

Quarterly Factsheet

Q2 – June 2017



Gresham House
Strategic plc

Investment mandate: Strategic Public Equity (SPE) – targeting 15% IRR on investments over the long-term

Gresham House Strategic plc (GHS) invests in UK smaller public companies, applying private equity style techniques to construct a focused portfolio. The manager focuses on profitable, cash generative companies that are intrinsically undervalued and aims for significant engagement with investee company stakeholders in support of a clear equity value creation plan over the long-term.

GHS – KEY FACTS

NAV per share:

1152.8p*

Benchmark: Unconstrained
Ticker: GHS

Share price:

930p**

Strategic Public Equity
investment mandate

* As of 30 June 2017.

** Mid price as of 30 June 2017.

FUND MANAGERS

Tony Dalwood Fund Manager, Investment Committee 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 PDFM (UBS Asset Management).

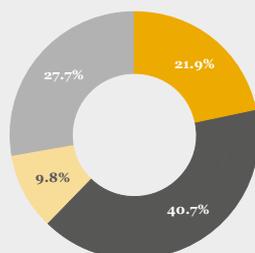
Graham Bird Fund Manager, Investment Committee Member
20 years of investment, advisory and operating experience. Previously Executive Chairman of paybyphone (a subsidiary of paypoint plc), Director of Strategic Investments at SVGIM and a Director within the Corporate Finance department at JP Morgan Cazenove.

SIGNIFICANT SHAREHOLDINGS*

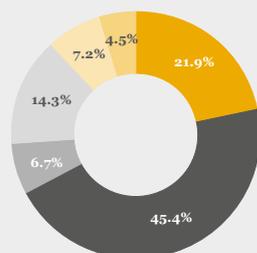
	£m	% shareholding in Company	% of portfolio NAV
IMImobile plc	17.1	13.4	41
Northbridge Industrial Services plc	3.0	11.4	7
Be Heard Group plc	2.8	10.6	7
Miton Group plc	2.2	3.6	5
Quarto Group plc	2.1	4.4	5
Escape Hunt plc	1.3	4.6	3
Tax Systems plc	1.3	2.1	3
SpaceandPeople plc	1.1	16.2	3
MJ Hudson	1.0	n/a	2
Cash and other net assets	10.2		24
Net Asset Value	42.1		

* As of 30 June 2017. Holdings above 2% of total portfolio NAV are shown.

Mkt Cap breakdown



Sector analysis



* Includes MJ Hudson convertible loan instrument (private company).

SHARE PRICE PERFORMANCE 14 AUGUST 2015 – 30 JUNE 2017

Appointment of Gresham House and adoption of SPE Investment mandate in August 2015



Performance	Q2 (%)	Q1 (%)	YTD ¹ (%)	Since inception ² (%)
GHS NAV	7.5	2.8	10.5	16.7
FTSE Small Cap	1.7	5.4	7.2	15.0
FTSE All Share	0.2	2.9	3.1	11.1
Relative performance				
vs FTSE Small Cap	5.8	-2.6	3.4	1.7
vs FTSE All Share	7.3	-0.1	7.4	5.6

¹ To 30 June 2017.

² First NAV release on 14 August 2015 to 30 June 2017, most recently announced NAV.

MARKET COMMENTARY

Since publication of the previous factsheet, the UK has witnessed further uncertainty, with expectations of continued market volatility given the political backdrop and as BREXIT negotiations start in earnest. Theresa May's decision to hold a snap election in May this year was expected to give her a strong majority and mandate, however the result which forced her into a coalition and the narrow majority has created further uncertainty.

We have also seen weaker UK consumer data, including record consumer debt and slowing retail figures. The weaker pound following June 2016's vote to leave the EU has undoubtedly had an impact.

This softening outlook was highlighted in the minutes of the most recent BoE MPC meeting where key topics of debate included imported inflationary pressures,

weakness in Q1 economic growth, real wage declines and weak retail data. Nevertheless, with inflation threatening the result was a 5-3 vote in favour of maintaining rates – a far less dovish majority than the market had priced in.

Counter intuitively there is an argument that the weakening outlook and Theresa May's reduced majority may lead to a 'softer' brexit and a cross-party solution seems increasingly likely driven behind the scenes by the Chancellor Phillip Hammond and Chukka Umunna of the Labour party. Many economists would see both these events as positive for the UK in the short to medium term as trade ties with the Single Market are likely to be deeper than the 'hard' brexit model. Weaker Sterling appears to be providing a boost to UK exporters and those with dollar denominated earnings.

Throughout all of this, markets have been relatively resilient, with uncertainty becoming the new norm. The FTSE All Share and Small-Cap Indices reached highs in May 2017 and have held around the 4,050 and 5,600 levels respectively, implying that investors for now remain supportive of UK companies and their resilience to possible headwinds, albeit with one eye on the prospect of interest rate rises and closely watching consumer sentiment.

We believe now is the time to be focusing on smaller companies within inefficient areas of the market where we believe valuations are more attractive. Within this segment, we focus on profitable cash generative companies that we believe are intrinsically undervalued and where we can see catalysts for value creation.

INVESTMENT MANAGERS REPORT

We currently hold 13 stocks in the portfolio, of which 9 are positions representing more than 2% of the net asset value of the portfolio. We have a medium-term target of 10 to 15 investments representing more than 80% of the portfolio.

We believe the current holdings are attractively valued, cash generative and well positioned with good growth prospects for 2017 and beyond. GHS shares currently trade at a 19% discount to the NAV per share. Taking the discount into account, together with the fact that approximately 20% of the portfolio is cash, by buying GHS, investors gain exposure to a portfolio on a weighted value of c.6x EV/EBITDA and which are forecast to grow earnings more than 20%.

Following strong performance from our portfolio and realised investments, GHS announced its maiden dividend under the new Strategic Public Equity investment strategy of 15p and completed a small share buyback programme earlier this year. This is in-line with the Company's policy to return half of all realised profits to shareholders.

Four portfolio companies released trading updates and results in Q2 2017 – Highlights outlined below.

Northbridge Industrial Services

The company saw an improvement to the outlook at the start of the year, following agreement between OPEC and other producers to reduce production. However, renewed global concerns over the pace at which activity in the Oil & Gas sector will pick-up and the impact that will have on NBI left investors with mixed views. The shares have traded steadily around 105-110p during the quarter and the sustained weakness in oil services sector in June appears to have kept a lid on the share price.

Other areas of Northbridge's activities have proved resilient, most notably Crestchic loadbanks which is involved in power reliability, an area of increasing concern to Western economies. As a consequence, the shares have held up well relative to the sector. Nitin Kaul – introduced by Gresham House – has joined the board as an NED to support NBI with his wealth of industrial and growth strategy experience. Looking forward, the recently signed Joint Venture in ASIA-PAC

with OEO offers opportunity to grow the top and bottom line in FY2018.

The investment case remains intact and we continue to support the management team. The oil services division continues to experience tough trading conditions and there is no immediate sign of any sustained recovery, however the business is supported by its leading load banks business which continues to generate cash and is performing well.

SpaceandPeople plc

SpaceandPeople showed signs of recovery in Q2, providing a positive update to investors in May that saw the share price double off its 52-week lows. This was a welcome reprieve for shareholders after the preceding 6 months and vindication of our decision to increase our position on weakness in January. The share price has since settled in the mid 30's and has found support at that level.

We have engaged with the management team extensively through the business' recent difficulties, focussing on recovery and growth in the UK, and the management team's efforts drove a beat in numbers and upgrades. The business has restructured its cost base and refocussed on the core strategy and growth in experiential marketing in the UK and this initiative was complemented with some significant contract wins including 6 major UK airports. The key drivers over the next 12-18 months include continued scaling back of non-core activities, cost reductions and growth of the core business.

IMImobile

The company published strong final results on 28th June demonstrating that it continues to benefit from structural growth trends (digitalisation, engagement via mobile devices) and is performing well financially and operationally. IMImobile continues to generate strong organic growth, with high recurring revenues, consistent high margins, and strong cash generation.

At the plc level management executed on improving market engagement and investor relations programme; improving governance and Board composition and simplifying the share capital structure.

The management team is complementing organic growth with earnings enhancing acquisitions and so far, the track record is very good with a proven ability to integrate and create value, drive synergies and deliver cross-selling across products and geographies. Recent contracts with Telenor and partnerships with large call centre operators, as well as the most recent acquisition of Infracast all provide potential for earnings upgrades in the near term. The company now has a commanding market share in the UK across a number of verticals, including banks, mobile operators, utilities and logistics.

With the above considered and relative to its peers the business remains attractively valued at forward EV/EBIDTA multiple of c.8.5x and we identify several levers for continued earnings growth. A further boost for investors came with the results as the company flagged it is taking steps to enable it to consider a dividend and/or buy-back in the future.

Tax Systems – New Investment

We have been building a stake in Tax Systems during Q2 2017. To date we have invested a total of £1.3m. The company provides corporation tax software to calculate tax returns which is HMRC accredited. The corporate customer base is large and the software has been adopted by the 'Big Four' accountancy firms. The software references well and is easily adaptable to account for different tax jurisdictions and changes in tax rules.

Operationally the company's performance is strong - Over 89% of revenues are recurring with clear visibility of earnings and the business generates EBITDA margins in excess of 50%. The Management team impressed in initial meetings and have referenced well - competent and highly strategic.

Looking forward, growth drivers include expansion into mid-market corporates, regulatory changes expected to require businesses to complete quarterly tax returns, cross selling additional tax related software to its existing customer base and expansion into new territories with room for complementary acquisitions.

FUND INFORMATION

Investment Committee

Tom Teichman

30 years VC & banking experience having founded SPARK Ventures in 1995. Former Investment Committee member at Brandt's, Credit Suisse, Bank of Montreal and Mitsubishi Finance London. Start-up investor/director of lastminute.com, mergermarket.com and Chairman of notonthehighstreet.com

Bruce Carnegie-Brown

Chairman of Moneysupermarket.com Group plc. He is a non-executive director of Santander UK plc. He was previously a Managing Partner of 3i QPE plc, a Managing Director of JP Morgan and CEO of Marsh Ltd.

Rupert Robinson

Former CEO and CIO of Schroders Private Bank Rupert was previously Head of UK Wealth Management at Rothschild Asset Management.

Gresham House Asset Management

The asset management division of Gresham House plc (GHE).

It specialises in managing assets on behalf of third party clients focused on funds and co-investments across a range of differentiated and illiquid alternative investment strategies. The company is built around a long-term value investment philosophy and applies private equity techniques to due diligence and investment appraisal.

Investment Manager: Gresham House Asset Management Ltd (GHAM)

Annual Management fee: 1.5%

Performance fee: 15% over a 7% hurdle

Shares in issue: 3,875,969 (as at 30 June 2017, excluding shares held in treasury)

Stock Exchange Ticker: GHS

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Gresham House Strategic plc

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