and market cap as of 30 September 2016 based on mid-price) and using implied enterprise value for GHS.

PORTFOLIO ACTIVITY

Attribution

The portfolio net asset value increased 8.5% during the reporting period, with a strong contribution of 10.8% from IMImobile (IMO) following solid results announced in July.

Quarto (QRT) contributed 0.6% with the share price responding to positive trading updates, the acquisition of Becker & Mayer following the successful integration of Ivy Press 18 months ago and importantly, continued cash generation and debt reduction.

We took advantage of a period of weakness in the Miton (MGR) share price following the announced departure of fund managers and increased our stake in the company from 2.9% to 4.1%. The announced departures led to a fall in the share price, however the ensuing successful recruitment of a top performing fund manager and subsequent positive trading updates confirming a return to growth in AUM resulted in a rally in the shares in Q3, rising 35.6%, recovering most of the initial fall. Having topped up our holding at lower levels the resultant attribution during the period was limited to negative 0.2%. We continue to believe forecasts are well underpinned, given recent asset gathering momentum. Miton has cash on its balance sheet of around 11p per share and cited the significance of a good and growing dividend in recent investor presentations. We see scope for improved return of capital to shareholders in Miton over the medium term.

As commented on in the 2016 annual report, we made a significant investment in Northbridge (NBI) underwriting a new equity issue to reduce debt and provide further working capital to support the company's strategy. We increased our holding to circa 11% in July. The company cited a continuation of the difficult market conditions in the oil and gas sector and in particular its divisions in Australasia. This resulted in temporary share price weakness and impacted Q3 performance. However, the interim results statement indicates positive cash generation, debt reduction and continued solid performance from its load banks division in the UK and Europe and successful, albeit nascent entry into the US market helped allay concerns over the exposure to oil and gas related capex which continues to be depressed. Northbridge delivered a positive attribution of 0.8% during the period. The share price has increased 13.1%[1] since the period end, up 32.7% from our initial entry price.

We were a cornerstone investor for an £8m issue of new equity in Be Heard (BHRD) in April, investing £1.6m to support its acquisition of MMT Digital – a leading website design, build and user experience agency. The company subsequently announced results which led to an increase in the share price and a positive contribution of 0.8% to NAV.

SpaceandPeople (SAL) has been a poor performer negatively impacting NAV by about 2% during the period. The company updated the market in Q3 confirming a slowdown in its German business and downwardly revising forecasts, guiding for flat growth into 2017. Importantly it reported good growth in the UK and in the deployment of its digital kiosks (MPKs). The recent contract wins with Network Rail and British Land are significant and we are working closely with management to support value enhancement and focus on capital allocation for the company. Analysis of the return on capital dynamics suggest potential for improvement and a return to previous levels which would generate significant shareholder value over the medium to long term.

[1] Bloomberg, mid price from 30 September 2016 to 18 November 2016.

GHS NAV attribution (31 March 2016 – 30 Sept 2016)

	Gross (£000s)	Per share	%
NAV – 31 March 2016	£37,073	10.05	
Be Heard	£287	0.08	0.8%
IMI	£3,940	1.07	10.8%£
Miton	£(83)	-0.02	(0.2%)
NBI	£280	0.08	0.8%
Quarto	£234	0.06	0.6%
SpaceandPeople	£(789)	-0.21	(2.2%)
Costs	£(759)	-0.21	(2.1%)
NAV – 30 Sept 2016	£40,183	10.90	8.5%

Note: The NAV announced differs marginally from the above due to slight differences in Bloomberg pricing using the mid-price vs GHS accounting policies which use the bid-price.

PORTFOLIO UPDATE

Several of our portfolio holdings reported positive news flow during the period.

IMImobile (IMO) is a fast growing, global software company helping businesses engage with their customers through mobile and digital technologies, benefiting from structural macro and industry growth drivers. The group has successfully invested in developing and launching new cloud communication capabilities, re-branded and restructured its product suite which is being well received by clients. The company continues to benefit from the structural shift toward digitisation and mobility.

In August we announced that GHS had entered into a co-investment agreement under which it will invest £7.5m alongside the Gresham House Strategic Public Equity Fund LP ("SPE LP"), a sister fund to GHS, launched by GHAM. The SPE LP is managed by the same team and follows the same strategy as GHS, but targets private equity investors which favour limited partnership structures. Pursuant to the agreement, we sold 2.4m shares in IMImobile, realising a gain of £0.9m, half of which will be available for distribution to shareholders.

The business has continued to perform strongly, both financially and operationally with interim results announced on 15 November showing continued strong organic revenue growth in all geographic regions, with repeatable and recurring revenues rising to more than 94% of gross profit. Importantly the business generated good organic growth in gross profit and strong operating cash conversion of around 120%. It has been investing in its product suite this year, launching a cloud based contact centre solution 'IMIchat' and 'IMIconnect', a tool that enables marketing departments to add a range of mobile communication capabilities such as SMS, facebook messaging and whatsapp, as well as the ability to process payments billed to the mobile account into business processes. This has been well received by existing customers and channel partners and has helped sign contracts with new clients. Importantly, having recently entered the US market, the company announced it has won its second major mobile operator in the US, Sprint, in addition to AT&T.

IMImobile is exposed to significant growth in both developed and emerging markets. A significant portion of its African business comes from Africa's largest economy, Nigeria (circa 6% of group gross profit). The company works with all the leading mobile operator groups in the country and local revenues have increased by almost 40% in the last year. However as has been widely reported there have been a number of economic and exchange control and liquidity issues in Nigeria created by the fall in oil prices. The Central Bank of Nigeria unpegged the currency from the US dollar which resulted in the devaluation of the currency by 30% against the dollar in June with a further devaluation of 11% by September. In addition to the devaluation there have also been challenges in exchanging Naira to other currencies. This will have a short term impact on IMImobile's reported earnings and marginally impact forecasts for FY17. Management are managing cash appropriately and will be taking the opportunity to accelerate investment into the enterprise and SME sectors in Nigeria using local currency. We believe this and the fact that a significant shareholder has been reducing its shareholding is largely what has been behind the weakness in the company's share price post period end.

The long term prospects for the business remain extremely promising and the organic growth being delivered is reassuring of our thesis – the plan is tracking in line with expectations. Both the company's recent acquisitions, Textlocal and Archers Digital, have been a success and are delivering top-line synergies as the acquired products are rolled out into new territories and the sales team at Archers are able to cross sell IMImobile products into its existing customer base. The company has a strong balance sheet, with in excess of £17m cash available for investment and/or enhancing shareholder returns by means of dividends or share buy-backs.

The investment proposition is enhanced through increased focus on return on capital, improved governance and simplifying the shareholder structure, areas in which we have been highly engaged with management. We continue to believe the stock is undervalued, trading on circa 8x EV/EBITDA versus peers trading on a range of 12x-15x.

Quarto Group (QRT) commented on Q1 trading alongside its AGM in May, confirming the business is performing in line with expectations with respect to growth and debt reduction. This follows a strong set of final results announced in March which were slightly ahead of market expectations with good earnings growth and strong cash generation as a result of organic growth and the highly successful acquisition of Ivy Press.

The Quarto share price performed well in the period, climbing 10.2% from 255p to 281p, supported by a number of factors. The Ivy Press acquisition continues to integrate well into the group, which is promising for future earnings through organic growth and synergies and gives credence to Quarto's stated acquisition growth strategy. The strategy was extended with the acquisition of Becker and Mayer announced in August for $9.8m, expanding children's publishing revenues by 30%. This positive activity has been supported by beneficial movements in FX rates for Quarto as a majority of earnings are denominated in US$. The interim results on 9 August were encouraging, showing continued growth in the US, in children's publishing and strong cash generation supporting debt pay down and a progressive dividend. The company hosted a capital markets day on 13 October with increased interest from investors and reiterated guidance in its Q3 trading update on 3 November.

Miton Group (MGR) shares were down 9.6% over the period following fund manager departures announced in April where the shares hit recent lows of 21.25p. However, the shares have rallied since, following the recruitment of new fund managers, stability and return to growth in AUM and strong trading results, rising 35.6% in Q3. We increased our position to 4.1% of the company during the period. Miton announced the appointment of the highly regarded fund manager Andrew Jackson in May to replace George Godber and Georgina Hamilton on the Value Opportunities Fund. Jackson had a top quartile investment track record at Ecclesiastical with a Citywire AAA rating. The market responded positively to strong interim results in September beating analyst expectations and resulting in marginal upgrades to full year forecasts. The company showed a return to asset growth momentum and net inflows, importantly in the multi-asset strategies not just its single strategy funds and is on course to increase earnings by 50% in the full year. Nine out of the 14 funds managed by Miton are top quartile performers and we continue to believe forecasts are well underpinned. The company announced the appointment of Jim Wright to launch a new infrastructure fund in September. It has a strong balance sheet with circa 11p per share of cash and we see scope for improved return on capital over the medium term.

The Northbridge Industrial Services (NBI) share price rose 17.3% during the period[2], with our initial position having been taken on 14 April 2016. As widely signalled, the company continues to face challenges in its New Zealand and Australian oil services businesses. In a trading update in August the company stated that despite oil price stabilisation, conditions for oil sector companies worsened slightly as crude prices remained historically low compared to medium term norms. We increased our position in the company to circa 11% taking advantage of share price weakness. Importantly the company published results on 29 September reassuring of no further deterioration in its oil services business and showed continued positive cash generation and reduced gearing. Northbridge reiterated the strength of trading within its load banks division in the UK and Europe as well as the successful, although still nascent, entry into the US market and the share price responded accordingly. The positive share price performance has continued post period end and as at 28 November was 32.7% above our entry price.

Be Heard (BHRD) was up 11.8% during the period[1], reporting good interim results in September confirming strong progress from Agenda21 and stating that the business is likely to hit its maximum earn-out target evidencing the strong performance since acquisition. The company confirmed the acquisition was successfully integrated and performing well in its interim results announcement in September, highlighting pleasing cross group client referrals across Agenda21 and MMT.

[1] Shares were suspended following the announced acquisition of MMT and restored to trading on AIM following deal completion on 22 April 2016. The share price performance is therefore from 22 April 2016 to the end of the period to 30 September 2016.

[2] GHS initially acquired Northbridge shares at 75p on 14 April therefore performance taken from 75p entry price to mid-price as at 30 September 2016.

We had disappointing news from SpaceandPeople plc (SAL) in Q3, following on from the closure of its S&P+ division announced in Q2. This company is a small holding within the GHS portfolio, circa 1% of NAV so the overall impact on the net asset value of the portfolio is marginal, albeit disappointing. Importantly the core UK business is performing well with good growth in the high return on capital digital kiosks (MPKs >20% ROCE) and the significant Network Rail contract rolling out well. Additional opportunities exist through the contract with British Land and the successful pilot with a large shopping mall operator in France. However, this was offset by weak demand within its German promotional and retail business resulting in another downward revision to earnings for 2016 and flat forecast growth into 2017. The company remains profitable and cash generative, however given the one-off costs incurred in H1 2016 related to the closure of S&P+ and the weaker demand in Germany the board took the decision to suspend the dividend for 2016. We are engaging further with the management team and the board to support them in assessing various options for the company.

NEW INVESTMENTS POST PERIOD END

In November we made our first private company investment in MJ Hudson, an integrated advisor and service provider to the alternative asset management industry covering legal, administrative, fiduciary and regulatory reporting services. The company has operations in London, Jersey, Guernsey, Paris, Luxembourg and New York. MJ Hudson is focused purely on alternatives, a fast growing niche where outsourcing is most prevalent and where longer term funds will provide a valuable and recurring revenue base. This thesis is well known to GHAM as developing an alternative asset management platform is central to the Gresham House plc corporate strategy. The business has grown organically and through a series of acquisitions.

GHS subscribed for £1m convertible loan notes in a pre-IPO funding round which provide a return of 20% per annum through a combination of a 7% annual coupon and a redemption premium/conversion discount. MJ Hudson were keen to engage with GHAM as a partner to assist and add value through to IPO and then support in the public markets.

We have also committed to invest £0.8m in Warpaint London plc a fast growing, highly cash generative, global cosmetics business and owner of the brand W7. Warpaint is expected to float and begin trading on AIM on 30 November and we have initially taken a small position, around 2% of the portfolio, as we continue our investment appraisal process. We are investing at an attractive valuation multiple of 8.3x EV/EBITDA with a 3% dividend yield. The company is forecast to grow revenues by 20%, having delivered a 16% compound annual growth rate over the last five years, and grow earnings by 18% in the year ended 31 December 2017.

OUTLOOK

The outlook for equity markets as a whole remains uncertain in a post Brexit environment. The election of Donald Trump in the US and his comments surrounding infrastructure spending, lowering taxes and reversing the increased regulatory burden has resulted in expectations of rising inflation, rising interest rates and growth in equities. However, this sits adjacent to his rhetoric on greater protectionism and the potential impact on international trade. For the moment, the reaction of the markets implies expectation of a more moderate approach to the pre-election rhetoric. While this has brought an element of improved optimism, there remains the prospect of continued volatility as the low yield environment that has been supporting equity valuations at the upper end of historic ranges unwinds resulting in rising bond yields and a rotation of capital away from bonds and bond proxies. Reflation should result in rising interest rates in the UK, but the Bank of England has limited ability to act without hampering growth. Nevertheless, we believe that now is the time to be switching out of over owned and highly valued growth stocks into 'value' stocks which have been overlooked for much of the last ten years. Smaller companies continue to face barriers to accessing growth capital and significant market inefficiencies remain. These factors continue to support a strong opportunity set for our strategy. Having permanent capital and taking a longer term perspective we are in a strong position to make new investments as company management teams are increasingly eager to engage with investors who are able to take a longer term view and who are willing to engage with and assist in the company's strategy and value creation.

Gresham House Asset Management Limited
Investment Manager

UNAUDITED CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Notes	**Six months to 30-Sep 2016 £'000 Unaudited**	Six months to 30-Sep 2015 £'000 Unaudited	Year to 31-Mar 2016 £'000 Audited
Continuing operations				
Gains on investments at fair value through profit or loss				
Realised gains	6	**1,067**	166	427
Unrealised gains	6	**2,666**	2,716	3,351
		3,733	2,882	3,778
Revenue				
Bank interest income		**21**	9	29
Management fee income		**–**	–	218
Portfolio dividends and interest		**137**	–	–
Other income		**13**	–	–
		171	9	247
Administrative expenses				
Salaries and other staff costs		**(67)**	(65)	(138)
Investment management fees	5	**(341)**	(2,594)	(2,768)
Other costs (including fundraising/reorganisation)		**(296)**	(781)	(857)
Total administrative expenses		**(704)**	(3,440)	(3,763)
Profit/(loss) before taxation		**3,200**	(549)	262
Withholding tax expense		**(17)**	–	–
Profit/(loss) for the financial period		**3,183**	(549)	262
Attributable to:				
– Equity shareholders of the parent		**3,183**	(549)	262
Basic and Diluted earnings per ordinary share for profit/(loss) from continuing operations and for profit/(loss) for the period	8	**86.33p**	(20.91)p	8.30p

There are no components of Other Comprehensive Income for the current period (Sep 2015: £Nil, Mar 2016: £Nil).

UNAUDITED CONDENSED GROUP STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

	Notes	**30-Sep 2016 £'000 Unaudited**	30-Sep 2015 £'000 Unaudited	31-Mar 2016 £'000 Audited
Non-current assets				
Investments at fair value through profit or loss	6	**25,233**	19,348	21,777
		25,233	19,348	21,777
Current assets				
Trade and other receivables	6	**4,574**	515	69
Cash and cash equivalents		**10,312**	16,693	16,555
		14,886	17,208	16,624
Total assets		**40,119**	36,556	38,401
Current liabilities				
Trade and other payables		**(224)**	(156)	(1,689)
Total liabilities		**(224)**	(156)	(1,689)
Net current assets		**14,662**	17,052	14,935
Net assets		**39,895**	36,400	36,712
Equity attributable to the shareholders of the parent				
Issued capital		**1,932**	1,932	1,932
Share premium		**13,063**	13,562	13,063
Revenue reserve		**14,207**	10,213	11,024
Capital redemption reserve		**10,693**	10,693	10,693
Total equity due to ordinary shareholders		**39,895**	36,400	36,712
Net asset value per ordinary share		**1,082.05p**	987.25p	995.71p

	Number '000	Number '000	Number '000
Ordinary shares in issue	**3,843**	3,843	3,843
Shares held in Treasury	**(156)**	(156)	(156)
Shares in issue for net asset value per share calculation	**3,687**	3,687	3,687

UNAUDITED CONDENSED GROUP STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Notes	**Six months to 30-Sep 2016 £'000 Unaudited**	Six months to 30-Sep 2015 £'000 Unaudited	Year to 31-Mar 2016 £'000 Audited
Cash flows from operating activities				
Cash flow from operations	a	**(739)**	(730)	(200)
Net cash outflow from operating activities		**(739)**	(730)	(200)
Cash flows from investing activities				
Purchase of financial investments		**(5,624)**	(6)	(1,546)
Sale of financial investments		–	3,825	5,195
Dividends received		**120**	–	–
Net cash (outflow)/inflow from investing activities		**(5,504)**	3,819	3,649
Cash flows from financing activities				
Proceeds from share issue		–	10,568	10,181
Transaction costs on issue of shares		–	–	(111)
Net cash inflow from financing activities		–	10,568	10,070
Change in cash and cash equivalents		**(6,243)**	13,657	13,519
Opening cash and cash equivalents		**16,555**	3,036	3,036
Closing cash and cash equivalents		**10,312**	16,693	16,555

Note

a) Reconciliation of profit/(loss) for the period to net cash outflow from operations

	£'000	£'000	£'000
Profit/(loss) before tax	**3,200**	(549)	262
Gains on investments	**(3,733)**	(2,882)	(3,778)
Portfolio dividends and interest	**(137)**	–	–
Operating results	**(670)**	(3,431)	(3,516)
Change in trade and other receivables	**34**	(483)	(37)
Change in restricted cash	–	3,123	3,122
Change in trade and other payables	**(103)**	61	231
Net cash outflow from operations	**(739)**	(730)	(200)

UNAUDITED CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	D Shares £'000	Ordinary Share Capital £'000	Share Premium £'000	Revenue Reserve £'000	Capital Redemption Reserve £'000	Total Equity £'000
Balance at 31 March 2015 (audited)	10	1,125	9	10,762	10,693	22,599
Loss and total comprehensive loss for the period	—	—	—	(549)	—	(549)
Shares issued	—	797	13,544	—	—	14,341
Share consolidation adjustment	—	—	9	—	—	9
Balance at 30 September 2015 (unaudited)	10	1,922	13,562	10,213	10,693	36,400
Balance at 31 March 2015 (audited)	10	1,125	9	10,762	10,693	22,599
Profit and total comprehensive income for the year	—	—	—	262	—	262
Shares issued	—	797	13,543	—	—	14,340
Share consolidation adjustment	—	—	9	—	—	9
Transaction costs	—	—	(498)	—	—	(498)
Balance at 31 March 2016 (audited)	**10**	**1,922**	**13,063**	**11,024**	**10,693**	**36,712**
Profit and total comprehensive income for the period	—	—	—	3,183	—	3,183
Balance at 30 September 2016 (unaudited)	**10**	**1,922**	**13,063**	**14,207**	**10,693**	**39,895**

NOTES TO THE UNAUDITED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS

1. General information

Gresham House Strategic plc (the "Company") is a company incorporated in the UK and registered in England and Wales (registration number: 3813450). The information set out in these unaudited condensed group interim financial statements for the periods ended 30 September 2016 and 30 September 2015 does not constitute statutory accounts as defined in section 435 of Companies Act 2006. Comparative figures for 31 March 2016 are derived from the financial statements for that year. The financial statements for the year ended 31 March 2016 have been delivered to the Registrar of Companies and contain an unqualified audit report, did not contain a statement under emphasis of matter or statements under section 498(2) or (3) of the Companies Act 2006. The unaudited condensed group interim financial statements as at and for the six months ended 30 September 2016 comprise the Company and its subsidiary undertakings (together referred to as the "group"). All intra-group transactions, balances, income and expenses are eliminated on consolidation. These unaudited condensed group interim financial statements have been prepared in accordance with the AIM rules.

2. Basis of accounting

The group annual financial statements are prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union. The principal accounting policies adopted in the preparation of the financial information in these unaudited condensed group interim financial statements are unchanged from those used in the Company's financial statements for the year ended 31 March 2016 and are consistent with those that the Company expects to apply in its financial statements for the year ended 31 March 2017. This report does not itself contain sufficient information to comply with IFRS. These unaudited condensed group interim financial statements have been prepared on the basis of IFRSs in issue that are effective at the Group's annual reporting date as at 31 March 2017.

The principal subsidiaries that have been included in these results are SPARK India Ltd, SPARK Services Ltd and Quester Venture GP Ltd. These results have not been audited.

3. Estimates

The preparation of the unaudited condensed group interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these unaudited condensed group interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the group financial statements as at and for the year ended 31 March 2016.

4. Financial risk management

The group's financial risk management objectives and policies are consistent with those disclosed in the group financial statements as at and for the year ended 31 March 2016.

5. Investment management fees

Included in the investment management fees is a management incentive fee of £Nil (Sep 2015: £2.265m, Mar 2016: £2.265m) which was paid to the former investment manager, SPARK Venture Management Ltd, upon termination of the investment management agreement.

Produced by ColourfastWorld

NOTES TO THE UNAUDITED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS
CONTINUED

6. Investments at fair value through profit or loss

	Value at 31 March 2016 £'000	Additions £'000	Disposals £'000	Revaluations £'000	Value at 30 September 2016 £'000	Value at 30 September 2015 £'000
Investments in quoted companies	21,734	4,262	(3,472)	2,666	25,190	19,312
Other unquoted investments	43	—	—	—	43	36
Total investments at fair value through profit or loss	**21,777**	**4,262**	**(3,472)**	**2,666**	**25,233**	**19,348**

During the period, the Company sold part of its holding in IMImobile plc generating proceeds of £4.54m and resulting in a gain for the period of £1.067m. As of 30 September 2016, the proceeds are due to be received and included in the Trade and other receivables as shown in the Unaudited Condensed Group Statement of Financial Position.

7. Dividends
No final or interim dividends were proposed or paid for the period ending 30 September 2016 (Sep 2015: £Nil, Mar 2016: £Nil).

8. Earnings per share

	Six months to 30 Sep 2016 £'000	Six months to 30 Sep 2015 £'000	Year to 31 Mar 2016 £'000
Earnings			
Profit/(loss) for the period	**3,183**	(549)	262
Number of shares ('000)			
Weighted average number of ordinary shares in issue for basic and diluted EPS	**3,687**	2,625	3,156
Earnings per share			
Basic and diluted EPS	**86.33p**	(20.91)p	8.30p

9. Related party transactions
The Company has signed a co-investment agreement with Gresham House Strategic Public Equity Fund LP ("SPE Fund LP"), a sister fund to the Company launched by Gresham House Asset Management Ltd ("GHAM") on 15 August 2016. Under the agreement, the Company will co-invest £7.5m with the SPE Fund LP. The Company intends to satisfy the commitment by transferring 3,875,969 of IMImobile plc ("IMO") shares at 193.5p per shares into the co-investment structure.

The Company has transferred in aggregate 2,345,981 IMO shares into the co-investment structure of which 305,998 ordinary shares in IMO were sold to Gresham House plc ("GHE") co-investment account and 2,039,983 ordinary shares were sold to the SPE Fund LP at a price of 193.5p per share (being the closing mid-market price on 15 August 2016). Up to a further 1,142,391 ordinary shares in IMO are expected to be automatically sold to the SPE Fund LP at a price of 193.5p per share, subject to a rebalancing exercise which will depend on the final level of commitment received by the SPE Fund LP at its final close, leaving 387,597 IMO ordinary shares held in its co-investment account. GHS's commitment under the co-investment agreement will remain at £7.5m irrespective of the total size of the SPE Fund LP at final close.

The entering into the co-investment agreement and the sale of IMO shares to GHE and the SPE Fund LP are both deemed to be related party transaction under Rule 13 of the AIM Rules for Companies. The directors of the Company consider, having consulted with the Company's nominated adviser, finnCap Ltd, that the terms of the co-investment agreement and the sale of IMO shares are fair and reasonable insofar as its shareholders are concerned.

10. Subsequent events note
On 27 October 2016, the SPE Fund LP held an interim close, the result of which was that a further 28,450 ordinary shares in IMImobile were automatically sold to the SPE Fund LP pursuant to the rebalancing exercise stated in the co-investment agreement.

There were no further material events after the statement of financial position date that have a bearing on the understanding of these unaudited condensed interim group financial statements.

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