Gresham House Strategic plc

Interim results for the six months to 30 September 2017

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 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 a longer-term investment horizon.

Strategic Public Equity

"A Private Equity approach to quoted companies"

www.ghsplc.com/reports-and-accounts/

HIGHLIGHTS

- £7.3 million cash invested into new and existing investment opportunities, portfolio approaching fully invested – 12 investments now representing 75% of NAV
- Maiden dividend of 15p per share
- NAV growth of 0.2% over the period
- Strong operating and strategic progress within majority of the portfolio

Financial Highlights

- Realisations from profitable investments of £3.0 million provide potential to grow dividend
- £0.8m returned to shareholders through dividend and share buyback
- Portfolio valuation (including cash and other net assets) of £39.3million (30 September 2016: £39.9 million), £40.6 million as at 31 October 2017
- Profit before tax of £0.6 million (30 September 2016: £3.2 million)

Post-Period End Highlights

- Further £2.2 million invested and an additional £2.0 million committed post period-end, bringing net cash below 11% of NAV
- IMImobile announced strong results and an earnings enhancing acquisition with continued double digit organic growth

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 offer the prospect of generating a 15% 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

DEAR SHAREHOLDER

I am writing to report on the first six months of our financial year to 30 September 2017.

The period under review exhibited many of the factors I mentioned in my report in May 2017; a continuation of historically high market valuations coupled with continued political uncertainty especially surrounding Brexit and the status of the process created a challenging environment. Nevertheless, the manager has made substantial progress towards full investment, whilst markets continued to edge upwards, potentially increasing the risk of a correction at some point.

The period has also seen high levels of activity in M&A, which is often a characteristic of late bull cycle activity. Encouragingly, there have been several cases in the period where an existing holding or a pipeline opportunity which the manager had been evaluating at the time has received an approach from either private equity or a trade buyer. Whilst in some cases, we were unable to benefit from the uplift as no investment had been made or a bid did not ultimately materialize, the public identification of interested buyers at significantly higher prices lends credibility to the manager's approach.

In the circumstances, and in order to provide some insurance against the share price moving up before our due diligence is completed, we have been more active in taking small "toe hold" investments whilst further engagement is undertaken prior to a possible, more substantial, capital allocation. In the last six months we made 8 investments on this basis, one of which subsequently received a bid from a private equity buyer and two of which have since become larger investments. We have also evaluated a number of IPO's as an attractive means of acquiring a stake in companies where early engagement and dialogue is clearly available. In a limited number of cases we have sold these positions in a short time period as our target price had been reached; examples were Warpaint and AlphaFX. In other situations, we have built on our initial engagement and investment with further investment. Escape Hunt is an example from the period under review.

During the period the NAV rose modestly from 1072p per share to 1074p per share and the discount of the share price to NAV averaged 22%. We remain confident this discount should narrow on the basis of long-term performance, and with the benefit of being more fully invested and the portfolio being diversified. We also believe that the Company will continue to benefit from the significant holding in IMI which continues to perform well both operationally and strategically.

"Our investment strategy is highly differentiated and reflects a distinct focus on the long-term with stock picking at its core."

I hope that shareholders valued the maiden dividend since the change of investment strategy which was paid on 21 July 2017 and we continue to review the merits or otherwise of splitting returns between dividends and share buy backs. Our policy is to return 50% of realised profits from sales of investments and over time we believe this will enable us to pay a progressive and sustainable dividend. The manager continues to work toward a close of the Strategic Public Equity LP, enabling additional investors to access the strategic public equity portfolio. The impact on the Company's investments is outlined in note 8 to the interim accounts, and a further update will be given to shareholders once closing has been reached.

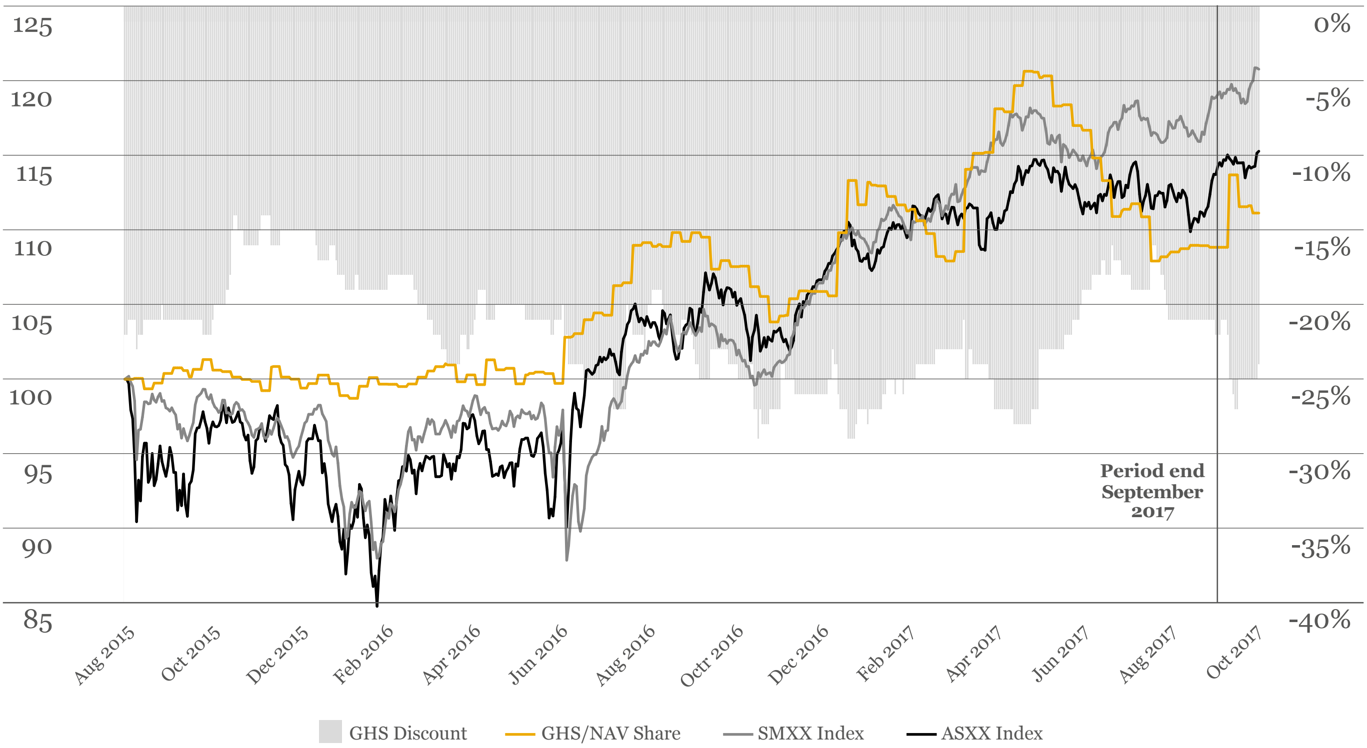
Our investment strategy is highly differentiated and reflects a distinct focus on the long-term with stock picking at its core. We have a manager with a long-term track record of superior performance and with substantial alignment through personal shareholdings. The team has made good progress and further investments and commitments made since period end have resulted in net free cash reducing to below 11% of NAV. We therefore remain confident in the long-term prospects for the Company.

As always I appreciate the support of the Board, manager, our business partners and our shareholders.

David Potter
Chairman
24 November 2017

INVESTMENT MANAGER'S REPORT

PORTFOLIO ACTIVITY AND PERFORMANCE



Source: Bloomberg, data as at 31 October 2017.

RELATIVE PERFORMANCE TO 31 OCTOBER 2017

Performance[1]	H1	Q1	Q2	YTD	Since Inception[2]
GHS NAV	0.3%	7.5%	-6.7%	2.8%	11.1%
FTSE Small Cap	4.6%	1.7%	2.8%	6.1%	20.0%
FTSE All Share	1.3%	0.2%	1.2%	3.0%	14.2%
Vs Small Cap	-4.3%	5.8%	-9.6%	-3.3%	-8.9%
Vs FTSE All Share	-1.1%	7.3%	-7.9%	-0.2%	-3.1%

1 H1 from 31 March 2017 – 30 September 2017; Q1 from 31 March 2017 to 30 June 2017; Q2 from 30 June 2017 to 30 September 2017; YTD 31 March 2017 – 31 October 2017.
2 First NAV released on 14 August 2015; data to 31 October 2017.

ATTRIBUTION – TOP 5 NAV CONTRIBUTORS AND DETRACTORS OF PERFORMANCE 31 MARCH 2017 TO 30 SEPTEMBER 2017

Contributors		Detractors	
IMImobile plc	2.60%	Augean PLC	-0.10%
Northbridge Industrial Services plc	1.60%	Redstoneconnect Plc	-0.10%
Revolution Bars Group Plc	1.30%	Universe Group PLC	-0.40%
SpaceandPeople	1.00%	Be Heard Group plc	-1.50%
AlphaFX	0.30%	Quarto Group Inc.	-2.80%

PORTFOLIO HOLDINGS AS AT 30 SEPTEMBER 2017

Holdings	Deal type & investment thesis	% ownership of the company	% of total portfolio	Value
IMI mobile	Secondary – growth, re-rating and reinvestment of cashflow	12.1%	34.9%	£13.7m
Northbridge Industrial Services	Recovery and growth capital	11.4%	8.1%	£3.2m
Be Heard	Growth capital supporting buy & build strategy	10.6%	6.6%	£2.6m
Miton Group	Secondary – operational gearing and AUM growth	2.7%	5.1%	£2.0m
MJ Hudson	Pre-IPO growth capital Convertible Loan Note and equity	n/a	5.1%	£1.6m/£0.4m
Tax Systems Plc	Secondary – Operational initiatives, organic growth and acquisitions	2.1%	3.6%	£1.4m
Escape Hunt	Primary – Growth through site rollout with attractive cash generation and return on capital dynamics	4.6%	3.3%	£1.3m
Revolution Bars	Secondary – Growth Capital at distressed valuation	1.2%	3.3%	£1.3m
Quarto Group	Secondary; cash generation to reduce debt; potential growth capital to support future acquisitions	4.4%	2.8%	£1.1m
Spaceandpeople	Secondary – Margin recovery and growth	16.2%	2.5%	£1.0m
Centaur Media Plc	Secondary – Strategic refocus, operational initiatives	1.1%	2.0%	£0.8m
Private & Commercial Finance Group Plc	Primary – New Equity issue to support growth following shift in business model	1.4%	2.0%	£0.8m
Other investments			5.6%	£2.2m
Cash (GBP) and other working capital items			15.0%	£5.9m
Net asset value				£39.3m

Table includes all companies in the portfolio above 2% of NAV. Data as of 30 September 2017 month-end NAV announcement.

Post-period saw the increase of Augean and Prophotonix holdings to be >2% of the total portfolio and the reduction of the Revolution Bars holding to below 2%.

INTRODUCTION AND OVERVIEW

We are pleased to present our interim results for the period 31 March to 30 September 2017.

NAV performance in the period reflected a small uplift of 0.2%, rising from 1072p per share to 1074p per share. This masked significant movements within the period with a strong first quarter during which NAV rose by 7.5%, which was subsequently reversed in the second quarter. In the month post period end, stronger performance resumed, helped primarily by an improvement in the IMImobile share price.

The key drivers in the first quarter were IMImobile and Northbridge, with NAV peaking in May and tracking ahead of both the FTSE Small Cap and All-Share since we took on the mandate, despite significant cash holdings during that period. Performance was weaker in the second quarter as a downgrade of expectations in Quarto coupled with general weakness in the share prices in particular of Be Heard and IMImobile both of which were impacted by selling shareholders creating an overhang notwithstanding strong operational performance in both cases. This brought the portfolio back almost to where it started at the end of March. More positively in the second quarter we saw a recovery in Northbridge's share price and strong performance in the Revolution Bars' share price which rose materially on the announcement of a bid from Stonegate Pubs. This contributed positively to performance. Post period-end resumed strength in the share prices of IMImobile and some of our smaller positions (Augean, PCF Group, Prophotonix) helped drive the NAV performance forward in October to £40.6m/1097.9p leaving the NAV +3.1% year to date (to end October).

Notwithstanding the short-lived resurgence of 'value' stocks at the end of 2016 and into early 2017, market movements have continued to be dominated by 'momentum' stocks with 'value' stocks again underperforming. This has been particularly evident at the smaller end of the market, with a number of examples of share prices being harshly punished for what have seemed to be minor disappointments. We believe this highlights the need to take a longer-term investment view; it is important to keep in mind that the investment horizon for the fund is 3-5 years and that this timeframe should be considered rather than shorter-term performance and the manager remains consistent in its process and approach. Emphasis on thorough due diligence into the company's fundamentals to form a conviction view on its intrinsic value and engaging with companies continues to be our thesis for delivering value; we continue to see a limited but potentially attractive number of investment opportunities to exploit. History has shown that by taking a longer-term view and investing in businesses with attractive value characteristics, strong outperformance can be achieved.

The operational performance of the portfolio has remained on track with only one significant exception, being Quarto. This is explained in more detail below. Four significant investment opportunities during the period were subject to takeover offers at significant premia to the share price whilst we were in the process of our due diligence. We believe this demonstrates the ability of our process to identify businesses that are under-valued and regarded differently by trade or private equity buyers. In the case of Revolution Bars, we had begun to build a stake prior to when the takeover was announced, with a resulting benefit to our NAV. In the other cases, we had been insiders and/or unable to buy for other reasons so did not directly benefit from the ensuing takeovers. We also had two of our existing holdings receive approaches during the period (Quarto and Redstone Connect), although in both cases an offer did not ultimately materialise. Whilst this has contributed to a lag in performance over the second quarter, the activity underpins our confidence in the approach and the need to remain patient.

The operational performance of our largest holding, IMImobile, has continued to track our thesis and expectations. We remain firm supporters of the IMImobile executive team as well as the strategy being implemented. We continue to see IMImobile as a positive investment that will drive NAV growth and have outlined its performance and that of all our larger holdings later in this report.

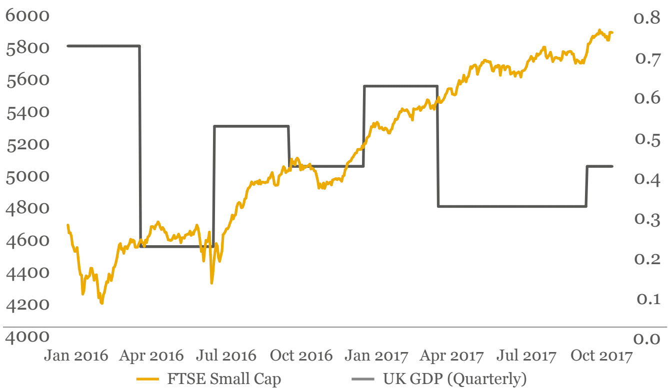
Whilst markets overall have continued to trade near record levels, several companies have experienced significant share price falls which, in our view, highlights a level of underlying market uncertainty. This is providing opportunities to deploy capital and during the period we have made good progress in reducing our cash holdings by investing £7.3m into new and existing opportunities. Post period end, further investments and commitments have resulted in net free cash reducing below 11% of NAV. With a strong, developed pipeline that has been work in progress for up to a year, the remaining cash is expected to be almost fully deployed in the short-term.

Confidence in the strategy was reinforced by the Board's decision to pay a maiden dividend of 15p per share and return a further £0.3m through a share buy-back, in line with the stated strategy. The period also saw further investment in shares by members of the investment team.

MARKET COMMENTARY

The reporting period has experienced mixed sentiment for markets as domestic politics and data in the UK contrast the gradual return to 'normality' on the global stage (in economic terms at least) that we cited in our *Q3 Factsheet*.

The reporting period started with increasing uncertainty in the UK with a snap election held in May, resulting in a coalition government and the commencement of Brexit talks. The period also brought negative UK consumer data, including record consumer debt and slowing retail figures. Construction data too has been weak, highlighting the problems Brexit is causing for business investment decisions.



Source: Bloomberg, data as at 31 October 2017.

Nevertheless, inflationary pressures from a weak Sterling continued to build in the latter half of the period, leading the Bank of England to increase base rates by 0.25% in November. However, the medium-term rhetoric remains dovish given the tentative UK economic backdrop.

Perhaps counter-intuitively, earlier in the year we subscribed to *the argument* that the weakening economic outlook and Theresa May's diluted mandate may be a blessing in disguise. We argued that a softer Brexit could be deemed a positive outcome for the UK in the short to medium term, as trade ties with the Single Market seemed likely to remain deeper than would be the case in the 'hard' Brexit model.

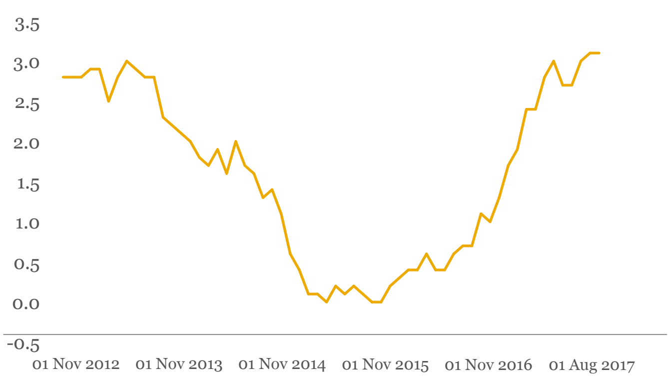
Gold to Copper Ratio

Source: Bloomberg

Throughout all of this, UK markets have been resilient, with investors shrugging off concerns at home and focussing on the global picture. The FTSE All Share and Small-Cap Indices reached highs in May 2017 and held around the 4,050 and 5,600 levels respectively, before advancing further to all-time highs at the end of the summer. We feel that equities have been buoyed by a strengthening global picture, driven by a return to growth in Europe and tax reform hopes as well as the 'Trump reflation trade' in the US.

This positive signalling from the global economy is demonstrated neatly by indicators such as the gold to copper price ratio, which has been falling over the past 6 months, indicating bullish sentiment and economic activity; rising prices of copper indicate a pick-up in industrial production, while falling or stable gold prices show that investors have been less concerned about hedging against economic uncertainty. The US10yr yield recently breaking through 2017's key resistance level of 2.4% paints a similar picture.

UK CPI % YoY



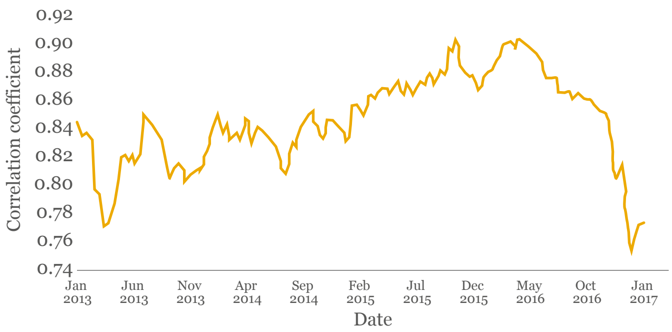
Source: Bloomberg

In summary, UK equities as a whole have performed well in-spite of weaker domestic economic and business investment data over the past 12-months and it appears investors feel that this short-term weakness can be offset by the delay and potential softening of Brexit together with a more supportive global economic environment.

This positivity should be seen in context. Valuations remain close to all-time highs, corporate profit margins are towards the upper end of historic ranges and M&A activity, notably in the 'mega deal' arena has been buoyant. Historically, these indicators have presaged the closing stages of a bull market. We see these factors playing together; the gradual return to normality in the world economy together with slowing momentum in markets as a whole, and that this will drive a renaissance in 'stock picking', vindicating *the case* we have made for the return to active management last year. The ongoing collapse in inter-stock correlations as evidenced this year highlights this change and demonstrates the importance of understanding the fundamentals in our investments.

Correlations Collapse

Average correlation of Stoxx 600 with its sectors



Source: Bloomberg

The consequence of all of this leads us to reinforce the advantages of our approach: to find attractively valued companies, with clear paths to creating value and to invest in them over the longer term to realise the inherent value. We also see these factors as a boon for the Strategic Public Equity strategy and some of our existing investments, where we believe intrinsic value will be recognised as investors turn their focus again to companies with value characteristics.

This improving backdrop for active management and our investment pipeline leaves us well positioned for the second half of the year, with opportunities for both existing and new holdings in the next 6 months currently in due diligence. These, as well as significant news from some of our holdings, are outlined below.

ACTIVITY

At the end of a busy 6 months for the Company, we now have 18 investments in the portfolio plus an advanced pipeline of prospective investments. Twelve of our investments represent a >2% weighting in the Fund and collectively represented 75% of NAV at 30 September.

Between 31 March and 30 September 2017, we invested a total of £7.3m into new and existing investments, with a further £2.3m invested in October. We also realised a total of £3.0m from sales of investments in the period and a further £1.1m in October creating a net cash reduction of £5.4m to £5.8m or 14% of the portfolio. Taking into account further commitments which will settle in November, the net cash position is below 11% of NAV. The investments made are consistent with our medium-term target of a portfolio of 10-15 investments comprising c.80% of the NAV of the portfolio.

The performance of and significant news from our largest holdings are discussed below.

PORTFOLIO REVIEW

Be Heard

	Performance 31 March to 30 September
Share price in the period:	-20%
NAV Attribution	-1.5%
Share price vs average cost price:	-9%

Over the last 6 months, BeHeard has shown strong performance on commercial and operational fronts, however this hasn't yet been reflected in the share price which traded down from highs of c.4p to c.3p. The period started well for Be Heard with a strong set of full-year results at the end of March. Of greatest importance was the early evidence of cross-selling between the group's divisions, a key driver of our investment thesis and the company's stated strategy. The numbers too were positive, with the EBITDA margins at divisional level maintained at industry leading levels.

Throughout the summer we remained proactively engaged with the company, providing corporate and strategic support in several areas. We introduced David Morrison, who was subsequently invited to join the Board as a Non-Executive Director. David has been known to us for many years and we believe he will be a strong addition to the Board, bringing a wealth of experience of both fast growing and more mature companies, both in private and public markets.

September brought shareholders another encouraging set of interim results which evidenced the acceleration of cross-selling and integration of the group's marketing divisions as well as revenue growth ahead of expectations, to over £8.3m and the group moved into profitability. MMT and Agenda21 were particular bright spots with net revenue growth +44% and +21% respectively. Eight clients now use 2 or more of BeHeard's 4 digital marketing divisions and there is significant visibility on revenues for the full year, accompanied by encouraging prospects for further cross-selling. This strong performance was dovetailed, with some significant contract wins with blue-chip clients announced in October.

Since the period end Gresham House Strategic, together with other funds managed by Gresham House Asset Management, acted as corner-stone investor in an equity and convertible bond issue to fund the acquisition of The Corner. This is a positive development from which we see a substantial value creation opportunity in the near to medium term.

IMImobile

	Performance 31 March to 30 September
Share price in the period:	+6%
NAV Attribution:	+2.6%
Share price vs average cost price:	+19%

IMImobile has traded in line with expectations throughout the period with no major surprises either way. The company started off with a positive trading update in April signalling that trading was marginally ahead of expectations. The company flagged double digit organic growth and notable contract wins with Telenor, BT and an important renewal with MTN – all providing scope for additional significant growth. These results were supplemented with the earnings enhancing acquisition of Infracast in April that was well received by the market. The positive news flow combined with continued strong operational performance of the business helped drive the share price to a high of c.215p. The company published strong final results on 28 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.

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 recent acquisition of Infracast, all provide potential to accelerate growth in the near term. The company now has a significant market share in the UK across a number of verticals, including banks, mobile operators, utilities and logistics. In early November, the company announced a further acquisition of Sumotext in the US. This could be strategically significant as it provides a platform to accelerate growth into the largest market for IMImobile's services.

With the above considered and relative to its peers the business remains attractively valued at forward EV/EBIDTA multiple of c.8.7x. 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. The recent IPO of Boku is expected to add further interest to the sector. We remain firm supporters of the company and believe there is significant further value creation potential to come.

Miton Group

	Performance 31 March to 30 September
Share price in the period:	+4%
NAV Attribution:	+0.2%
Share price vs average cost price:	+54%

It was a quiet but positive 6 months for Miton with the company tracking in line/slightly ahead of expectations.

The period started with Miton announcing that Ian Dighe would stand down as executive chairman and the company would be entering a process to find a new Non-Executive Chairman. The executive roles were also clarified, with David Barron stepping up to CEO, supported by Gervais Williams as Executive Director and Piers Harrison as Chief Operating Officer. The new Chairman was announced in September with the appointment of Jim Pettigrew (former CEO of CMC Markets).

Operationally the company has performed strongly over the past 6 months with the trading update in July flagging continued AUM growth and strong fund performance. We believe this has continued into the Autumn with further growth in AUM to 30 September.

Northbridge

	Performance 31 March to 30 September
Share price in the period:	+25%
NAV Attribution	+1.6%
Share price vs average cost price:	+36%

It has been a mixed 6 months for Northbridge and the share price has reflected this, trading in a range between 93p and 120p. It ended the period right in the middle of that spread.

The interim results were slightly weaker than expected and it is clear that the realisation of our thesis has been delayed by the longer than anticipated slowdown in the Oil & Gas sector. This has had an impact on the rate of recovery, cash generation and deleveraging within the company. Activity in the Oil & Gas sector is staying 'lower for longer' and major capital projects continue to be pushed back or frozen. Revenues were more or less flat YoY as was EBITDA. More encouragingly, the company cited gradually improving conditions within elements of both divisions of the business. Crude's stability above US$50 supports this moderately improving sentiment at Northbridge and in the industry. The new oil tool rental Joint Venture in Malaysia has now commenced and has got off to a quicker start than expected, offering a new revenue stream for the business in the Far East.

We remain confident in the investment, which has a solid asset backing and historically attractive return on capital characteristics. The business is well positioned for a modest return of activity in the sector.

Private & Commercial Finance (PCF Group)

	Performance 31 March to 30 September
Share price in the period:	+6%
NAV Attribution:	Negl.
Share price vs average cost price:	+10%

Private and Commercial Finance currently represents an early-stage investment in the portfolio to which we have added as we build our relationship and engage more with the business. PCF's share price has been hampered by the industry-wide uncertainty and concerns around Personal Contract Plans ('PCP') that have been growing in tandem with ballooning consumer debt. Whilst PCF is a motor leasing business they do not and never have offered PCPs to customers. The broader market concerns therefore offer an interesting valuation opportunity.

The share price performed strongly through the period as concerns were eased following a strong trading update. The company announced that it expects to beat market expectations for FY2017, leading brokers to increase PBT and EPS forecasts for the year by 10%. Strong momentum in gaining new deposits following the successful roll of its first retail deposit offering under the new banking licence for which full approval was granted in early July further catalysed the share price. We moderately increased our holding around the news as this was seen as a key catalyst for growth and verified an aspect of our longer-term thesis.

Quarto Group

	Performance 31 March to 30 September
Share price in the period:	-49%
NAV Attribution:	-2.8%
Share price vs average cost price:	-47%

It has been a challenging 6 months for Quarto. The results announced at the end of March set the tone for the next 6 months with the resignation of the CFO Michael Connole. The share price then weakened significantly from c.250p to c.130p in July following downward revisions to forecasts after it became clear that a change in accounting policies and the disposal of two non-core businesses would have a significantly dilutive effect on future earnings. This was accompanied by a shift in the seasonality of the business towards H2, unexpectedly weak H1 trading and a cautious outlook for consumers in both the US and the UK. Amongst these difficulties, the company was able to dispose of it is last non-core (non-publishing) division; Gifts and Books Direct New Zealand. This leaves the group as a pure publishing play. 2017 is proving a challenging year for the group, but we believe the foundations have been set for a strong children's publishing business to complement the more mature international and adult illustrated businesses.

The share price weakness and distressed valuation has drawn the attention of other corporates and would-be suitors. The company released an RNS in August that it had been approached with an attractive offer to purchase the business, however shortly thereafter announced that "the regulatory approvals required by the bidder to complete the proposed acquisition were increasingly less likely to be granted on the timeline first indicated" and thus discussions were curtailed.

In September, a Hong Kong based customer of Quarto's acquired a 7.3% stake. The share price rose thereafter.

Gresham House has had significant constructive engagement with the Board around options for the company following the challenges faced in 2017. We are working with the company to help them find the best route to recover and build value for shareholders using what we believe remains a proven strategy to generate value through Quarto's effective distribution platform.

SpaceandPeople

	Performance 31 March to 30 September
Share price in the period:	+55%
NAV Attribution	+1.0%
Share price vs average cost price:	-33%

SpaceandPeople had a strong recovery in Q2, providing a positive update to investors in May that saw the share price double off its 52-week low. 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 significant upgrade to analyst forecasts for the year to December 2017. 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 are; continued scaling back of non-core activities, cost reductions and growth of the core business.

MJ Hudson (Convertible Bond Instrument and Private Equity)

	Performance 31 March to 30 September
Share price in the period:	N/A
NAV Attribution	Negl.
Share price vs average cost price:	N/A

MJ Hudson is establishing itself as an outsourced platform for alternative asset managers, providing advisory, asset management and infrastructure services. The business operates through five functional units. The Law division offers specialist legal services for alternative asset management, including private equity, hedge funds, infrastructure funds and others, focusing on M&A and investment funds. The Investment Advisory division offers investment advice, asset allocation and manager selection as well as alternative investment due diligence and fund rating services for institutional investors, wealth managers and family offices. The IR & Marketing division provides fundraising strategy, communications and marketing services to fund managers, corporates, advisers and service providers to alternative assets. The Fund Management division is a fully regulated multi-funds and multi-advisory platform providing risk management, portfolio management and regulatory cover for asset managers and advisers. International Fiduciary offers administration and domiciliary services for asset managers, corporates, family offices and private individuals.

The business continues to perform in line with our expectations, delivering strong year on year growth in both revenue and profit and completing the year to June ahead of our expectations. Q3 has seen a continuation of growth. Recent developments include establishing a new office in Luxembourg, which is benefitting from Brexit-related uncertainty. We recently increased our investment by investing a further £0.9m in a further convertible bond and equity issue to fund future, planned acquisitions.

Our investment has been made as a pre-IPO investment. The majority of the investment is through a convertible loan note which is structured to deliver a 20% per annum return through a 7% cash yield and a redemption premium/ conversion discount. The bond is expected to convert on an IPO. We are engaged with management and other investors as the business works towards this goal.

Centaur Media

	Performance 31 March to 30 September
Share price in the period:	N/A*
NAV Attribution	Negl.
Share price vs average cost price:	N/A

* New investment made within the period.

We began engaging with Centaur's management approximately 6 months ago with the view to building a closer relationship and investment. Our investment thesis has centred around the transformation from a traditional print media group reliant on advertising to a digital content and corporate services group, targeting higher margin service and digital content revenues. The company has a strong management team with proven ability to execute the current strategic change at Centaur.

As our thesis and due diligence has developed, we have gradually built a moderate position in Centaur whilst remaining disciplined on price.

In our view, the key catalysts for the company in the near term are; consolidation into a pure digital services & media play, margin expansion through cost adjustment and growth in higher margin activities while traditional print-based divisions contract. We have built a strong relationship with management and are engaged with them on these initiatives.

Escape Hunt

	Performance since IPO to 30 September
Share price in the period:	N/A*
NAV Attribution	+0.1%
Share price vs average cost price:	+4%

* IPO was 3 May 2017.

We made an initial investment in Escape Hunt in at the start of the period in May, seeking to capitalise on an area of the leisure market benefiting from a significant growth trend as UK consumers shift spending toward experiences and activities.

The first Escape Hunt branch was opened in 2013 in Bangkok, Thailand. Since then, the business has grown quickly, and now has a franchised global network of sites in 19 countries. The growth strategy now centres on increasing exposure to the UK market through the roll-out of owned sites with scope for significantly higher earnings versus the franchise model. This roll-out is now underway and we remain in close contact with the company on progress and any strategic support required.

We are backing a highly credible management team with strong track records of delivering a similar model of growth at well-known consumer brands in the UK and overseas. The business model has attractive cash flow characteristics and return on capital dynamics.

Revolution Bars

	Performance 31 March to 30 September
Share price in the period:	N/A*
NAV Attribution	+1.3%
Share price vs average cost price:	+71%

* New investment made within the period.

Revolution Bars was bid for by Stonegate Pubs at the end of July following the share price halving earlier in the year – a time when GHS began to buy shares on weakness as it engaged the company with a view to making a strategic recovery investment, recognising the underlying value of the brand and the geographic footprint of the business operations. Perhaps unfortunately, Stonegate Pubs recognised this inherent value too and made a bid of 203p. Whilst we had hoped to build a strategic stake, we are pleased with the quick uplift on our 122p entry level and the vindication of our 'toehold' policy during the DD phase of our investing activity.

As the bid process dragged out, with a counter offer (cash & shares) from Deltic plc we opted to book some profits and sold the majority of our position at 206p. This had a +1.3% impact on the NAV performance in the 6 months to the end of September.

Tax Systems

	Performance 31 March to 30 September
Share price in the period:	N/A*
NAV Attribution	+0.2%
Share price vs average cost price:	+5%

* New investment made within the period.

We built a stake in Tax Systems during Q2 2017. To date we have invested a total of £1.3m. Our thesis has been based around the corporate customer base, which 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.

Furthermore, the company's operational 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 us.

The share price traded strongly in the 6 months to 29 September, rallying as high as 86p following a tip in the press before settling around the 80p region. Post period end the share price has drifted a little on the back of retail profit taking.

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.

Other <2% NAV Investments

We hold a small number of other investments in the portfolio which represent 'toehold' positions while further work is conducted or where fundamentally sound companies trade at attractive discounts and we plan to engage with management teams with a view to increasing our stake.

OUTLOOK

We remain confident in the prospects for our strategy and with markets presenting an increasing need for active stock picking, and taking a longer-term view. Consequently, we believe the outlook for the Company is positive. The changes that will take place with the implementation of MiFID II in January 2018 will undoubtedly also have an impact, notably on research coverage, particularly at the smaller end of the market and we believe this will give rise to new opportunities for investors prepared to engage with companies and conduct more thorough due diligence before investing. Our pipeline is healthy and we continue to see attractively priced opportunities to underpin the future performance of the strategy. Whilst it is always likely that one or two companies in the portfolio will experience some difficulties, we have generally been pleased with the operational performance across the portfolio as a whole.

We therefore continue to believe we have an attractively valued portfolio of companies which can be accessed through investing in Gresham House Strategic plc and which will deliver strong returns in future.

UNAUDITED CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Notes	**Six months to 30 Sep 2017 £'000 Unaudited**	Six months to 30 Sep 2016 £'000 Unaudited	Year to 31 Mar 2017 £'000 Audited
Continuing operations				
Gains on investments at fair value through profit or loss				
Realised gains		**816**	1,067	1,614
Unrealised gains	5	**212**	2,666	2,314
		1,028	3,733	3,928
Revenue				
Bank interest income		**–**	21	28
Loan note interest income		**117**	–	81
Portfolio dividends and interest		**128**	137	173
Other income		**–**	13	13
		245	171	295
Administrative expenses				
Salaries and other staff costs		**(67)**	(67)	(138)
Investment management fees		**(371)**	(341)	(697)
Other costs (including fundraising/reorganisation)		**(255)**	(296)	(555)
Total administrative expenses		**(693)**	(704)	(1,390)
Profit before taxation		**580**	3,200	2,833
Withholding tax expense		**(8)**	(17)	(28)
Profit and total comprehensive income for the financial period		**572**	3,183	2,805
Attributable to:				
– Equity shareholders of the parent		**572**	3,183	2,805
Basic and Diluted earnings per ordinary share for profit from continuing operations and for profit for the period	7	**15.64p**	86.33p	76.07p

There are no components of other comprehensive incomes for the current period (Sep 2016: £Nil, Mar 2017: £Nil).

UNAUDITED CONDENSED GROUP STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

	Notes	30 Sep 2017 £'000 Unaudited	30 Sep 2016 £'000 Unaudited	31 Mar 2017 £'000 Audited
Non-current assets				
Investments at fair value through profit or loss	5	**33,570**	25,233	27,055
		33,570	25,233	27,055
Current assets				
Trade and other receivables	5	**35**	4,574	197
Cash and cash equivalents		**6,693**	10,312	12,987
		6,728	14,886	13,184
Total assets		**40,298**	40,119	40,239
Current liabilities				
Trade and other payables		**(1,039)**	(224)	(722)
Total liabilities		**(1,039)**	(224)	(722)
Net current assets		**5,689**	14,662	12,462
Net assets		**39,259**	39,895	39,517
Equity attributable to the shareholders of the parent				
Issued capital		**1,915**	1,932	1,932
Share premium		**13,060**	13,063	13,063
Revenue reserve		**13,574**	14,207	13,829
Capital redemption reserve		**10,710**	10,693	10,693
Total equity due to Ordinary shareholders		**39,259**	39,895	39,517
Net asset value per ordinary share		**1,074.41p**	1,082.05p	1,071.79p

	Number '000	Number '000	Number '000
Ordinary shares in issue	**3,810**	3,843	3,843
Shares held in Treasury	**(156)**	(156)	(156)
Shares in issue for net asset value per share calculation	**3,654**	3,687	3,687

These financial statements were approved and authorised for issue by the Board of Directors on 23 November 2017.
Signed on behalf of the Board of Directors.

David Potter
Chairman

Charles Berry
Director

UNAUDITED CONDENSED GROUP STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Notes	**Six months to 30 Sep 2017 £'000 Unaudited**	Six months to 30 Sep 2016 £'000 Unaudited	Year to 31 Mar 2017 £'000 Audited
Cash flows from operating activities				
Cash flow from operations	a	**(97)**	(739)	(1,239)
Net cash outflow from operating activities		**(97)**	(739)	(1,239)
Cash flows from investing activities				
Purchase of financial investments		**(8,501)**	(5,624)	(8,099)
Sale of financial investments		**3,015**	–	5,770
Dividends received		**120**	120	–
Net cash outflow from investing activities		**(5,366)**	(5,504)	(2,329)
Cash flows from financing activities				
Dividend paid (C shares)		**(548)**	–	–
Share buy backs (B shares)		**(283)**	–	–
Net cash outflow from financing activities		**(831)**	–	–
Change in cash and cash equivalents		**(6,294)**	(6,243)	(3,568)
Opening cash and cash equivalents		**12,987**	16,555	16,555
Closing cash and cash equivalents		**6,693**	10,312	12,987

Note

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

	£'000	£'000	£'000
Profit before tax	**580**	3,200	2,805
Gains on investments	**(1,028)**	(3,733)	(3,928)
Portfolio dividends and interest	**(128)**	(137)	–
Operating results	**(576)**	(670)	(1,123)
Change in trade and other receivables	**162**	34	(20)
Change in trade and other payables	**317**	(103)	(96)
Net cash outflow from operations	**(97)**	(739)	(1,239)

UNAUDITED CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	D Shares £'000	Ordinary Share Capital £'000	Share Premium £'000	Revenue Reserve £'000	Capital Redemption Reserve £'000	Total Equity £'000
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
Balance at 31 March 2016 (audited)	10	1,922	13,063	11,024	10,693	36,712
Profit and total comprehensive income for the year	–	–	–	2,805	–	2,805
Balance at 31 March 2017 (audited)	**10**	**1,922**	**13,063**	**13,829**	**10,693**	**39,517**
Profit and total comprehensive income for the period	–	–	–	572	–	572
Share buy back	–	(17)	(3)	(280)	17	(283)
Dividends paid	–	–	–	(547)	–	(547)
Balance at 30 September 2017 (unaudited)	**10**	**1,905**	**13,060**	**13,574**	**10,710**	**39,259**

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 2017 and 30 September 2016 does not constitute statutory accounts as defined in section 435 of Companies Act 2006. Comparative figures for 31 March 2017 are derived from the financial statements for that year. The financial statements for the year ended 31 March 2017 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 2017 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. As at 30 September 2017 the Company has liquidated all of its subsidiaries and as a result the condensed group interim financial statements as at period end are equivalent with company stand-alone financial statements.

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 2017, with the exception being the classification of interest receivable on MJH Convertible Bond detailed in note 5, and are consistent with those that the Company expects to apply in its financial statements for the year ended 31 March 2018. 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 2018.

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 2017.

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. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OF LOSS

	Value at 31 March 2017 £'000	Additions £'000	Disposals £'000	Revaluations £'000	Value at 30 September 2017 £'000	Value at 30 September 2016 £'000
Investments in quoted companies	25,966	7,324	(2,161)	217	31,346	25,190
Other unquoted investments	1,089	1,177	(37)	(5)	2,224	43
Total investments at fair value through profit or loss	**27,055**	**8,501**	**(2,198)**	**212**	**33,570**	**25,233**

Investments in quoted companies have been valued according to the quoted share price as at 30 September 2017. Investments in other unquoted investments represent the investments in MJH Convertible Bond which were purchased on the 4 November 2016 and 8 August 2017, which are valued at cost and accrued premium interest, shares in MJH Group Holdings Limited, which are valued at cost, and an investment with Hanover Active Equity Partners II LP which has been initially recognised at cost and revalued based on the monthly NAV statement as at 30 September 2017.

£76k of interest receivable on the MJH Convertible bond has been included as part of investment in current period, and prior year's comparative has also been restated by £52k as management thinks that this would provide more relevant information about the investment portfolio. The reclassification has had no impact on net asset value or earnings per share.

The revaluations above are shown on the face of the statement of comprehensive income as realised and unrealised gains or losses on investments at fair value through profit or loss.

6. DIVIDENDS

The Company paid a final cash dividend to the Company's shareholders for the year ended 31 March 2017 at a rate of 15.0p per share on the 21/07/2017 totalling £0.5m. No interim dividend have been proposed for the period ending 30 September 2017 (Sep 2016: £Nil, Mar 2017: £Nil).

7. EARNINGS PER SHARE

	Six months to 30 Sep 2017 £'000	Six months to 30 Sep 2016 £'000	Year to 31 Mar 2017 £'000
Earnings			
Profit for the period	572	3,183	2,805
Number of shares ('000)			
Weighted average number of ordinary shares in issue for basic and diluted EPS	3,658	3,688	3,688
Earnings per share			
Basic and diluted EPS	15.64p	86.33p	76.07p

Between April and May 2017 Gresham House Strategic PLC underwent a share buyback exercise during which the Company bought 33,000 of its own shares and then cancelled them. This decreased the Company's total number of shares from 3,843,275 to 3,810,275 with the shares held in treasury remaining constant at 155,771 across the period to 30 September 2017.

8. RELATED PARTY TRANSACTIONS

The Company has a signed 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 has co-invested £7.5m with the SPE Fund LP. The Company has satisfied 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 2,068,433 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 1,113,941 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.

9. SUBSEQUENT EVENTS NOTE

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

Gresham House
Octagon Point
5 Cheapside
London
EC2V 6AA

T: 020 3837 6270
E: info@greshamhouse.com

www.greshamhouse.com