



**Gresham House**  
*Specialist asset management*

# Strategic Equity Capital plc (SEC.LN)

## Q3 2020

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October 2020



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# STRATEGIC EQUITY CAPITAL PLC (SEC)

*Application of private equity techniques to public small companies*

- Differentiated strategy with highly concentrated portfolio, deep research focus and engaged approach
- Genuine small cap - a structurally overlooked part of the market
- Quality company focus with low turnover and long term investment horizon
- Small-cap specialists with significant public and private equity expertise leveraging Gresham House broader platform and network
- Recent changes to Investment Manager and Team with objective to drive performance and close discount to NAV

**Specialist equity fund targeting absolute returns (15% IRR) over the medium term.**

**Low correlation to market and peers.**

**Defensive characteristics. Tendency to outperform in weaker markets.<sup>1</sup>**

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1. <http://performance.morningstar.com/funds/cef/ratings-risk.action?t=SEC&region=gbr&culture=en-US&ownerCountry=USA>

# OUR TEAM

## Investment team led by Ken Wotton



### Ken Wotton

Managing Director, Public Equity

- Over 20 years' experience in AIM and other listed investments
- Fund Manager for Gresham House UK Micro and Multi Cap funds
- Previously at Livingbridge



### Adam Khanbhai

Investment Director

- Over 12 years' investment experience
- Previously at GVQ and OC&C Strategy Consultants
- Joined Gresham House in 2020



**Brendan Gulston**  
Investment Director



**Richard Staveley**  
Managing Director



**Laurence Hulse**  
Investment Manager



**Paul Dudley**  
Corporate Finance



### Anthony Dalwood

Investment Committee Chair

- Started Gresham House Asset Management in 2015
- CEO of Gresham House plc
- 25 years' experience in public and private equity
- Previously CEO of SVG Advisers and SVGIM

## Resource platform



Portfolio talent

Data analytics



Powerful network

Deal execution



Operating Partners

Sales and Marketing



Research/analysis

Finance and Operations



## Wider Strategic Equity team

Bevan Duncan  
Steve Cordiner  
Thomas Makey  
Henry Alty

James Hendry  
Mackenzie Travers  
Maya Ward

## Operating partners

**Hazel Cameron**  
Head of Portfolio Talent

**Tamer Ozmen**  
Technology Operating Partner

## Investment Committee

**Anthony Dalwood (Chair)**  
Ken Wotton  
Bruce Carnegie-Brown

Graham Bird  
Richard Staveley  
Tom Teichman

# EXECUTIVE SUMMARY

- **Resilient performance Q3 and YTD in challenging and volatile environment**
  - Q3 NAV/share increased by 0.4%<sup>1</sup>; the FTSE Small Cap ex IT index (“the index”) decreased by 1.7%<sup>1</sup>
  - YTD NAV/share is -15.9% vs -22.2% for the index
- **Portfolio holdings largely resilient; valuations remain depressed**
  - Majority of holdings have demonstrated resilient trading over the last 6 months; balance sheets are robust and long term investment theses remain intact even where short term headwinds exist
- **Ken Wotton appointed as Fund Manager of SEC, alongside Adam Khanbhai, with Anthony Dalwood continuing to chair Investment Committee**
- **SEC provides compelling opportunity for long term fundamental investors**
  - UK smaller companies are at multi-year lows, both relative to larger companies and on an absolute basis
  - Uncertain macroeconomic outlook and COVID-related policy choices creating significant volatility. Attractive conditions for strategy; good pipeline of opportunities but diligence and selectivity critical

1. On a total return basis

Source: PATAAC, Bloomberg, as at 30 September 2020

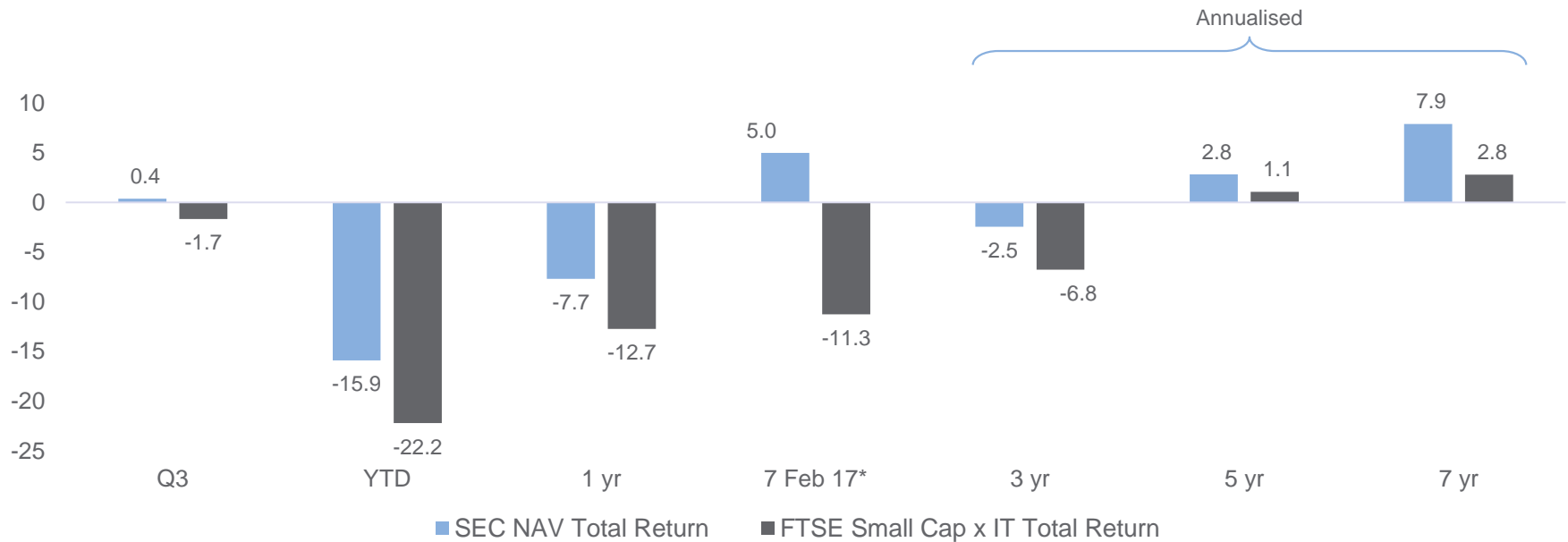
**Past performance is not necessarily a guide to future performance.**

**Portfolio investments in smaller companies typically involve a higher degree of risk.**

# GRESHAM HOUSE REVIEW PROCESS & CHANGES

- **Review complete** - Gresham House has concluded a detailed review of all aspects of the portfolio and investment process since March
- **Portfolio changes** - will be repositioned over 6-12 months:
  - Smaller average market capitalisation
  - Higher average equity stake
  - Increased level of proactive constructive engagement in line with investment strategy
- **Key changes** - evolutionary and maintain the key SEC investment philosophy and process:
  - Ken Wotton appointed as Fund Manager working alongside Adam Khanbhai; Jeff Harris stepping down to pursue other interests
  - Ken brings a private equity background (10+ years at Livingbridge) and a strong track record (see appendix) applying a private equity approach to investing in smaller public companies
  - Gresham House Public Equity team restructured under Ken's leadership, providing additional resource to SEC
  - Investment Committee oversight will remain in place, chaired by Anthony Dalwood
  - Capture knowledge, insight and talent synergies across the Gresham House Strategic Equity divisional investment team, wider Gresham House platform and public/private equity network

# PERFORMANCE









- Strong relative performance YTD in weak and volatile market environment
- New investment in Inspired Energy, a B2B energy services specialist. Gresham House funds have been invested in Inspired since IPO in 2011. Supported placing to de-gear balance sheet and provide capital for acquisitions to consolidate market further
- Material realisation in Ergomed following c.70% increase in share price over Q3. Capital redeployed in existing holdings at attractive valuations, in particular Hyve, Medica and Benchmark. Post period end exited positions in 4Imprint (+21.8% IRR) and Numis (+2.5% IRR)
- Pipeline of attractive opportunities; focus on £100-250m market cap segment. Continue to be highly selective

Chart source: Unaudited Bloomberg, PATAc, as at 30 September 2020  
 1. Comparator index FTSE Small Cap ex Investment Trusts Total Return  
 2. On a total return basis  
 \* Lead Manager change

**Past performance is not necessarily a guide to future performance.**  
**Portfolio investments in smaller companies typically involve a higher degree of risk.**



# Q3 ATTRIBUTION ANALYSIS






Positive attribution			Negative attribution		
Company	% pts	Comment	Company	% pts	Comment
	+2.8	<ul style="list-style-type: none"> <li>Strong interim results with organic growth +18% and order book +22% in the period; further upgrades to consensus for FY</li> <li>Continues to execute on strategy and is well positioned long term</li> <li>Share price up almost 70% in period; position materially reduced</li> </ul>		-1.9	<ul style="list-style-type: none"> <li>Weak interim results, albeit in line with post-COVID downgraded expectations; cost savings ahead of guidance.</li> <li>Headwinds from cuts to base rate and low levels of corporate actions (IPOs, M&amp;A, dividends)</li> <li>Ongoing engagement with the Board of Directors and other shareholders</li> </ul>
	+1.3	<ul style="list-style-type: none"> <li>No news in period following in line results in June; share price volatile over period</li> <li>Believe resilience and quality of the business is underappreciated</li> </ul>		-1.8	<ul style="list-style-type: none"> <li>In line final results; cash generation of £85m in H2 following weak H1. Forecasts and mid-term guidance unchanged</li> <li>Weak share price due to H2 weighting expected in FY21 and net debt &gt;2.0x</li> <li>Clinigen trades on &lt;8x FY22 PE for 5-10% organic growth and 20%+ EBIT margins</li> </ul>
	+1.2	<ul style="list-style-type: none"> <li>Interim results show smaller COVID impact than feared and robust balance sheet</li> <li>Strong trading update post period end showing LFL growth in Q3 prompting double digit upgrades</li> <li>Director buying in period</li> </ul>		-1.3	<ul style="list-style-type: none"> <li>Uncertain outlook due to impact of COVID on events industry; share price volatile driven by concern re balance sheet and prospects for return to 'normal' activities</li> <li>Company has balance sheet to trade into at least Q4 2021 even if no events run. Cost savings ahead of target. Insurance payments of £22m received. Up to £92m further payments; not in guidance</li> <li>Director buying in period</li> </ul>

Source: Attribution estimates based on Bloomberg Portfolio Analytics as at 30 September 2020, Numis, Bloomberg, company reports

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**Portfolio investments in smaller companies typically involve a higher degree of risk.**



# TOP 10 HOLDINGS<sup>1</sup> - INVESTMENT THESES






Company	% of NAV	Investment thesis
 Healthcare	11.8%	<ul style="list-style-type: none"> <li>Leading positions in unlicensed medicines and territories without access to healthcare treatments; an acyclical structurally growing market</li> <li>High barriers to entry built through M&amp;A and organic investment</li> <li>Attractive growth and cash flow potential</li> <li>Significant potential medium-term upside with Proleukin</li> </ul>
 Industrials	8.0%	<ul style="list-style-type: none"> <li>Market leader in residential and commercial window and door manufacturing</li> <li>Building activity in end markets remains far below long-term levels</li> <li>Multiple self-help opportunities under new management to improve ROCE; de-gearing should drive a re-rating</li> </ul>
 Technology	7.7%	<ul style="list-style-type: none"> <li>International provider of student administration software with market leading positions in the UK, Australia and NZ</li> <li>Strong defensive characteristics with high visibility of earnings and entrenched position with customers</li> <li>Transition to cloud-based platform will improve recurring revenues and margins</li> </ul>
 Support services	7.0%	<ul style="list-style-type: none"> <li>Leading 'challenger' brand in the pensions administration and advice market with organic market share opportunity following industry consolidation</li> <li>Highly defensive - high degree of revenue visibility and largely non-discretionary, regulation driven client activity</li> <li>Below market rating despite favourable cash flow characteristics</li> </ul>
 Support services	7.0%	<ul style="list-style-type: none"> <li>Market leader in defensive share services and regulated technology markets</li> <li>Potential to grow through cross-sell, penetrating the North American market and through self-help</li> <li>De-gearing and cash flow demonstration required to drive a re-rating</li> <li>Precedent M&amp;A in this sector given financial characteristics</li> </ul>

As at 30 September 2020

1. Top 10 holdings representing c.67% of NAV

Past performance is no guarantee of future performance and the value of investments can go down as well as up

# TOP 10 HOLDINGS<sup>1</sup> - INVESTMENT THESES

Company	% of NAV	Investment thesis
  Technology	6.8%	<ul style="list-style-type: none"> <li>A niche market leader in the UK teleradiology sector which is acyclical and is growing rapidly driven by increasing healthcare requirements and a structural shortage of radiologists</li> <li>Above market organic growth and underappreciated cash generation characteristics</li> <li>A better defined strategy and expansion of offering under the new CEO and CFO</li> </ul>
  Media	5.1%	<ul style="list-style-type: none"> <li>International provider of B2B data and training in the compliance, insurance, financial and healthcare sectors</li> <li>New Chair, CEO and CFO incentivised to re-focus the business and deliver a return to organic growth</li> <li>Greater focus on the portfolio and clarity of strategy will aid growth in profit and cash flow and drive a re-rating</li> </ul>
  Financials	4.9%	<ul style="list-style-type: none"> <li>UK focused wealth management platform; structural growth given continuing transition to self-investment</li> <li>Opportunity to leverage operational investments to grow margin and continue strong cash flow generation</li> <li>A consolidating market; opportunity for Brooks as both predator and prey</li> </ul>
  Healthcare	4.4%	<ul style="list-style-type: none"> <li>Specialised pharmaceutical business focusing on mature, out of patent OTC and prescription medicines</li> <li>Highly cash generative business model with limited capital requirements</li> <li>Demonstrable value creation from acquisitions, with recent products improving organic growth profile</li> <li>Recent corporate and product M&amp;A creates a strategic platform for future growth and cash generation</li> </ul>
  Healthcare	4.3%	<ul style="list-style-type: none"> <li>Global leading provider of specialist products to the shrimp and salmon farming industry including aquaculture genetics (eggs and brood stock), high performance nutritional solutions and sea lice treatments</li> <li>Leading IP and significant barriers to entry. High value-add segments of structural growth aquaculture industry</li> <li>Strategic and operational self help re unprofitable vaccine activities. Recent Board and management change</li> </ul>

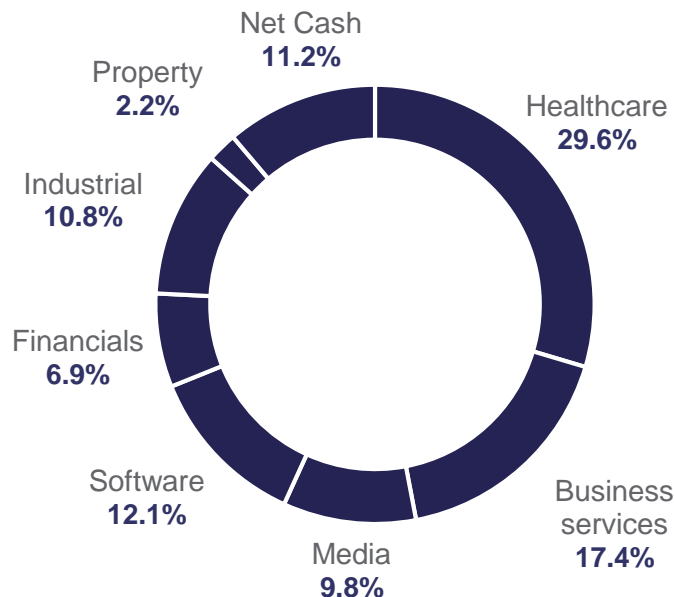
As at 30 September 2020

1. Top 10 holdings representing c.67% of NAV

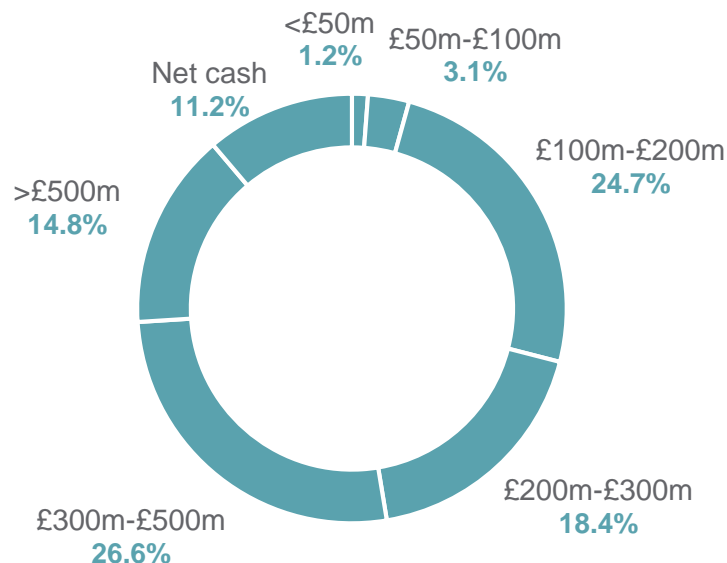
Past performance is no guarantee of future performance and the value of investments can go down as well as up

# HIGHLY CONCENTRATED & UNCONSTRAINED PORTFOLIO

## Sector exposure by value



## Value by market cap band



- Sector exposure is an output rather than input. We favour industries with strong structural growth features and companies with attractive business models and financial characteristics
- A highly concentrated portfolio with a focus on smaller companies. We believe this part of the market remains under-researched, accentuated by MiFID II, with good opportunities for active managers

Source: Bloomberg as at 30 September 2020

Past performance is no guarantee of future performance and the value of investments can go down as well as up

# PORTFOLIO CHARACTERISTICS

## Portfolio vs Small Cap Index

- High quality companies trading at discount to historic valuation range and precedent M&A
- Targeting profit recovery & accelerating earnings growth
- Opportunity for rating expansion
- Accelerated cash generation/de-gearing
- Catalysts for de-risking

Portfolio weighted avg. metrics vs. index Based on next financial year (i.e. FY21)		
	SEC Top Ten <sup>1</sup>	FTSE Small Cap
Price to Earnings	11.2x	8.2x
EV: Sales	1.9x	1.0x
EV: EBITDA	7.9x	6.8x
Net debt: EBITDA	1.2x	3.7x

## Valuation vs Historic Trading Range

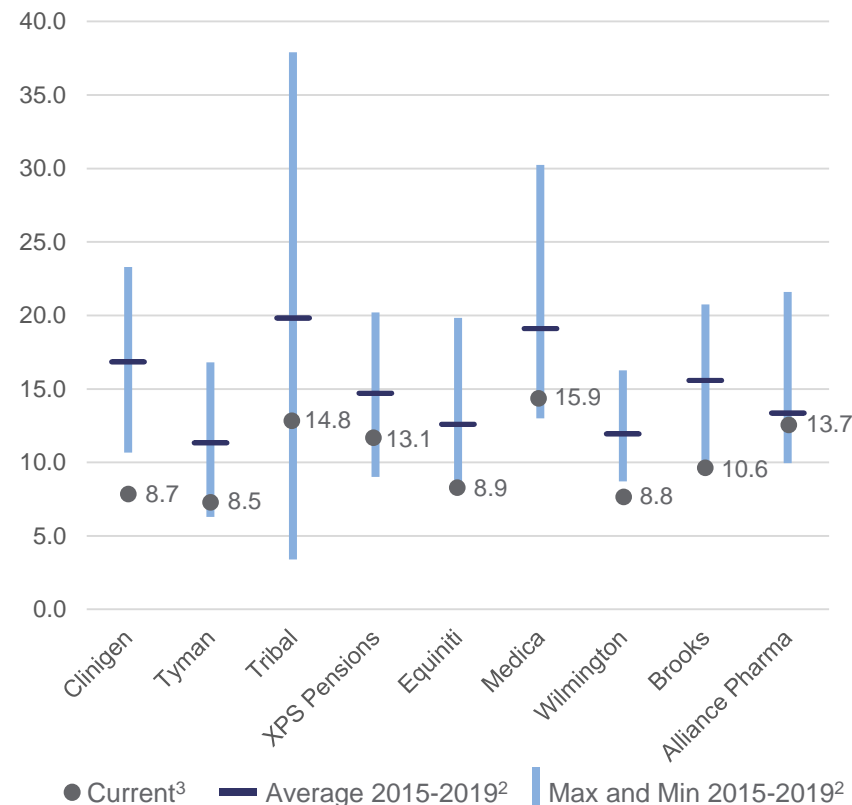


Table source: Bloomberg and Gresham House data as at 16 October 2020

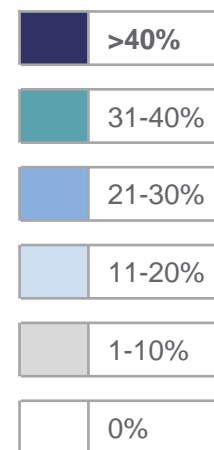
1. Weighted average of top ten portfolio holdings, excluding Benchmark, representing c.63% of NAV

2. Based on 2015-2019 NTM PE Ratio (where available); Source: Bloomberg (19 October 2020)

3. Based on current consensus PE Ratio for next year (i.e. FY21 in most cases); Source: Bloomberg (19 October 2020)

# MORNINGSTAR SMALL CAP INVESTMENT TRUST OVERLAP ANALYSIS

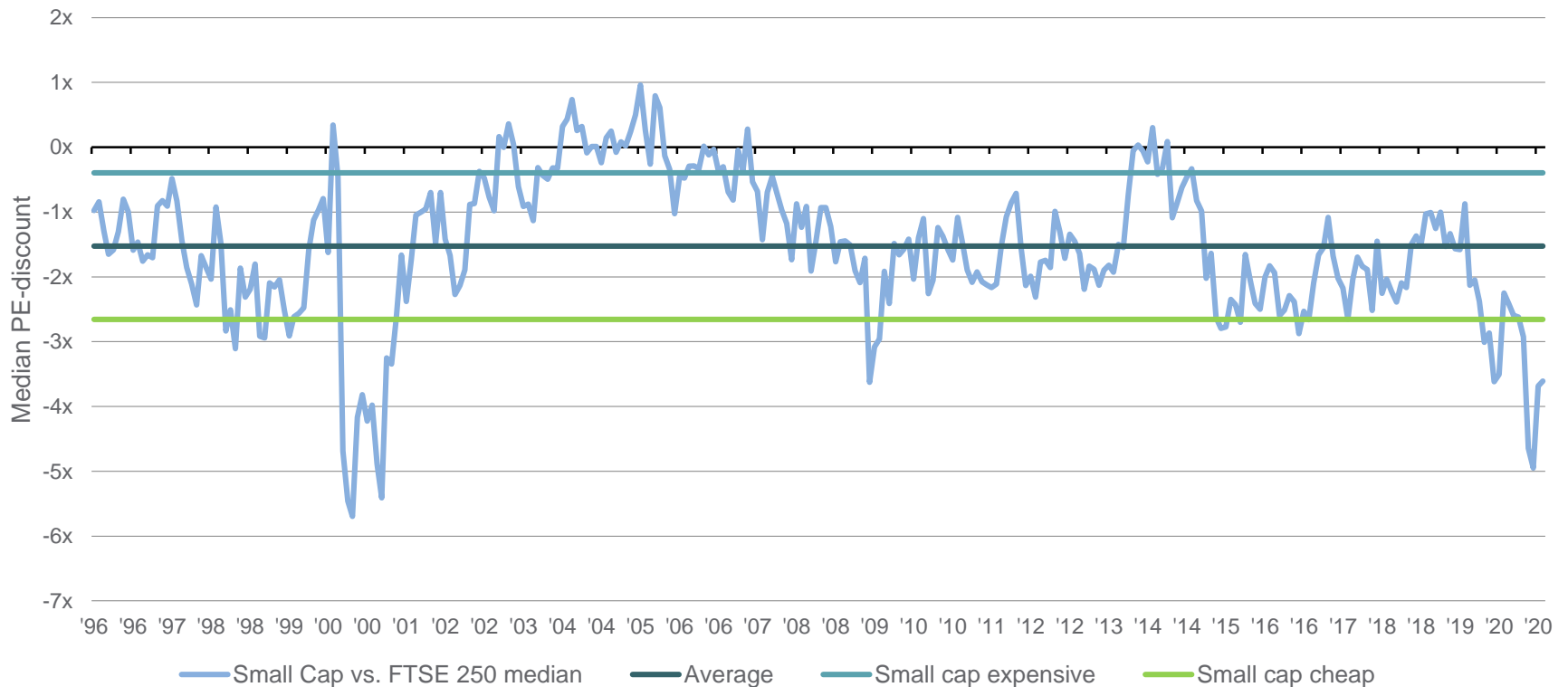
	ASL	BRSC	THRG	GHS	HSL	IPU	JMI	MINI	MTU	OIT	SLS	SEC
ASL		9%	4%	0%	15%	15%	10%	2%	3%	4%	3%	2%
BRSC	9%		62%	0%	30%	21%	32%	2%	22%	0%	24%	2%
THRG	4%	62%		0%	38%	20%	39%	0%	27%	0%	35%	2%
GHS	0%	0%	0%		0%	0%	1%	0%	0%	0%	0%	0%
HSL	15%	30%	38%	0%		32%	28%	1%	16%	1%	25%	5%
IPU	15%	21%	20%	0%	32%		24%	0%	20%	5%	26%	6%
JMI	10%	32%	39%	1%	28%	24%		0%	15%	0%	31%	3%
MINI	2%	2%	0%	0%	1%	0%	0%		1%	0%	0%	0%
MTU	3%	22%	27%	0%	16%	20%	15%	1%		4%	41%	3%
OIT	4%	0%	0%	0%	1%	5%	0%	0%	4%		0%	10%
SLS	3%	24%	35%	0%	25%	26%	31%	0%	41%	0%		1%
SEC	2%	2%	2%	0%	5%	6%	3%	0%	3%	10%	1%	



**A differentiated approach with limited overlap with other smaller company investment trusts**

As at 30 September 2020 - using latest reporting available from Morningstar  
Source: Winterflood

# SMALL-CAP DISCOUNT



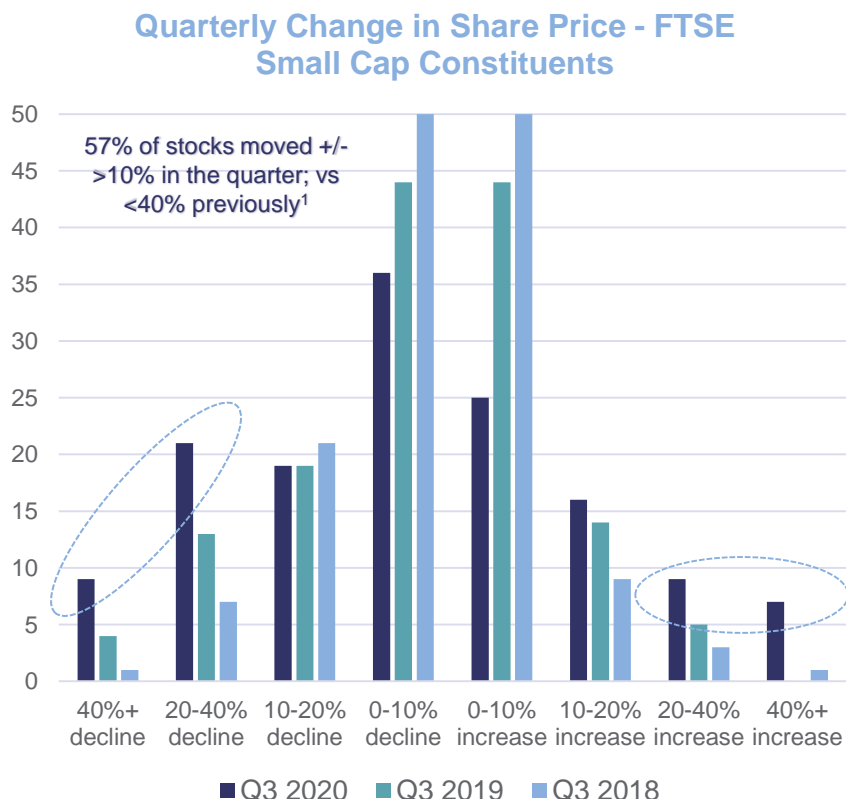
- Small caps are trading at multi-year discounts relative to larger companies
- We believe this is owing to concerns over liquidity, perceived risk and a reduction in resources devoted to this area of the market – this provides a distinct opportunity for our strategy in our view

Sources: Liberum, 1 October 2020

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# THE MARKET OPPORTUNITY

## Market Volatility Creates Opportunity



Source: Bloomberg 16 October 2020

1. Stocks in FTSE Small Cap ex Investment Trusts Index; share price movement in Q3 2020 vs Q3 2019 and Q3 2018

## Portfolio and Pipeline Themes

### Healthcare and Pharmaceutical Services

- Structural growth in global healthcare spend
- Trend to outsource non-core service provision / support
- Increasing role for technology-led solutions

### Pensions and Savings

- Increase in complexity of requirements and regulations
- Ageing population; increasing need for investment solutions

### Regulation and Compliance

- Growing regulatory burden across all white collar sectors
- Need for accurate, auditable and cost effective solutions; often technology-led



### Pipeline Opportunities & Recent Investments

- Continue to focus on long term structural themes
- Differentiated B2B 'winners' facing short term headwinds
- Selective market leading niche consumer businesses
- ESG considerations applied



# CONCLUSION & OUTLOOK

- **COVID-19 uncertainty** - likely to drive continued market volatility in the short term
- **Macroeconomic environment** - economic conditions are fragile and vulnerable to shocks
- **UK small and micro-cap valuations are attractive** - focus on fundamentals and corporate liquidity
- **Opportunity** - the current discontinuity offers high potential to unearth attractive long-term investment opportunities
- **Focus** - our investment strategy is focused on finding quality niche companies that are well positioned to grow despite economic uncertainty
- **Engagement** - our “Strategic Public Equity” constructive engagement approach can support companies to deliver shareholder value
- **Rigour and discipline** - we have a structured and disciplined process designed to insulate us from macro and external factors that might affect companies’ performance



# APPENDIX

# FUND OVERVIEW

Strategic Equity Capital plc	
Shares in issue <sup>1</sup>	63,296,844
Governance	London Stock Exchange listed, UK domiciled investment trust, independent Board
Corporate broker	Investec
Discount control	Authorisation to purchase 14.99% of own shares for cancellation or to be held in treasury
Continuation vote	Annual
Gearing	Up to 25% of net assets. At present, the policy is 'no gearing'
Fees	Management fee of 0.75% of the Company's NAV Performance fee of 10% above rolling three year FTSE Small Cap (ex IT) total return + 2% p.a., subject to high watermark
Analysts	Alan Brierley (Investec), Simon Elliot (Winterflood), Ewan Lovett–Turner (Numis)
Investment policy	Up to 20% private, typically 15-25 holdings
Market makers	Investec, Winterflood, Numis

1. As at 30 September 2020

# INTRODUCING STRATEGIC PUBLIC EQUITY

*An alternative investment strategy that applies private equity investment processes to public companies*

Highly engaged strategy driving strategic, operational or management initiatives

Targeting inefficient areas of public markets

Thorough due diligence to identify value creation catalysts  
Leveraging our network of experts

Influential minority stakes

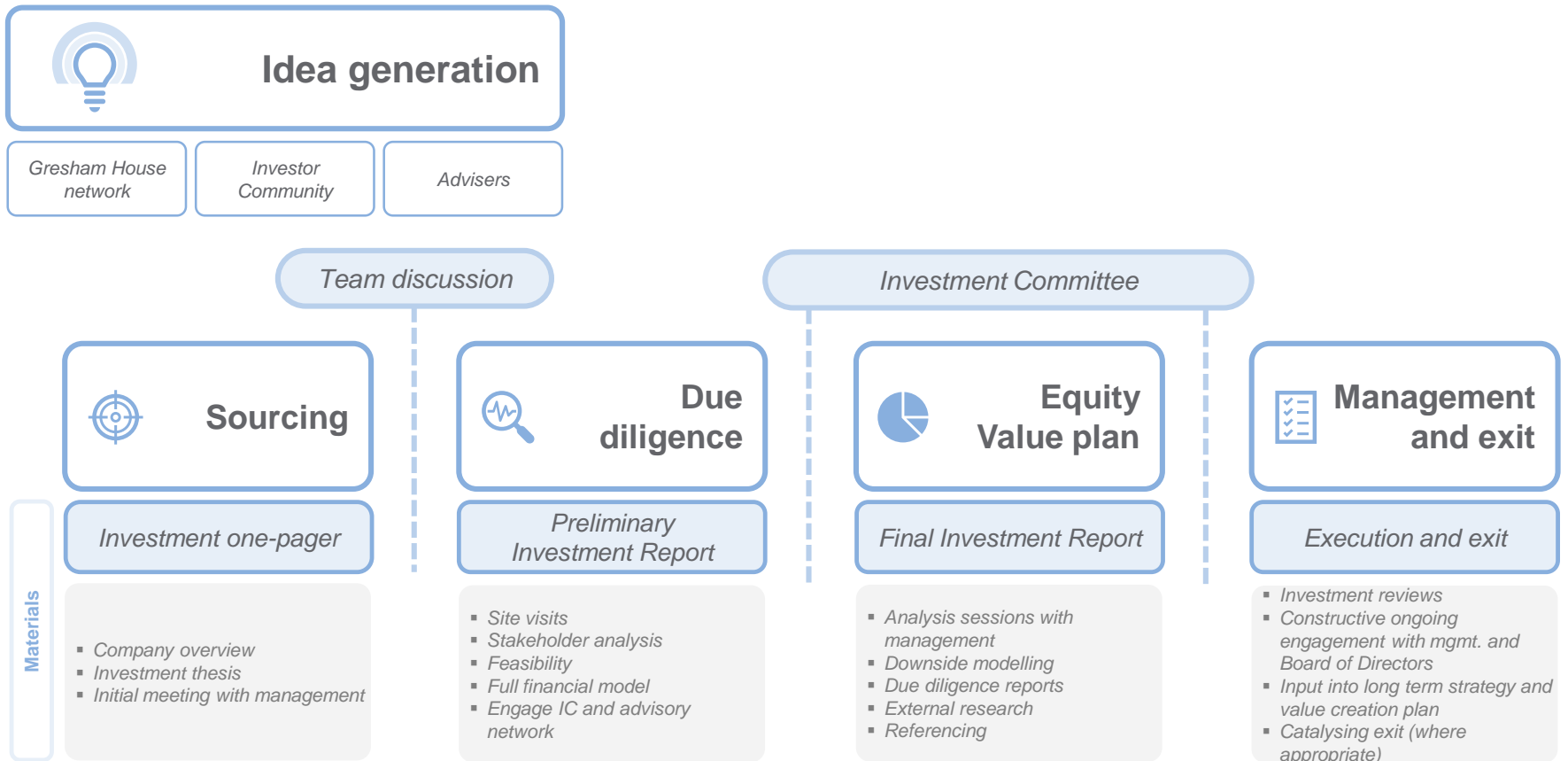
Focus on intrinsically undervalued, cash generative companies.  
A “value approach”

Concentrated & flexible mandate:  
up to 20% can be invested in unquoted

*Past performance is not necessarily a guide to future performance.  
Portfolio investments in smaller and/or unquoted companies typically involve a higher degree of risk.*

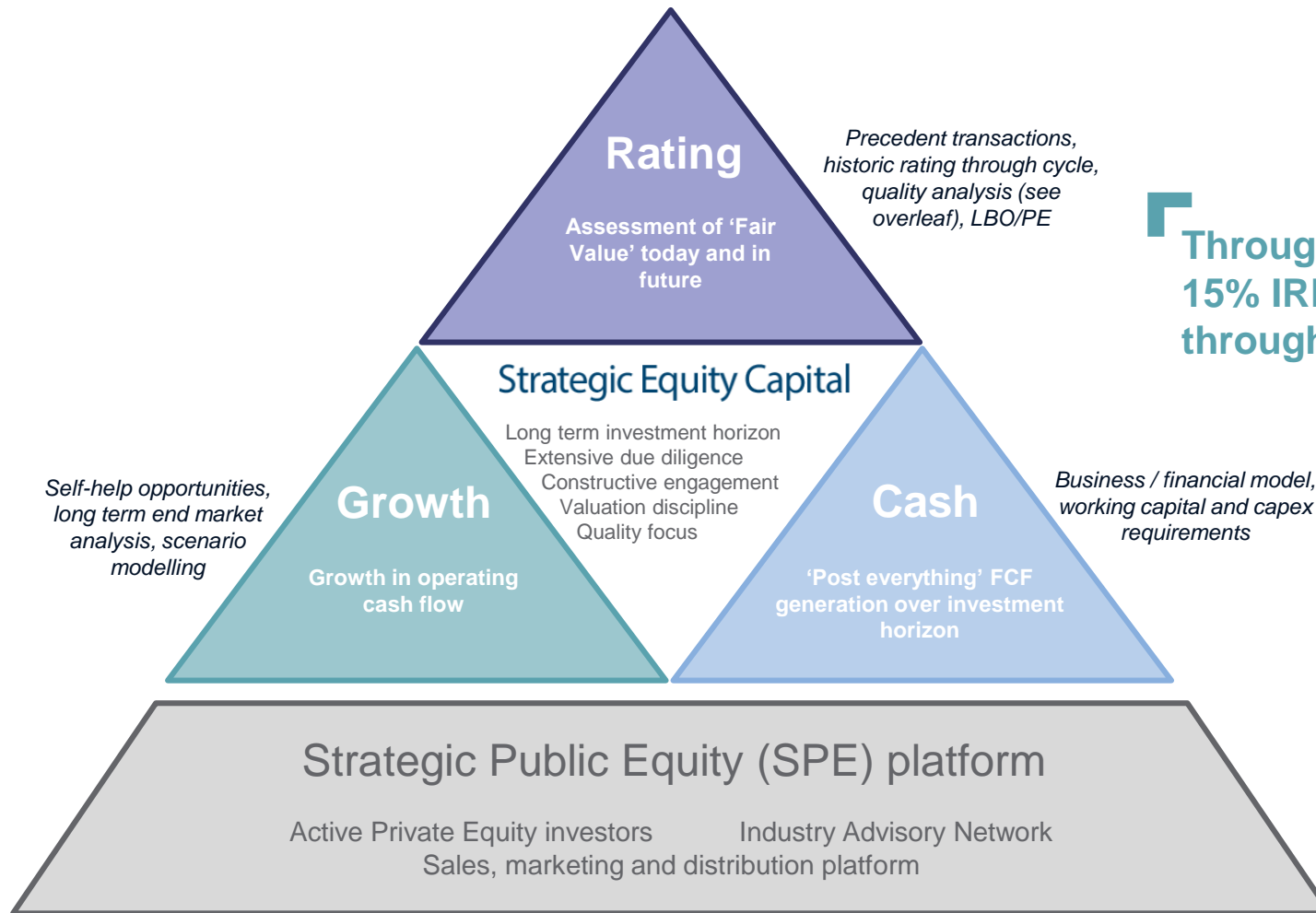
# PROCESS MODELLLED ON PRIVATE EQUITY

*Four stage investment process, with multiple touchpoints and Investment Committee input*



# FOCUS ON LONG TERM DRIVERS OF VALUE

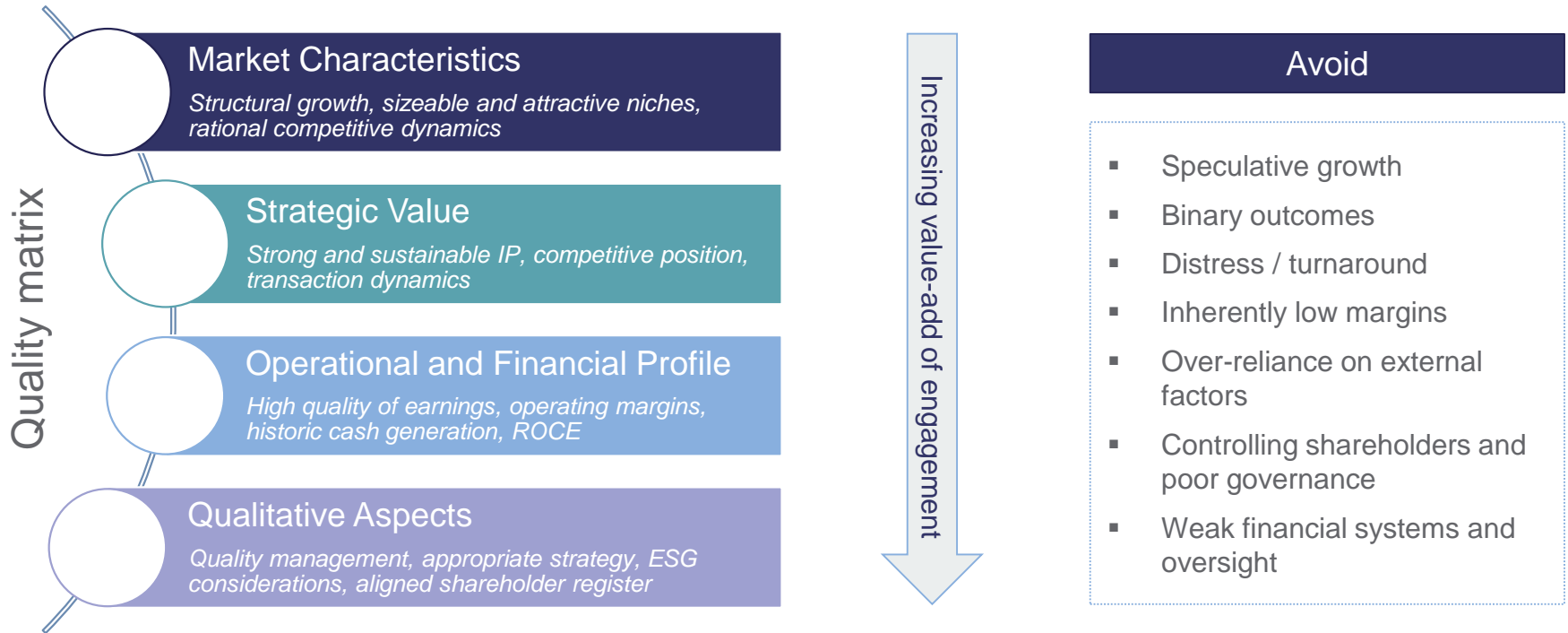
*Identifying multiple drivers of returns gives a stronger likelihood of achieving target investment returns*



# OUTPUTS OF INVESTMENT PROCESS

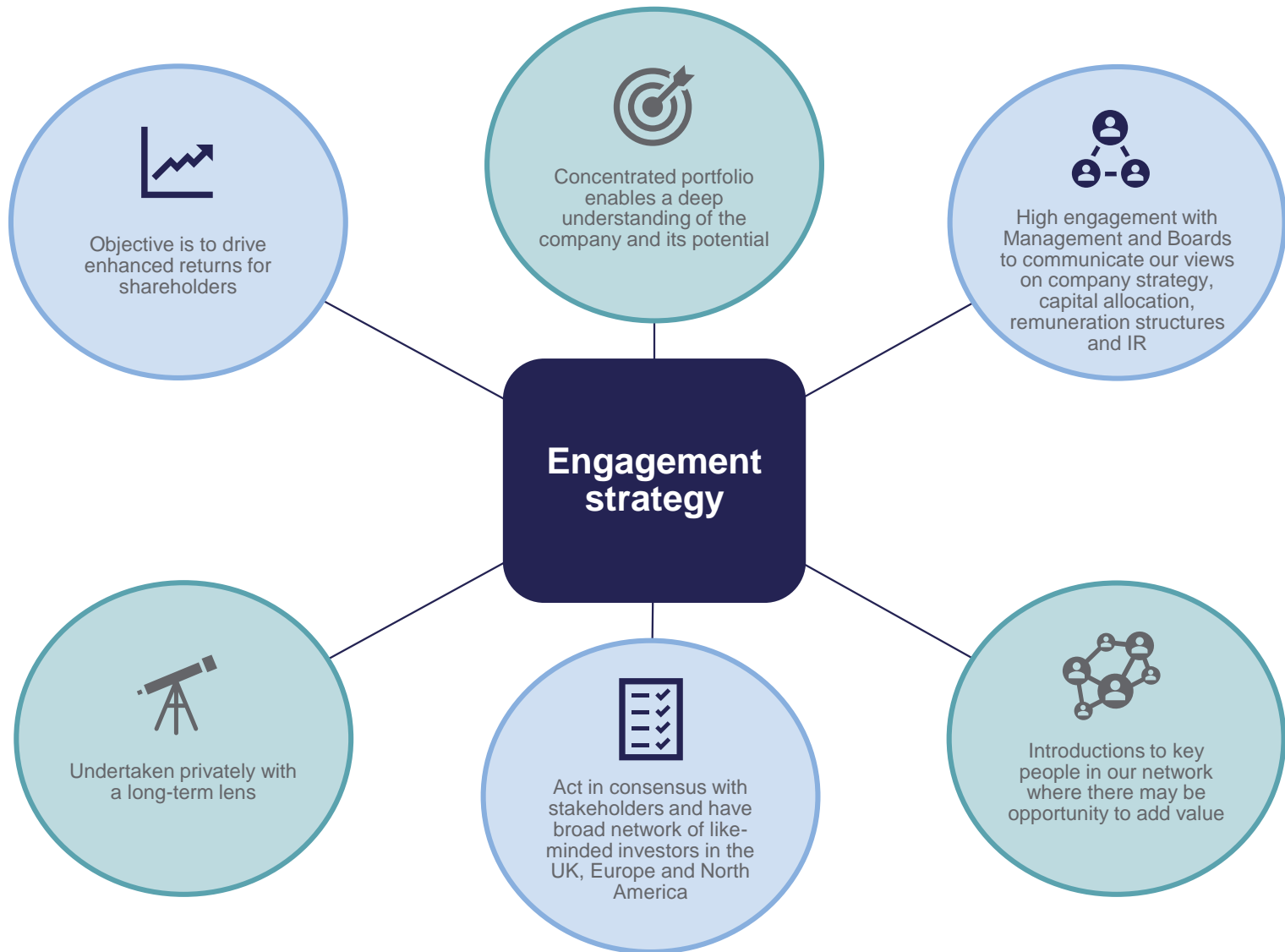
*Applying a private equity approach to public markets*

What do we look at?

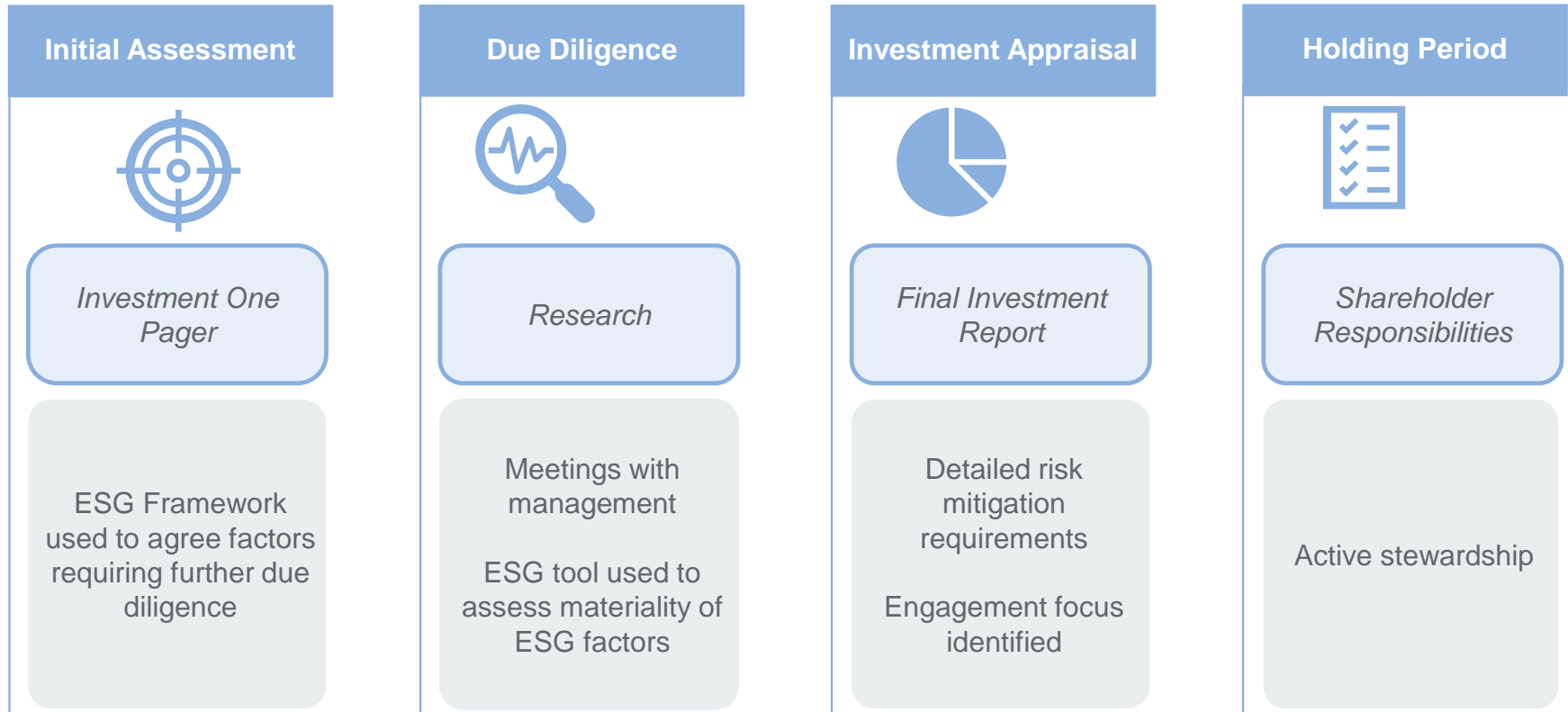




# ENGAGEMENT STRATEGY



# ESG IMPLEMENTATION: PUBLIC EQUITY



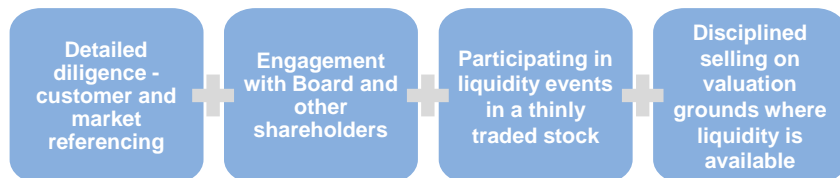
We are proud signatories to the following member organisations:

# ERGOMED EXISTING INVESTMENT

## Background

- Ergomed is a specialist pharmaceuticals company. It has two services businesses; Clinical Research Services and Pharmacovigilance (drug safety monitoring). It also has a products division co-developing early stage pharma assets
- Following a period of diligence, our interest grew following engagement with the new Chairman, Peter George who we knew well from Clinigen. We purchased our initial stake in a founder placing at 190p in April 2018 and scaled the position over the following months
- The two service businesses are high quality in our view with structural growth given the trend towards outsourcing in pharmaceuticals and attractive financial characteristics. Our view was the company should focus on these two divisions and cease co-development activities which delivered a low return on investment
- In the two years following investment, after initial challenges in managing growth, the company has upskilled management and the Board with strong sector experience from Chiltern, a CRO which was sold to Covance in 2017
- Earnings momentum has been strong as the company has focused on its core capabilities with strong cash generation allowing bolt-on M&A. This has led to a re-rating more in line with similar companies in the industry

### Value creation to realise intrinsic value



## Investment thesis

### Rating

On a SoTP basis, the two services business are worth mid-teens EBITDA multiples  
Re-rating from ceasing co-development and continued growth in services division

### Growth

Structural growth from outsourcing to specialists  
Increasing R&D investment (CRO) and regulation (PV)

### Cash

Capital-lite business model with high margins  
Net cash balance sheet

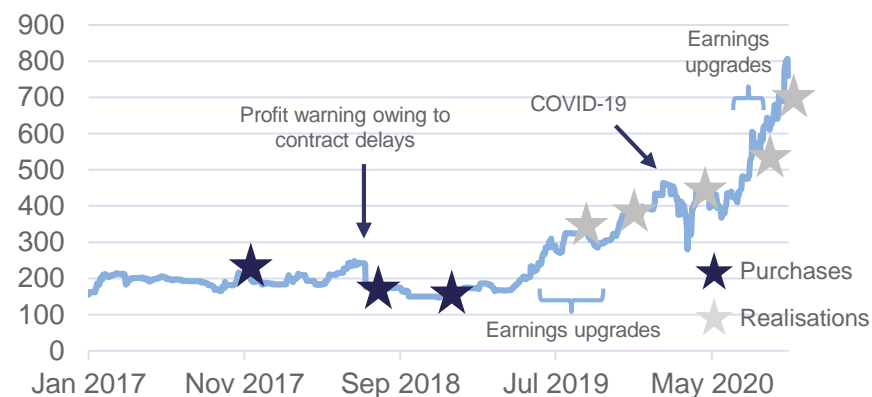


Chart source: Bloomberg, as at 30 June 2020

Case studies selected for illustrative purposes only to demonstrate investment strategy and are not investment recommendations.

# IFG GROUP TAKEOVER CASE STUDY

## Background

- On 25 March 2019, a recommended cash offer was made by Epiris Funds at 193p, a 46% premium to the closing share price, a trailing PE valuation of 21.4x. SEC owned 9.9% of the shares in issue
- The company's rating had been impacted by the aborted sale of Saunderson House in early 2018 and the emergence of a legacy issue (Elysian Fuels) and potential financial liability. Both were discrete and, in our view, didn't affect the long-term quality of the business and its end markets
- We commented as such in our FY18 Annual Report:  
*'Our view remains that the individual businesses... are independently more valuable than in the current group structure and than the prevailing share price suggests. Ongoing consolidation and an increasing incidence of listed peers in both the wealth management and platform industries demonstrate considerable valuation upside in our view.'*
- We presented our analysis and views to new management shortly after they joined in April 2018 and have been heavily engaged with the company's executive management team and Board with a view to maximising shareholder value

### Value creation to realise intrinsic value

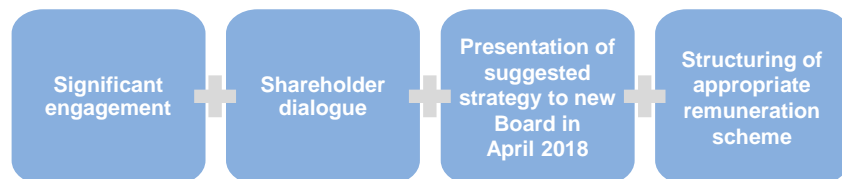


Chart source: Bloomberg, as at 30 September 2019

Case studies selected for illustrative purposes only to demonstrate investment strategy and are not investment recommendations.

## Investment thesis

### Rating

Severe dislocation to SoTP valuation based on precedent M&A and peer analysis  
Gap to close via a corporate solution

### Growth

Structural growth from pensions freedom and favourable demographic and regulatory drivers

### Cash

Well capitalised business and strong underlying cash generation  
Screens well on LBO basis

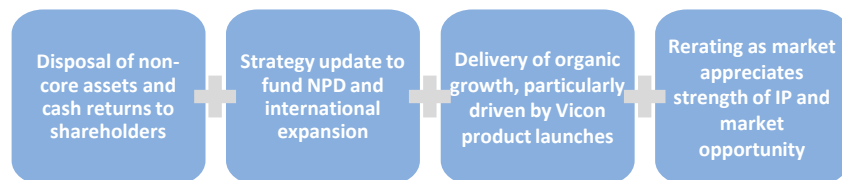


# OXFORD METRICS GROUP PORTFOLIO REALISATION CASE STUDY

## Background

- Oxford Metrics plc (ticker: OMG-LN) focuses on developing and commercialising image processing and location data technologies
- The company's IP is regarded as industry leading, particularly in its Vicon subsidiary that enables 3D motion capture for the entertainment, engineering and life sciences industries
- Due diligence process initiated in August 2014, and accelerated following the company's decision to focus on profitable divisions and monetise IP in loss making areas. Initial investment December 2014
- Ongoing engagement with Management and the Board. Scope for strategic improvement though divestment of sub-scale business units and focus on core activities
- Significant organic growth, rerating and cash generation over five year investment horizon. Sale of stake into market in Q4 2019 and Q1 2020 based on share price reaching our view of fair value
- We commend the Management team and Board of the company for consistently strong operational and strategic performance. An exceptional investment for SEC, generating an IRR of 34% and 2.3x money multiple over the course of 5+years

### Value creation to realise intrinsic value



Source: Bloomberg, as at 31 March 2020

## Investment thesis

### Rating

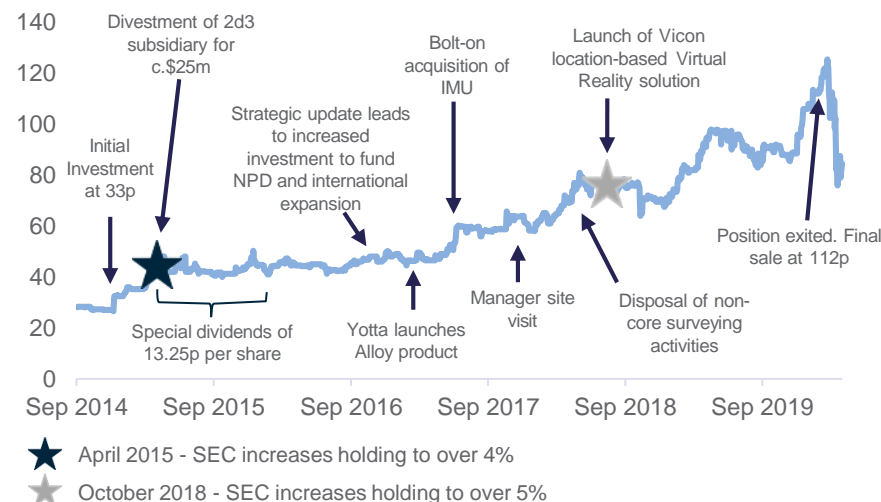
Underappreciated IP and quality of earnings. Headline valuation and financials misleading given loss making division; attractive SoTPs

### Growth

Strong market growth due to increasing utilisation and sophistication of motion capture technology

### Cash

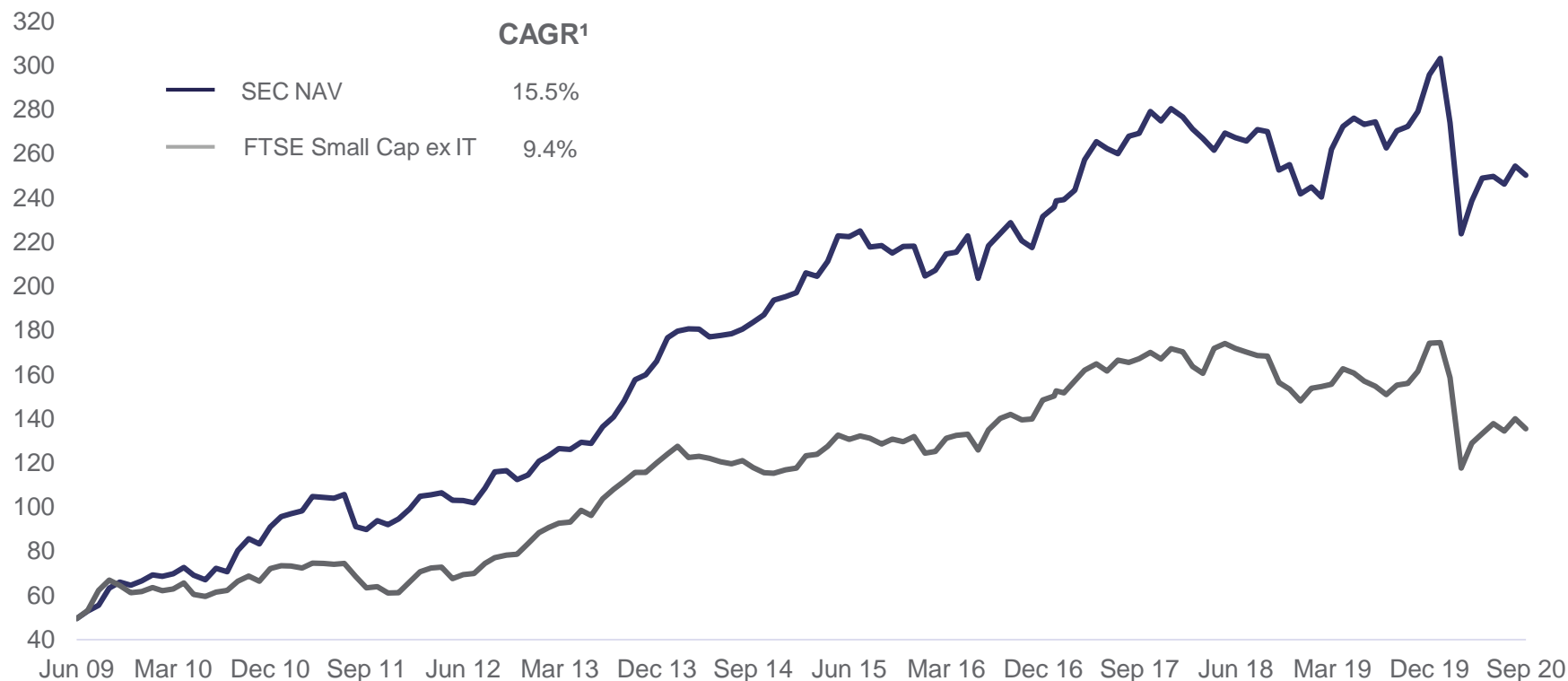
Cash generative with net cash balance sheet; potential for excess returns to shareholders



Case studies selected for illustrative purposes only to demonstrate investment strategy and are not investment recommendations.

# LONG-TERM TRACK RECORD

## Cumulative rebased total returns



**Strong cumulative performance since process improvements in June 2009. No use of gearing or derivatives**

Chart source: Bloomberg, PATAC as at 30 September 2020

Notes: Data rebased to SEC start NAV June 2009 1. CAGR: Compound Annual Growth Rate

Past performance is no guarantee of future performance and the value of investments can go down as well as up

# SPECIALISTS IN ALTERNATIVES

Gresham House is a fast growing specialist alternative asset management group, quoted on the London Stock Exchange (GHE.LN), providing funds, direct investments and tailored investment solutions, including co-investment.

- Specialists in five areas of alternative investment
- Growing organically and through acquisition, expanding our shareholder base and developing our investment pipeline
- Committed to operating responsibly and sustainably, building long-term value across our portfolio

## Strategic Equity



### Public Equity

- Gresham House Strategic plc (GHS)
- Strategic Equity Capital plc (SEC)
- LF Gresham House UK Micro Cap Fund
- LF Gresham House UK Multi Cap Income Fund
- LF Gresham House UK Smaller Companies Fund

£0.5bn



### Private Equity

- Baronsmead Venture Trust plc
- Baronsmead Second Venture Trust plc

£0.3bn

£0.8bn



### Forestry

- Gresham House Forestry Fund LP
- Forestry Partnership LLP
- Managed Accounts
- FIM Sustainable Timber & Energy LP (STELP)
- Gresham House Forest Fund I LP
- FIM Timberland LP

£1.4bn



### New Energy

- Gresham House Energy Storage Fund plc (GRID)
- Gresham House Renewable Energy VCTs 1 & 2 plc
- FIM Solar Distribution LLP
- Gresham House Wind Energy 1 plc
- FIM Wind Energy LP
- Managed Accounts

£0.8bn

£2.5bn



### Housing & Infrastructure

- Gresham House British Strategic Investment Fund (BSIF) strategy
  - Gresham House BSI Infrastructure LP
  - Gresham House BSI Housing LP
  - Residential Secure Income plc (ReSI REIT)<sup>2</sup>
  - Gresham House Residential Secure Income plc

£0.3bn

£3.3bn<sup>1</sup>

1. As at 30 June 2020  
 2. Launching Q4 2020



# INVESTMENT COMMITTEE



**Anthony Dalwood**

*Investment Committee Chairman*

- Started Gresham House Asset Management in 2015
- CEO of Gresham House plc
- 25 years' experience in public and private equity
- Previously CEO of SVG Advisers and SVGIM



**Graham Bird**

- Over 25 years' experience in public and private equity fund management and advisory
- CFO at Escape Hunt
- Previously at Gresham House and SVGIM



**Ken Wotton**

- Over 20 years' experience in AIM and other listed investments
- Fund Manager for Gresham House UK Micro and Multi Cap funds
- Previously at Livingbridge



**Richard Staveley**

- Over 20 years' experience in public equity
- Previously at Majedie Asset Management, River & Mercantile Asset Management (Founder) and Société Générale Asset Management



**Bruce Carnegie-Brown**

- Over 30 years' experience in private equity
- Chairman of Lloyd's of London
- Previously at Banco Santander, Aon UK Ltd, and Catlin Group Ltd



**Tom Teichman**

- 30 years' experience in VC and banking
- Co-founder of The Garage
- Previously CEO of Gresham House Strategic plc (formerly Spark Ventures)

# KEN WOTTON: TRACK RECORD

## Consistent long standing track record

- Experienced investor
  - 20 years in financial markets
  - 13+ years as a fund manager
  - 11+ years within private equity
- Leading small cap manager
  - #4 UK Smaller Companies fund over 10 years
  - Top decile risk adjusted performance across all funds
  - Multiple independent awards and ratings
- High conviction style & private equity approach to public markets

## Awards:

- ✓ Portfolio Adviser Fund Awards - Best Fund in the IA UK Smaller Companies sector 2020
- ✓ Grant Thornton Quoted Company Awards - Fund Manager of the Year 2019

## Performance & ratings

Performance return	1 year	3 year	5 year	10 year
<b>LF Gresham House UK Micro Cap Fund</b>	<b>4.63%</b>	<b>15.83%</b>	<b>54.03%</b>	<b>305.36%</b>
IA UK Smaller Companies	-0.38%	2.49%	38.08%	162.26%
Rank <sup>1</sup>	19	11	14	4
Quartile <sup>1</sup>	2	1	2	1

Performance return	1 Year	2 Years	3 Years
<b>LF Gresham House UK Multi Cap Income Fund<sup>2</sup></b>	<b>2.67%</b>	<b>3.26%</b>	<b>17.31%</b>
IA UK Equity Income	-17.24%	-17.38%	-14.54%
Rank <sup>3</sup>	2	1	1
Quartile <sup>3</sup>	1	1	1



Performance at 30 September 2020 - all data from Gresham House and FE Trustnet.

1. Peer group of 51 small cap funds in IA UK Smaller Companies sector by FE

2. Fund launch: 30 June 2017

3. Peer group of 87 funds in IA UK Equity income sector by FE

**Past performance is not necessarily a guide to future performance.**

**Portfolio investments in smaller companies typically involve a higher degree of risk.**

# TONY DALWOOD – SPE TRACK RECORD

*Twenty years of investment experience, over 15 focused on ‘Strategic Public Equity’ (SPE) investing*

Five consecutive funds following the SPE strategy have outperformed by an average of 11.5% per annum<sup>1</sup>

Fund	Years	Track Record
Gresham House Strategic plc ("Closed Fund II")	2015 - present	NAV per share total return 32.1% since inception <sup>2</sup> vs 3.5% for SMXX
Gresham House Strategic Public Equity LP ("LP Fund III")	2016 - present	Money Multiple 1.25X, IRR 9.58% <sup>2</sup>
Strategic Equity Capital plc ("Closed Fund I")	2005 - 2011	11% IRR since 2007 <sup>3</sup>
Schroder Ventures Strategic Recovery Fund II ("LP Fund II")	2006 - 2011	6% net IRR <sup>4</sup> (06 Vintage). Remaining equity investments distributed to LPs in specie <sup>5</sup> : E2V plc +78%, Journey Group plc +34% and Lavendon Group plc +12%
Schroder Ventures Strategic Recovery Fund I ("LP Fund I")	2003 - 2006	46% net IRR <sup>4</sup> (03 Vintage)
Schroder Ventures UK Focus Fund	2003 - 2010	78% total return 2003 - 2010 vs 14% for SMXX <sup>6</sup>
Philips & Drew (UBS) UK Equity Fund	1999 - 2002	Top Quartile vs CAPS UK Equity Median

**Blue highlighted rows represent funds in the SPE Strategy.**

**Past performance is not necessarily indicative of future results, and there can be no assurance that the fund will have comparable results or that the fund will be able to implement its investment strategy or achieve its investment objective.**

1. Average annual outperformance against FTSE Small Cap (Excluding investment trusts) Index across 5 funds totally £221m spanning periods from 2003 to 2019. Performance measured over life of fund/period relevant to the Investment Team's involvement

2. Gresham House/ Fund administrators calculations to 30 June 2020, based on the last set of accounts received from the Administrator

3. Gresham House Asset Management Limited calculations excluding dividends 7 year IRR from 2007 when SEC became fully invested to 2014, including period subsequent to the departures of Graham Bird (February 2009) and Tony Dalwood who left SVG in March 2011 having stepped down from the SEC plc Investment Committee, moving to non-executive Chairman of SVGIM on 30 September 2010

4. GVQIM website

5. Bloomberg data (total return since 30 July 2013 when SRF II wound up through to 30th July 2015) - SEC plc continues to follow an SPE style of investment and demonstrates the success of the strategy over the investment cycle

6. Bloomberg data - total return. Tony Dalwood left SVGIM in March 2011 therefore data tracked for UK Focus Fund from August 2003 (July inception) - 31 December 2010