

Gresham House Strategic Plc Quarterly Factsheet



Q1 - March 2018

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:
1186.3*

Benchmark:
Unconstrained

Ticker:
GHS

*As of 29 March 2018

Share price:
825.38p**

Strategic Public
Equity investment
mandate

** Mid price as of
29 March 2018

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.

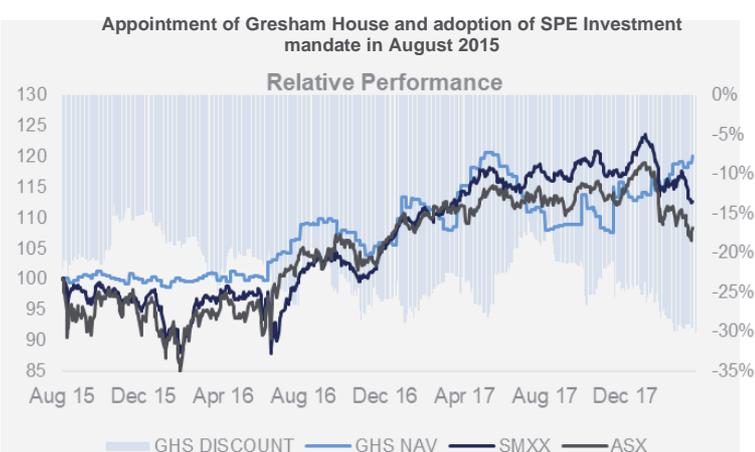
SIGNIFICANT SHAREHOLDINGS*

	£m	%shareholding in Company	% of portfolio NAV
IMImobile plc	19.3	12.0	44.5
BeHeard	3.8	9.5	8.7
Northbridge Industrial Services plc	3.5	11.4	8.1
MJ Hudson	2.2	-	5.0
Miton	1.7	2.4	3.9
Quarto	1.3	4.4	3.0
Centaur Media	1.5	2.1	3.5
Tax Systems	1.4	2.2	3.2
Escape Hunt	1.0	4.6	2.3
SpaceandPeople	0.9	16.2	2.1
Other investments	3.8		8.8
Cash & cash equivalents	3.0		6.9
Total NAV	43.4		

* As of 29 March 2018. Top 10 holdings are shown

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 investment philosophy and applies private equity techniques to due diligence and investment appraisal.

SHARE PRICE PERFORMANCE 14 AUG 2015 – 29 MAR 2018



Performance	2018 Q1	Financial year to 31 March 2018	Since inception
GHS NAV	6.4%	10.6%	19.1%
FTSE Small Cap	-6.9%	-0.7%	16.8%
FTSE All Share	-7.8%	-2.4%	9.0%
Relative performance			
vs FTSE Small Cap	13.3%	11.3%	2.3%
Vs FTSE All Share	14.2%	13.0%	10.1%

1 To 29 March 2018

2 First NAV released on 14 August 2015 to 29 March 2018, most recently announced NAV

MARKET COMMENTARY

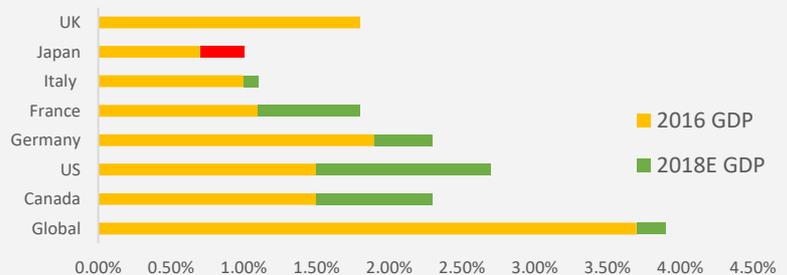
The start of 2018 has been very different to the same period in 2017 for equity markets, perhaps signalling what could be a very different year ahead. Q1 has been defined by greater volatility and uncertainty as the moves in interest rates and the volatility indices demonstrate. Year to date the Dow Jones and S&P 500 have already doubled the number of daily >1% moves seen during 2017. This increased volatility and nervousness has contradicted the improving global macro-economic picture that has emerged this quarter.

The economic outlook has improved for the UK over the past few months, with growth edging higher in December and the BoE increasing its growth forecast for 2018 to 1.8% from 1.7%. This improving picture was supported by even stronger global data. As mentioned, UK markets did not reflect this gradually improving picture and the FTSE All Share has had its weakest quarter since Q3 2011. Ironically, it has been rising rates (driven by the improving economic outlook) that instigated the change in investor sentiment as global markets continue to wean themselves off Quantitative Easing and adjust to tightening monetary conditions. Bond-proxy stocks and highly leveraged companies were some of the worst hit and we believe a key factor behind our strong outperformance this quarter was that our portfolio of investments is cash positive, generally with strong balance sheets and trades on attractive valuations relative to the market.

The increased visibility on possible Brexit outcomes has been positive as Theresa May and David Davis made steady progress towards a transitional deal and talks are now moving to a trade deal. Our European partners have sounded more conciliatory and some of the recent recovery in sterling can be attributed to this.

Commentators have seen this as a boon to UK's economic prospects, reducing uncertainty and increasing likelihood of a softer Brexit environment for UK plc.

As mentioned in previous factsheets, we continue to see the current macro-economic mix of weaker sterling relative to history, improving global outlook and increasing visibility around both Brexit and the transition arrangements as positive for UK companies in the medium-term. Positive data can be found in the view that manufactures are set to outstrip GDP for the full year as growth remains 'resilient'. Improved demand from European and capital equipment markets, continues to feed growth across most of the manufacturing supply chain and the IHS Markit/CIPS services purchasing managers' index (PMI) rose to a four-month high of 54.5^{1,2}



Source: IMF

1 EEF/BDO Manufacturing Outlook 2018 Q1

2 IHS Markit/CIPS services purchasing managers' index

INVESTMENT MANAGERS REPORT

At the end of the final quarter of our financial year to March 2018, we are pleased to report our strongest quarter of NAV performance since we took on the mandate with NAV +6.4% in the 3 months to the end of March, ending at 1186p/share. This was particularly pleasing against a backdrop of market volatility and weakness in the same period. The performance leaves NAV up 10.6% in the year to March compared to the FTSE Small Cap and FTSE All Share indices down 0.7% and 2.4% respectively in the same period.

With 18 investments now in the portfolio (12 of which together represent 90% of NAV) and an exciting deal approaching completion at the time of writing, we have eliminated the cash drag and this, along with the performance of our investments has supported NAV performance. Our target is to maintain a portfolio of 10-15 investments comprising c.80% of the NAV of the portfolio. There remains work to be done with some of our key holdings and managing the existing portfolio has occupied much of our time over the past 3 months as we support and engage with companies, notably those with short term operational difficulties. Selected commentary is provided below:

BeHeard

It has been a period of internal focus for BeHeard following the full year profits downgrade in early January. Whilst this was frustrating, the underlying business has grown strongly with organic revenue growth of 23% and underlying EBITDA more than doubled in the year. We have spent a significant amount of time in the past 8 weeks on this investment ensuring that the company is taking action to address the weakness in financial forecasting including a full site visit in January. Our findings support the view that the earnings 'miss' was a hiccup rather than evidence of a more fundamental issue in the business.

Our engagement included discussions regarding a dedicated CFO and we were very pleased to see the appointment of Simon Pyper at the end of March. Simon has a strong CV and relevant experience and the fact he was able to join with more or less immediate effect was a significant bonus.

We remain closely engaged with the management team and Board during the crucial phase for the business.

Quarto

The company saw a strong recovery in the share price through January and February following the fall last year with two significant shareholders building positions in excess of 20%. Whilst the results contained little new news, rather confirming a stronger H2 than in 2016, the share price surrendered most of these recent gains in the last week of the quarter. GH have been closely involved in the recovery process, supporting both the management team and the board, including involvement in the appointment of a new CFO. Gresham House introduced Andy Cumming who has now been appointed to the board as a NED and brings significant experience in dealing with banks and leveraged companies. We have also been supporting Marcus Lever explore various options for the future of the business and this dialogue is ongoing.

We maintain our investment thesis that Quarto is a valuable business, not recognised by the share price. The >20% positions built by two investors in the last quarter, including the original founder of the business Laurence Orbach, support the view that there is unrecognised value although potentially cloud the picture regarding future strategy.

PCF Group

It was another operationally strong quarter for PCF Group with a series of positive trading updates and news flow from the AGM citing 'excellent growth in new business originations' and the share price has continued to perform strongly, trading up to a high of 33p before settling at 32p.

Strong operational performance has been driven by the successful acceptance of retail deposits (July 2017) using their new banking licence. We are continuing our work on PCF.

Miton

The recent narrative for Miton had been the market volatility witnessed over the past 8 weeks. The majority of Miton's AUM is listed securities and it is therefore seen to some extent as a geared play on the market.

However, exceptionally strong results released at the end of March citing positive net inflows of £0.5bn and pre-tax profits growth of +43% dispelled many of these concerns and the share price has traded strongly since – up from around 38p to 43p+. We maintain our view the Miton remains undervalued and has been one of our strongest performing investments to date.

New Investments & Pipeline

As we continue to build a portfolio of concentrated strategic investments, we are approaching completion on a significant GH originated deal which we expect to be able to update shareholders on in our next factsheet.

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 Lloyds, 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 Managing Director of Gresham House Asset Management Ltd. Former CEO and CIO of Schroders Private Bank Rupert. He was previously Head of UK Wealth Management at Rothschild Asset Management.

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Investment Manager: Gresham House Asset Management Ltd (GHAM)
Annual Management fee: 1.5%
Performance fee: 15% over a 7% hurdle
Shares in issue: 3,654,504 (as at 31 March 2018, there are no shares held in treasury)
Stock Exchange Ticker: GHS