

Quarterly Factsheet

Q4 – December 2017



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:

1114.7p*

Benchmark: Unconstrained
Ticker: GHS

Share price:

845.4p**

Strategic Public Equity
investment mandate

* As of 29 December 2017.

** Mid price as of 29 December 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).

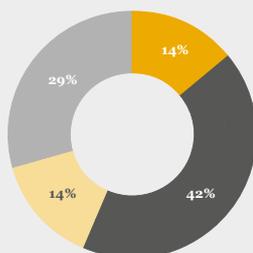
Graham Bird Fund Manager, Investment Committee Member
20 years of investment, advisory and operating experience. Previously Executive Chairman of paybyphone (a subsidiary of paypoint plc), Director of Strategic Investments at SVGIM and a Director within the Corporate Finance department at JP Morgan Cazenove.

SIGNIFICANT INVESTMENTS*

	£m	% shareholding in Company	% of portfolio NAV
IMImobile plc	17.1	12.0	40.7
Be Heard Group plc	4.4	9.5	10.4
Northbridge Industrial Services plc	2.7	11.4	6.5
MJ Hudson	2.1	n/a	5.0
Miton Group plc	1.7	2.6	3.9
Centaur Media	1.4	2.1	3.2
Tax Systems plc	1.3	2.1	3.1
Quarto Group plc	1.2	4.4	3.0
Escape Hunt plc	1.2	4.6	2.9
SpaceandPeople plc	1.0	16.2	2.3
Other Investments	3.6		8.8
Cash and Other Working Capital Items	3.0		10.2
Net Asset Value	40.7		

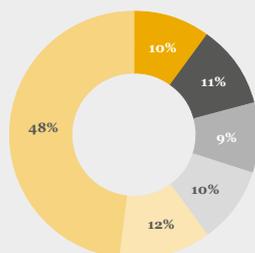
* As of 29 December 2017. Top ten holdings are shown.

Mkt Cap breakdown



■ Cash and other net assets*
■ £100 – £150m
■ £50 – £100m
■ £0 – £50m

Sector analysis



■ Cash
■ Consumer
■ Financial Services
■ Industrial and Engineering
■ Media
■ Software and Computing

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

SHARE PRICE PERFORMANCE

14 AUGUST 2015 – 29 DECEMBER 2017

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



Performance	Q4 (%)	Q3 (%)	Q2 (%)	Q1 (%)	YTD ¹ (%)	Since inception ² (%)
GHS NAV	3.7	-6.7	7.5	2.8	6.9	12.8
FTSE Small Cap	2.0	2.8	1.7	5.4	12.4	20.7
FTSE All Share	4.2	1.2	0.2	2.9	8.7	17.2
Relative performance						
vs FTSE Small Cap	1.7	-9.6	5.8	-2.6	-5.5	-7.9
vs FTSE All Share	-0.5	-7.9	7.3	-0.1	-1.8	-4.4

1 To 29 December 2017.

2 First NAV release on 14 August 2015 to 29 December 2017, most recently announced NAV.

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.

MARKET COMMENTARY

The final quarter of 2017 was one defined by eventual progress on Brexit and the global growth story. The FTSE All-Share rose 5.0% in the final 3 months of the year and the International Monetary Fund (IMF) upgraded its global growth forecast for 2017 from 3.2% to 3.6% reflecting improved expectations for the global economy¹.

Commodities and Equities were both stand-out performers – with Oil & Gas a particularly strong sector; sentiment was driven by the generally favourable economic conditions and positive data for natural resources demand that emerged in the period, particularly from China. The Gold-to-Copper ratio which we have tracked and referenced through 2017 continued its downward trajectory into December to a 3-year low, supporting general positive sentiment towards global growth. The Oil & Gas sector was buoyed further as OPEC agreed to extend its production caps through to the end of 2018 and this fed through to crude prices, which are now trading around 3-year highs. Crude price stability above the psychologically important \$50/barrel level has provided the sector with a stronger footing and this has been reflected in share price performance and results of oil-services companies; we await the year-end numbers and outlook statement from Northbridge, an important portfolio investment, with interest. Another key data-point

– the US 10-year yield, has continued to tick upwards and now trades above 2.50% – its highest in 9 months.

The domestic environment continues to be dominated by Brexit. As pressures from UK businesses and lobby groups for greater clarity and progress on Government policy began to build, Theresa May personally intervened in negotiations as the December EU Council summit loomed. Following two visits to Brussels by the Prime Minister in seven days, analysts and businesses alike saw some of the progress they had been hoping for with the EU Council giving Michel Barnier permission to move negotiations onto trade and the future relationship. The subsequent strengthening of Sterling at the end of November and the FTSE All-Share rally through December are testament to the importance of this progress.

Despite the more downbeat outlook in the UK relative to the global economic environment (primarily driven by Brexit uncertainty), the weakness in Sterling following the Brexit vote has effectively given the UK a one-off pricing advantage on exports just as global GDP and demand for goods and services is starting to tick up. This dynamic is playing out, particularly whilst the UK maintains access to the Single Market as the exit and a transition deal are negotiated. Whilst a weaker Sterling has impacted domestic inflation and eroded consumer

spending power, UK exporters are neatly positioned to take disproportionate advantage of the improving environment. Some possible early evidence of this can be found in the recent UK Industrial Production data, which expanded 3.9% YoY in the 3 months to the end of November² and 40% of manufacturers are now planning to expand³ – the most optimistic outlook since 2014.

Gold to Copper Ratio/US 10 year Yield⁴



¹ Source: Bloomberg & IMF data as at 11 January 2018

² Financial Times 'UK manufacturing expands for 7th consecutive month' 10 January 2018

³ EEF British Manufacturing Survey 10 January 2018

⁴ Source: Bloomberg data as at 11 January 2018

INVESTMENT MANAGERS REPORT Q4 2017

The portfolio ended the year positively with encouraging NAV performance in the quarter. However, opportunities for value enhancement remain and there is significant work to be done within some of our holdings to deliver on milestones and drive value. Both Quarto and BeHeard fall into this category, leaving plenty of opportunity for the pipeline in the new year. The NAV performance through to mid-December was particularly strong, +8% to 1144p driven primarily by the investment in IMI Mobile & recovery in Quarto before ending the quarter at 1114.7p (+3.7%).

At the end of the calendar year, the portfolio contained investments in 18 companies, two of which include investments in high yielding convertible loan notes in addition to ordinary equity. Our stated strategy is to have a portfolio in which 10-15 investments comprise c.80% of the NAV of the portfolio. As at 29 December our 10 largest company investments represented 83.6% of the NAV. Cash, net of accruals, comprised a further 7.5%.

IMI Mobile

It has been a pleasing quarter for IMI as the share price began to recognise some of the intrinsic value of the business – value that we have argued for two-years the markets had overlooked. There were some key catalysts in the quarter that helped invigorate the share price to recognise some of this value; two well-received,

modestly sized but earnings enhancing acquisitions; and the secondary placing of Tosca's stake in the company which cleared a perceived overhang on the shares. This drove the shares to re-rate from c.200p to c.250p and is now our strongest performing investment to date. Management has built a strong record of successfully investing resources and we now see the allocation of the significant cash on the company's balance sheet between returns to shareholders and further investment in growth as the next catalyst for the share price and remain in constructive engagement with the company around how this could be facilitated.

Northbridge

It has been a muted quarter for the Northbridge share price as the interim results were digested by the market, with little news flow from the company since their publication at the end of September. Nitin Kaul, who joined the board earlier in 2017, has now had a chance to bed-in and is supporting the company as an NED, particularly in the far east with his industry experience and contacts. The JV with Olio launched on 1 October is now well underway and we look forward to news on the initial progress with the full-year results towards the end of Q1 2018. In the absence of direct news flow, sector news and data has been encouraging with strength in the Crude price and rig count in the O&G market

dovetailed by the stronger global industrial outlook, as well as GDP data discussed in our market commentary. We remain closely engaged with the Board on operational and corporate initiatives to support the business and realise the intrinsic value of the company.

Augean – New Investment

Augean is a new investment in the portfolio which we have built during a complicated period for the company as it faces an HMRC investigation on tax liabilities in the complicated area of taxation due on various classes of industrial waste. The announcement of this eroded a significant portion of the market cap, with the share price falling from 60p to c.25p. We were familiar with Augean, although had not previously held shares and the current issues facing the business provided us with an attractive opportunity to build an initial position in the company following some internal due diligence on the potential liability, as well as Augean's business model and asset base. We note the changes to the Board as well as the significant position taken by Harwood Capital with whom we have a positive relationship and are now engaged with the company and fellow shareholders on maximising cash generation whilst the tax investigation is brought to a conclusion.

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.

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 29 December 2017)

Stock Exchange Ticker: GHS

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