

# Quarterly Factsheet

## Q1 – 2017



Targeting a net annual return on equity of 12-15% over the long-term, new investments will be focused predominantly on direct private equity investment in smaller companies below £50m enterprise value. The team invests and partners with management teams of profitable and cash generative companies.

### LMS – Key Facts

NAV per share:

# 69p

As at 31 March 2017

Share price:

# 42p

Mid-price as at 31 March 2017

### Significant Shareholdings\*

	£m	% of portfolio
<b>Quoted investments</b>		
Weatherford International plc	3.5	5.2
Gresham House plc	2.7	4.0
<b>Unquoted investments</b>		
Medhost Inc	9.7	14.4
365iTMS	4.2	6.2
Elateral Ltd	3.9	5.8
Entropy Ltd	3.0	4.4
<b>Fund investments</b>		
<i>San Francisco Equity Partners</i>		
Penguin Computing	10.0	14.8
Yes To.Inc	8.3	12.3
<i>Others</i>		
Brockton Capital	6.0	8.9
Opus Capital Venture partners	4.3	6.4
Eden Venture partners	2.2	4.4
	57.8	86.8
Other Interests	8.9	13.2
Total Portfolio	66.7	100.0
Cash	4.9	
Working Capital	(5.3)	
<b>Net Asset Value</b>	<b>66.3</b>	

\* As of 31 March 2017.

### Portfolio Performance

Performance	Q1 – 31 Dec 2016 – 31 March 2017
LMS NAV	-2.6%
FTSE All-Share	3.0%

### Fund Information

#### Investment Committee

##### Tim Farazmand

Tim has a strong background in UK mid-market Private Equity with over 30 years in the industry working with a broad variety of companies such as LDC, 3i, RBS PE and Catalyst Fund Management during that time. Most recently Tim was a MD at LDC, the private equity subsidiary of Lloyds Bank plc.

##### Robert Rayne

Robbie has expertise in a wide range of sectors including real estate, media, consumer, technology and energy. He established LMS Capital's investment activities in the early 1980s as Investment Director and later Managing Director and Chief Executive of London Merchant Securities. Robbie is Non-Executive Chairman of Derwent London plc, and a Director of Weatherford International plc as well as a number of charitable trusts and foundations.

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### Market Commentary

Q1 has been characterised by uncertainty with several significant political events in the UK, Europe and the US. Investors have had to navigate continued uncertainty over the terms of Brexit, the US presidential election as well as pockets of uncertainty in Europe and a snap election in the UK. This is in addition to slowing growth in Asia, continued oil price volatility, and uncertainty surrounding the prospect of interest rate rises with rising inflation pointing in this direction.

The FTSE All Share reached highs in March 2017 (and has subsequently gone on to hit all-time highs in May). We have also seen strong GDP growth in Germany and renewed focus on European equities.

### Investment Manager's Report

The Company's unaudited net asset value at 31 March 2017 was £66.3 million (31 December 2016: £68.1 million), equivalent to 69p per share (31 December 2016: 71p). The decrease of £1.8 million reflects a net portfolio valuation decrease based on the latest information from external fund managers and market prices for quoted investments, adverse foreign currency movements and overheads.

The NAV at the end of March is based on the valuation of the Company's investments as at 31 December 2016, adjusted for transactions in the three months ended 31 March 2017, price movements on quoted securities, movements in foreign currency exchange rates, cash calls and distributions from funds, latest reports from third party fund managers, purchases and sales of quoted and unquoted securities, and operating expenses.

The carrying value at 31 March 2017 includes the following:

- An increase in the carrying value of 365iTMS of £2.1 million to reflect its sale price in early April; and
- A decrease in the carrying value of the Company's interest in Medhost Inc of £2.2 million, based on the latest carrying value reported by the lead investor.

High valuations, fund raising and increased competition for deals means private equity firms have high levels of uninvested funds, particularly for the larger enterprise value deals. We believe there are significant inefficiencies at the smaller end of the market, focusing on established smaller private companies below £50 million enterprise value where there can be less competition for deals and valuations are more attractive. This segment of the market tends to be off radar for venture and early stage funding providers and sub-threshold for mid-market private equity investors, creating an opportunity to generate superior long-term returns.

The next full valuation of the portfolio will be for the Company's half year results as at 30 June 2017.

Cash proceeds from realisations to date in 2017 are £10.4 million, the main components of which are:

- £3.6 million being the stage 1 payment on the sale of Nationwide Energy Partners;
- £2.9 million from the liquidation of the Company's interests in funds managed by Weber Capital;
- Distributions totalling £2.4 million from Brockton Capital;
- Net cash proceeds of £0.5 million following the sale of 365iTMS; and
- Proceeds from sales of shares in Weatherford International of £0.4 million.

In addition, the company received 9,826,400 shares (current market value £3.4 million) in Coretx plc as part of the consideration for the sale of 365iTMS.

**Investment Manager:** Gresham House Asset Management Ltd (GHAM)

**Annual Management fee:** 1.5%

**Performance fee:** 15% over a 8% hurdle

**Shares in issue:** 96,441,735

**Stock Exchange Ticker:** LMS

#### Tony Dalwood (Chairman)

20 years of investment and operating experience. Established SVG Investment Managers and launched Strategic Equity Capital plc and the Strategic Recovery Funds. Former CEO of SVG Advisers (Schroder Ventures London). Previous member of the UK Investment Committee at PDDF (UBS Asset Management).

#### Executive Investment Team

##### Graham Bird

20 years of investment, advisory and operating experience. Previously Executive Chairman of paybyphone (a subsidiary of paypoint plc), Director of Strategic Investments at SVG Investment Managers and a Director within the Corporate Finance department at JP Morgan Cazenove.

#### Pardip Khroud

Pardip is Investment Director at Gresham House. She has 13 years' experience in audit, private equity transactions and global tax restructuring at KPMG, as a Senior Manager at Lloyds Banking Group and most recently as an Investment Manager at Lloyds Development Capital (LDC). At LDC she managed numerous investments and was also appointed to the Board of portfolio companies uSwitch and Bluestone.

##### Nick Friedlos

Nick joined the GHAM team in August 2016, having previously joined LMS in 2012 to oversee the realisation strategy and was instrumental in structuring the Company's new arrangements with GHAM. Nick is a Chartered Accountant by training and was a partner at PriceWaterhouseCoopers. For the last 20 years Nick has worked as a consultant to and as CFO and CEO in alternative asset investment businesses including real estate, private equity and renewable energy.

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