

# Gresham House Strategic plc

## Q3 Factsheet - 30 September 2020

**Investment mandate:** Strategic Public Equity (SPE) targets 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 process is based on private equity disciplines including a team approach and an investment committee. 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. The SPE team has managed five consecutive funds since 2003, including GHS, following the SPE strategy and these on average have outperformed by 11.5% per annum.<sup>1</sup>

### Key facts as at 30 September 2020

NAV per share: 1,208.8p  
 Mid-price: 982.50p  
 Benchmark: Unconstrained  
 Investment mandate: Strategic Public Equity  
 Ticker: GHS

### Fund information

Annual management fee: 1.5%  
 Performance fee: 15.0% over a 7.0% hurdle  
 Shares in issue: 3480,884 (as at 30 September 2020, there are no shares held in treasury)

### Investment Managers

#### Richard Staveley

Fund Manager

Over 20 years' experience in Public Equity. Previously at Majedie, River & Mercantile (Founder) and Societe Generale.

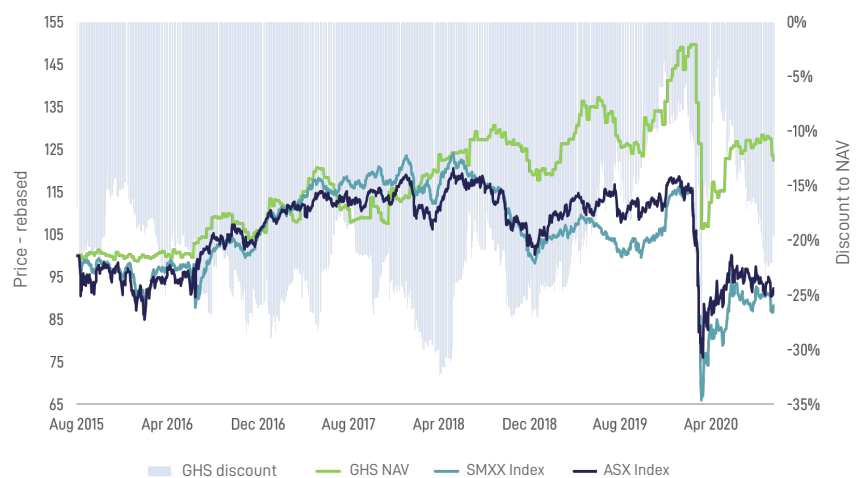
#### Tony Dalwood

Fund Manager, Investment Committee Chairman

Started Gresham House Asset Management in 2015. CEO of Gresham House plc. Over 25 years' experience in Public and Private Equity. Previously at PDFM and CEO at SVG Advisers.

### NAV per share relative performance

14 August 2015 - 30 September 2020 (Appointment of Gresham House and adoption of SPE investment mandate in August 2015).



Performance	Q3 2020 <sup>2</sup>	Since inception <sup>3</sup>	1 year	3 years	5 years
GHS NAV Total Return	-1.7%	29.9%	-1.3%	17.7%	29.7%
FTSE Small Cap Total Return	-1.7%	1.8%	-12.7%	-19.0%	5.4%
FTSE All Share Total Return	-2.9%	10.6%	-16.5%	-9.3%	18.6%
AIC UK Smaller Companies Sector Rank	-	-	12/25	5/24	12/25

Source: Bloomberg and AIC.co.uk (NAV TR) as at 30 September 2020

The figures shown in the table above relate to past performance. Past performance is not a reliable indicator of future performance and should not be the sole factor in considering whether to invest in a product or strategy.

### Market Commentary

After one of the fastest post-crash stockmarket rallies in history in Q2, it was reasonably inevitable a period of reflection would emerge. Whilst ongoing massive monetary stimulus will continue, the level of fiscal support is under scrutiny both in the US and UK. An emerging 'second-wave' of cases and subsequent government restrictions weighed on UK market sentiment, alongside ongoing Brexit negotiations and accelerating business restructuring, closures and unemployment. Stylistically 'growth' investing momentum continued with the dispersion in returns with 'value' factors at all-time highs. A reversal could have significant implications for consensus investors and historically has been rapid. Evidence of genuine overexuberance in the US builds, whether it be the valuation of recent IPO Snowflake, or indeed Zoom.

The UK's lack of relative excitement and the lure of momentum overseas has turned the eye of many investors, which is creating the conditions for an outstanding medium-term entry point into UK equities. We note that Trade buyer and Private Equity activity has begun picking up, a trend likely to continue if the valuation anomalies remain in the UK.

### Capital at risk:

The value of investments may fall as well as rise and investors may not get back the original amount invested.

Investments in smaller companies may carry a higher degree than risk that investments in larger, more established companies.

1. Average annual outperformance against FTSE Small Cap (excluding Investment Trusts) Index across 5 funds totalling £221m spanning periods from 2003 - 2019. Performance measured over life of fund/period relevant to the investment team's involvement. For existing funds, performance data is to 31 December 2019

2. 30 June 2020 - 30 September 2020

3. Inception 14 August 2015 - 30 September 2020

Top ten shareholdings <sup>4</sup>	£m	Shareholding in company	Portfolio NAV
Augean plc	£10.8m	6.1%	25.6%
Northbridge Industrial Services plc	£4.5m	11.8%	10.7%
RPS Group plc	£2.6m	2.1%	6.1%
The Lakes Distillery Company plc	£2.5m	-	5.9%
ULS Technology	£2.4m	6.6%	5.6%
Fulcrum Utility Services Ltd	£2.3m	2.8%	5.5%
Flowtech Fluidpower	£2.2m	4.8%	5.2%
Van Elle Holdings plc	£2.1m	5.5%	4.9%
Pressure Technologies plc	£1.8m	15.2%	4.2%
Centaur Media plc	£1.7m	5.9%	4.1%
Other investments	£5.3m	-	12.9%
Cash and other working capital items	£3.9m	-	9.3%
<b>Total NAV</b>	<b>£42.1m</b>		

4. Top ten holdings shown as at 30 September 2020 using bid-price data. Investments in Northbridge include equity and Convertible Loan Notes (CLN)

5. As at 30 June 2020

## Investment Manager

### Gresham House Asset Management Ltd (GHAM)

The operating business of Gresham House plc, GHAM manages funds and co-investments across a range of differentiated alternative investment strategies for third-party clients. The company is built on a long term investment philosophy and applies private equity techniques to due diligence and investment appraisal.

Gresham House plc (ticker: LON:GHE) is a London Stock Exchange quoted specialist asset manager with c.£3.3 billion<sup>5</sup> in assets under management.

## Investment Manager's Report

The portfolio overall drifted following the strong rebound in Q2. Sentiment soured to UK equities during the quarter which was reflected in a widening of the discount of the share price to NAV, which fell by 8% in the quarter. However, the NAV declined much less; -2.6% compared to the total return for the FTSE All-Share of -2.9% and FTSE Small Cap -1.7%. Some of our investments significantly outperformed, namely Ted Baker, Fulcrum Utility Services and Van Elle Holdings. However, there was broader weaknesses, particularly in our investments with some oil & gas exposure, Pressure Technologies and Northbridge Industrial Services. Portfolio company updates during the period were all, at least, in line with our expectations.

In previous factsheets this year, we highlighted that the current crisis had transformed the pipeline overnight for this active, value conscious, medium-term strategy. At the end of Q3, c.35% of the portfolio is now represented by investments made during the COVID-19 crisis with a further c.9% of cash, ready for any future opportunities – all of the investments made offer target returns in excess of 2.5x as we were able to capitalise on the market volatility and liquidity crisis faced by listed companies.

We have also been busy on the fund's interim roadshow in September and shareholders can find the latest presentation, which contains more detailed information on the portfolio [here](#).

### RPS Group plc (new investment)

We were able to add another core holding to the portfolio in September, participating in the £20m liquidity raise by RPS and built a c.6% weighting in the fund in the process. RPS is an environmental planning and consultancy business serving the infrastructure, energy and construction markets, tapping into some key growth drivers such as urbanisation, infrastructure spend and renewables. Our investment case centres around operational improvements driving margin recovery to sector averages, a repaired balance sheet and, following post-COVID recovered sales levels and improved organic growth delivery. There has been significant consolidation activity in the sector. RPS was two years into this turnaround under a new management and Board, with green shoots emerging just as COVID struck. The fundraise has allowed us to gain exposure to the upside that the earnings recovery can deliver after much of the 'heavy lifting' has already been undertaken.

### Northbridge Industrial Services plc

Like most companies, COVID-19 created an overnight liquidity issue for Northbridge, resulting in the Board requesting an extension to our Convertible Loan Notes which were due for repayment in the summer of 2021. In order to appropriately respond to this request, we initiated a scenario modelling process as well as engagement with the Chairman and Executive team in April. This concluded with

an extension of the loan note term in return for a reduction of strike price of the loan notes from 125p to 90p and it was also announced that Stephen Yapp would join the Board. Stephen has a wealth of knowledge and experience in turnaround situations and fleet businesses, as well as recovery situations such as Journey Group, where significant shareholder value was recovered after a market shock.

### Fulcrum Utility Services plc

Fulcrum has been another investment that became a core position during the COVID crisis at attractive valuations and has quickly started to deliver returns for the fund. Having identified a value opportunity based on potential to dispose of utility assets and recover margins while growing the top line, we started engaging with the company pre-Christmas and purchasing shares. This process accelerated during lockdown and the investment is emerging as a clear 'COVID winner' as Fulcrum is a direct play on the push for net-zero and a green recovery. The company specialises in designing and constructing electricity connections such as EV charging points, smart meters, housing developments and infrastructure as well as fibre optics. Over the next five years we envisage earnings growth supplemented by return of cash to shareholders from disposals to drive our investment returns.

## CONTACT

Richard Staveley, Fund Manager  
r.staveley@greshamhouse.com  
020 3837 6276

Mark Harper, Marketing Director  
m.harper@greshamhouse.com  
020 8187 3515

## JOINT BROKER - finnCap & Panmure

Mark Whitfield  
mwhitfield@finncap.com  
020 3772 4697

Tom Scrivens  
tom.scrivens@panmure.com  
020 7886 2648

## Important information

This factsheet is distributed by Gresham House Asset Management Limited (Gresham House) which is authorised and regulated by the Financial Conduct Authority (FCA) as investment manager for Gresham House Strategic plc. Its registered office is at 5 New Street Square, London EC4A 3TW. All information in this factsheet has been provided to you for information only. Whilst the information in this factsheet has been published in good faith no representation or warranty express or implied, is made by Gresham House or by any other person as to its accuracy or completeness and it should not be relied on as such. Gresham House and its affiliates assume no liability or responsibility and owe no duty of care for any consequences of any person acting in reliance on the information contained in this report or for any decision based on it. Gresham House does not undertake to provide the recipient with access to any additional information or to update this factsheet or to correct any inaccuracies therein which may become apparent. This factsheet should not be construed as, investment advice, an investment recommendation or investment research nor as containing any tax, legal or other advice. Investors are reminded that 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. Funds investing in smaller companies may carry a higher degree of risk than funds investing in larger companies. The shares of smaller companies may be less liquid than securities in larger companies. This factsheet is not intended as, nor should it be taken to be, an offer or solicitation with respect to the purchase or sale of any security or interest in any jurisdiction. Before investing you should read the Prospectus, and the Key Information Document (KID) available from [www.strategiequity.greshamhouse.com](http://www.strategiequity.greshamhouse.com) as they contain important information regarding the Gresham House Strategic plc fund, including charges, tax and fund specific risk warnings. Prospective investors should seek their own independent financial, tax, legal and other advice before making a decision to invest. 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. This factsheet is intended for distribution in the United Kingdom only. Any dissemination or unauthorised use of the factsheet by any person or entity is strictly prohibited.