

GRESHAM HOUSE STRATEGIC PLC QUARTERLY FACTSHEET



Q4 - DECEMBER 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 it believes are intrinsically undervalued, aiming for significant engagement with investee company stakeholders in support of a clear equity value creation plan over the long term.

GHS KEY FACTS AS AT 31 DECEMBER

NAV per share:
1,188.1p

Share price:
867.5p

Benchmark:
Unconstrained

Strategic Public
Equity investment
mandate

Ticker:
GHS

Mid-price

FUND MANAGERS

Tony Dalwood Fund Manager, Investment Committee Chairman
23 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
25 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.

TOP TEN SHAREHOLDINGS¹

	£m	Shareholding in company %	Portfolio NAV %
IMImobile plc	£7.4m	4.8%	17.6%
Augean plc	£5.2m	7.0%	12.4%
Northbridge Industrial Services plc	£5.1m	10.6%	12.2%
BeHeard	£3.0m	9.0%	7.0%
MJ Hudson	£2.3m	1.0%	5.5%
Tax Systems plc	£1.5m	2.1%	3.5%
Escape Hunt	£1.4m	8.1%	3.4%
Centaur Media plc	£1.4m	2.1%	3.3%
Private & Commercial Finance Group plc	£1.0m	1.4%	2.4%
Swallowfield plc	£0.9m	2.3%	2.1%
Other investments	£3.1m		7.4%
Cash & other working capital items	£9.7m		23.1%
Total NAV	£42.1m		

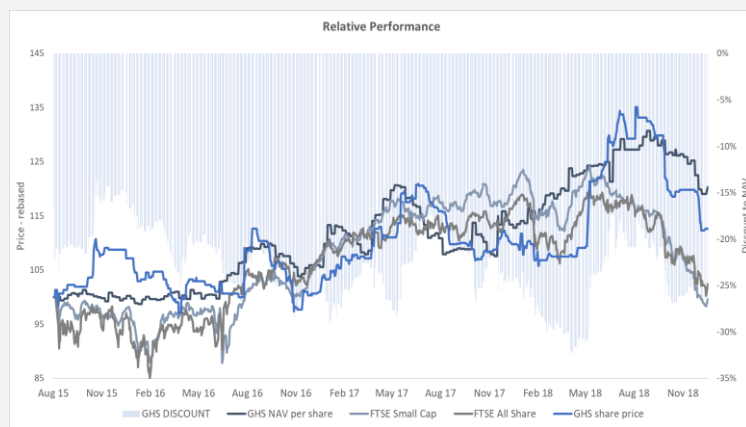
1. Top ten holdings are shown as at 31 December 2018 using mid-price data. Investments in Northbridge, BeHeard and MJ Hudson include equity and convertible loan notes

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 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 17 AUG 2015 – 31 DEC 2018

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



Performance	2018 Q4	Since inception
GHS NAV total return	-5.3%	24.5%
FTSE All Share total return	-10.2%	15.9%
FTSE Small Cap total return	-12.1%	11.2%
Relative performance		
vs FTSE All Share total return	4.9%	8.6%
vs FTSE Small Cap total return	6.8%	13.3%

1. 28 September 2018 to 31 December 2018
2. Inception 14 August 2015

MARKET COMMENTARY

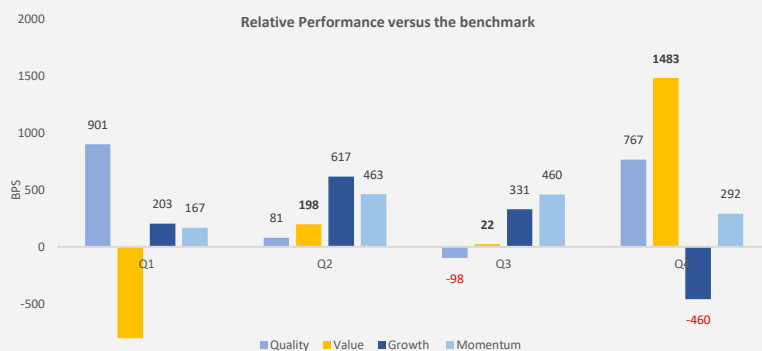
It was an unnerving and at times volatile final quarter of 2018 for global equity markets, and the UK AIM and Small-cap markets were punished particularly hard. An emerging global recessionary narrative coupled with at times farcical Brexit negotiations in the UK, drove most equity indices into bear market territory - the UK AIM and Small-cap indices ended the year 22.4% and 13.9% respectively off their 52-week highs. A number of economic indicators have turned sluggish over the past six weeks, challenging the lofty valuations that many equities had already been struggling to justify for the past 12 months and vindicating our selective approach that we discussed in the interim results earlier this year.

The declines were initially led by the technology sector, which had held the loftiest of valuations in recent years. However, in the UK market the baton has been passed on to consumer discretionary and ultimately across all sectors, highlighting growing investor concerns about the state of the UK economy in the run up to Brexit. The profits warning and trading update from ASOS in December summarised the climate neatly; a revenue miss at the top line and significant margin erosion on what revenue they generated. There is a strong likelihood that this negative outlook will increase into Q1.

At a time of weakening economic data, politicians are not helping and investor concerns about Brexit soared in 2018 according to Schroders' annual Adviser Survey, completed by more than 400 financial advisers from across the UK¹. Consequently, investors should expect continued market volatility over the next 3-6 months until there is greater clarity around the outcome and whether the Federal Reserve's implied rate-rise path shallows or even ends.

1. Schroders
2. finnCap data as at 07 December 2018

More positively for our shareholders, in terms of investment style, there have been interesting changes in direction throughout 2018. 'Growth' has been the real casualty of the Q4 market sell-off versus its performance at the start of the year (and for most of the past decade) and has been closely followed by 'Momentum'. The best relative performer by some distance has been Value, having previously been the laggard. This is encouraging for investors in GHS as we have a more 'value oriented' portfolio of investments which is core to our approach. We would argue that some of the stronger performance this year can be attributed to this emerging change in backdrop and we anticipate this trend extending into next year as a decade-long dominance of growth and momentum investing comes to an end.



Source: finnCap data as at 18 December 2018, benchmark defined as the average of the AIM All Share and FTSE Small Cap

INVESTMENT MANAGER'S REPORT

We are pleased to report to our shareholders that the quarter ended with GHS as the best performing UK Small Cap Investment Trust for the year and with a performance which would have placed it as the best performer amongst all 49² open ended funds in the IA UK Smaller Companies sector, outperforming the peer group average by 24.8%. Whilst our NAV declined 6% to 1188.1p in the final quarter of 2018, this was against a backdrop of significant market declines and our outperformance against the indices increased in the quarter. In the calendar year to 31 December 2018, the total return NAV per share is up 8.9%, the FTSE All Share and FTSE Small Cap (excluding Investment Trusts) declined -9.5% and -13.8% respectively on a total return basis in the same period.

Following a number of realisations in the past nine months, we currently hold investments in 16 UK companies (10>2.0% NAV) with 23% of the portfolio in cash. We are evaluating some interesting opportunities both in our toehold investments and new ideas pipeline for 2019 – while remaining cautious at this stage in the cycle.

Given our concentrated, actively managed portfolio of value investments that is roughly a third cash, we feel well positioned versus the market for the final quarter of the financial year to March 2019. Investment theses in some of our key holdings started to gain traction over the summer and we expect this to resume once market volatility subsides; notably in Northbridge, Augean, Tax Systems and IIMobile.

Centaur Media (CAU)

This quarter we were pleased to see a start of the strategic change we identified in our original investment thesis - the company announced it would be putting three non-core assets up for sale with the aim of returning realised cash to investors.

3. FT Adviser, as at 23 November 2018
4. Gresham House calculations
5. Gresham House calculations based on Centaur expectations

The three assets compose c.35%⁴ of the current business, but the company expects to generate >70%⁵ of the current market cap from the disposals - reflecting the value opportunity we have cited for some time.

This process will leave a focused marketing business that we believe would have clear strategic value to a larger peer or private equity house. We are therefore confident that the new strategy will lead to a profitable outcome for our shareholders.

Northbridge (NBI)

The Northbridge recovery story remains ongoing, enabling brokers to increase their PBT forecasts for 2020 and 2021 in October, driving the share price as high as 150p - double our original entry price of 75p and, leaving our CLN comfortably in the money (125p exercise price) whilst it continues to pay our 8% coupon.

Whilst the share price has since retreated, performance in the current year remains strong, and we look forward to the company's traditional trading update in Q1 for further reports on progress. The management seems confident of achieving forecasts.

The company's interim results in September were positive and corroborated the emerging recovery story we have cited to shareholders over the past 12 months. The JV in Malaysia appears to be a particular highlight, providing sufficient confidence for the company to invest a further \$4m into rental tools to meet anticipated demand from the JV and elsewhere in what seems to be a smart deal. The assets were bought out of receivership. This should enhance return on capital metrics in future, as the tools have a replacement cost of \$11m.

Quarto (QRT)

The situation at Quarto has stabilised somewhat compared to relative to the dramatics of the first half 2018, and we feel our close engagement with the company's previous and current management, as well as introducing Andy Cumming to join the Board (now Chairman) has helped the company achieve this during a difficult period.

It was pleasing to see the company announce a two-year extension of terms with its banks in October, where we believe Andy's background was critical in facilitating this. The announcement helped steady the share price. We hope this will now enable the company to start to focus on commercial activities and operations after a distracting six months.

We maintain a close dialogue with major shareholder and director CK Lau ensuring that we are close to the company and can offer support on any future strategic decisions and protect the interests of our shareholders. Our ultimate aim is to recover value, as we remain convinced there is value in the business, albeit that we will likely need to be patient.

Equity markets remain challenging, and we anticipate ongoing workstreams to support some of our existing investments through this period. We are encouraged by some of the opportunities the current indiscriminate market declines are creating for the cash we have in the portfolio. The portfolio and NAV feel well positioned relative to the market and for this reason, we remain optimistic for the performance of the fund.

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, mergemarket.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. 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. Previously Head of UK Wealth Management at Rothschild Asset Management.

IMPORTANT INFORMATION:

This factsheet (the "factsheet") is issued by Gresham House Strategic Plc ("GHS") for information purposes only. Its contents and any information provided may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose, without the consent of GHS. Acceptance of delivery of any part of the Factsheet by you constitutes unconditional acceptance of the terms and conditions of this notice. This factsheet does not itself constitute an offer to subscribe for or purchase any interests or other securities. It is not intended to be relied upon as the basis for an investment decision, and is not, and should not be assumed to be, complete. It is provided for information purposes only. Any investment is subject to various risks, none of which are outlined herein. All such risks should be carefully considered by prospective investors before they make any investment decision. You are not entitled to rely on this factsheet and no responsibility is accepted by GHS or any of its directors, officers, partners, members, employees, agents or advisers or any other person for any action taken on the basis of its content. No undertaking, representation, warranty or other assurance, express or implied, is made or given by or on behalf of GHS or any of its respective directors, officers, partners, members, employees, agents or advisers or any other person as to the accuracy or completeness of the information or opinions contained in this Presentation and no responsibility or liability is accepted by any of them for any such information or opinions. Past performance is not indicative of future results. The value of investments may fall as well as rise and investors may not get back the amount invested. Changes in rates of foreign exchange may cause the value of investments to go up or down. No representation is being made that any investment will or is likely to achieve profits or losses similar to those achieved in the past, or that significant losses will be avoided. Prospective investors should seek their own independent financial, tax, legal and other advice before making a decision to invest. The internal rates of return or IRRs presented on a "gross" basis do not reflect any management fees, carried interest, taxes and allocable expenses of the kind that will be borne by investors in a fund, which in the aggregate may be substantial. Prospective investors are reminded that the actual performance realised will depend on numerous factors and circumstances some of which will be personal to the investor. Statements contained in this factsheet that are not historical facts are based on current expectations, estimates, projections, opinions and beliefs of GHS. Such statements involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. In addition, this Factsheet contains "forward-looking statements." Actual events or results or the actual performance of the Fund may differ materially from those reflected or contemplated in such forward-looking statements. Certain economic and market information contained herein has been obtained from published sources prepared by third parties and in certain cases has not been updated to the date hereof. While such sources are believed to be reliable, neither GHS nor any of its directors, partners, members, officers, employees, advisers or agents assumes any responsibility for the accuracy or completeness of such information. No person, especially those who do not have professional experience in matters relating to investments, must rely on the contents of this Factsheet. If you are in any doubt as to the matters contained in this factsheet you should seek independent advice where necessary. This factsheet has not been submitted to or approved by the securities regulatory authority of any state or jurisdiction. For the Attention of United Kingdom Investors: This factsheet is intended for distribution in the United Kingdom only to persons who: (i) have professional experience in matters relating to investments, who are investment professionals, high net worth companies, high net worth unincorporated associations or partnerships or trustees of high value trusts, and investment personnel of any of the foregoing (each within the meaning of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005). For the Attention of Investors outside the United Kingdom: This factsheet relates to an Alternative Investment Fund within the meaning of the Alternative Investment Fund Managers Directive and the availability of this Factsheet will be subject to registration in relevant jurisdictions as described in the documents relating thereto. Any dissemination or unauthorised use of this Factsheet outside the United Kingdom by any person or entity is strictly prohibited.

CONTACT

Investment Manager: Gresham House Asset Management Ltd (GHAM)

Annual Management fee: 1.5%

Performance fee: 15.0% over a 7.0% hurdle

Shares in issue: 3,555,330 (as at 31 December 2018, there are no shares held in treasury)

Stock Exchange Ticker: GHS

Sally Savery
Senior Marketing Manager
s.savery@greshamhouse.com
0203 903 0552

Graham Bird
Fund Manager
g.bird@greshamhouse.com
0203 837 6270