



Gresham House
Specialist asset management

Strategic Equity Capital plc (SEC.LN)

Q4 2020

January 2021



IMPORTANT INFORMATION

- The value of the fund and the income from it is not guaranteed and may fall as well as rise. As your capital is at risk you may get back less than you originally invested
- Past performance is not a reliable indicator of future performance
- 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 fund may experience high volatility due to the composition of the portfolio or the portfolio management techniques used

EXECUTIVE SUMMARY

Q4 2020 shareholder update

- **Fund management changes:** portfolio evolution and enhanced process implementation progressing well since September 2020:
 - **Appointment of Ken Wotton** with 10 year+ top decile UK small cap track record (see Appendix)
 - **Portfolio turnover:** 3 full exits and top-slicing representing 10.9% of opening NAV; 2 new investments and 4 follow-ons (representing 10.8% of closing NAV)
 - **Building influential equity stakes:** 5 portfolio companies where GHAM have a 10%+ stake
 - **Enhanced engagement:** a number of initiatives underway
 - **Pipeline** of potential new investment opportunities is well developed
- **Strong absolute performance** (NAV/share +17.8%)¹ but lagged Index during exceptional market recovery and sector rotation
- **Positive portfolio news flow** during the period although some holdings have lagged “vaccine bounce” despite encouraging recovery outlook
- **UK Small Cap valuation discount** remains attractive and we see attractive opportunities to invest. Brexit resolution a potential catalyst to improving sentiment; £2bn outflows from UK equity funds in H2, flows turned marginally positive in the final days of 2020²
- **Core investment strategy remains consistent** and focused on delivering *long term shareholder returns* and *reducing share price discount to NAV*

1. On a total return basis

2. Based on Calastone December 2020 Fund Flow Index

Source: PATAC, Calastone, Bloomberg, as at 31 December 2020

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
- **Long term investment horizon**, low portfolio turnover with a **quality company focus**
- **Small-cap specialists** with significant public and private equity expertise leveraging Gresham House's broader platform and network
- **Recent team changes** with objective to **drive performance** and **close discount to NAV** leveraging track record of Ken Wotton and the Gresham House equities team

Specialist equity fund targeting absolute returns (15% IRR)¹ over the medium term.

Low correlation to market and peers.

Defensive characteristics. Tendency to outperform in weaker markets.²

1. Internal target only, not guaranteed

2. <http://performance.morningstar.com/funds/cef/ratings-risk.action?t=SEC®ion=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 LF Gresham House UK Micro Cap Fund and LF Gresham House UK Multi Cap Income Fund
- Previously at Livingbridge



Adam Khanbhai

Investment Director

- Over 13 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

PERFORMANCE IMPROVEMENT PLAN

- **New Fund Management team** and resourcing intended to underpin long term performance improvement
- **Ken Wotton appointed as Fund Manager** alongside Adam Khanbhai, with Tony Dalwood continuing to Chair an unchanged Investment Committee
- **Evolutionary changes** to reposition the portfolio over 6-12 months to support the constructive engagement investment strategy
 - Smaller average market capitalisation
 - Higher average equity stake
 - Increased level of proactive constructive engagement in line with investment strategy
- **Core “Strategic Public Equity” strategy** and private equity approach will be maintained and enhanced
- **Long term investment approach requires patience**

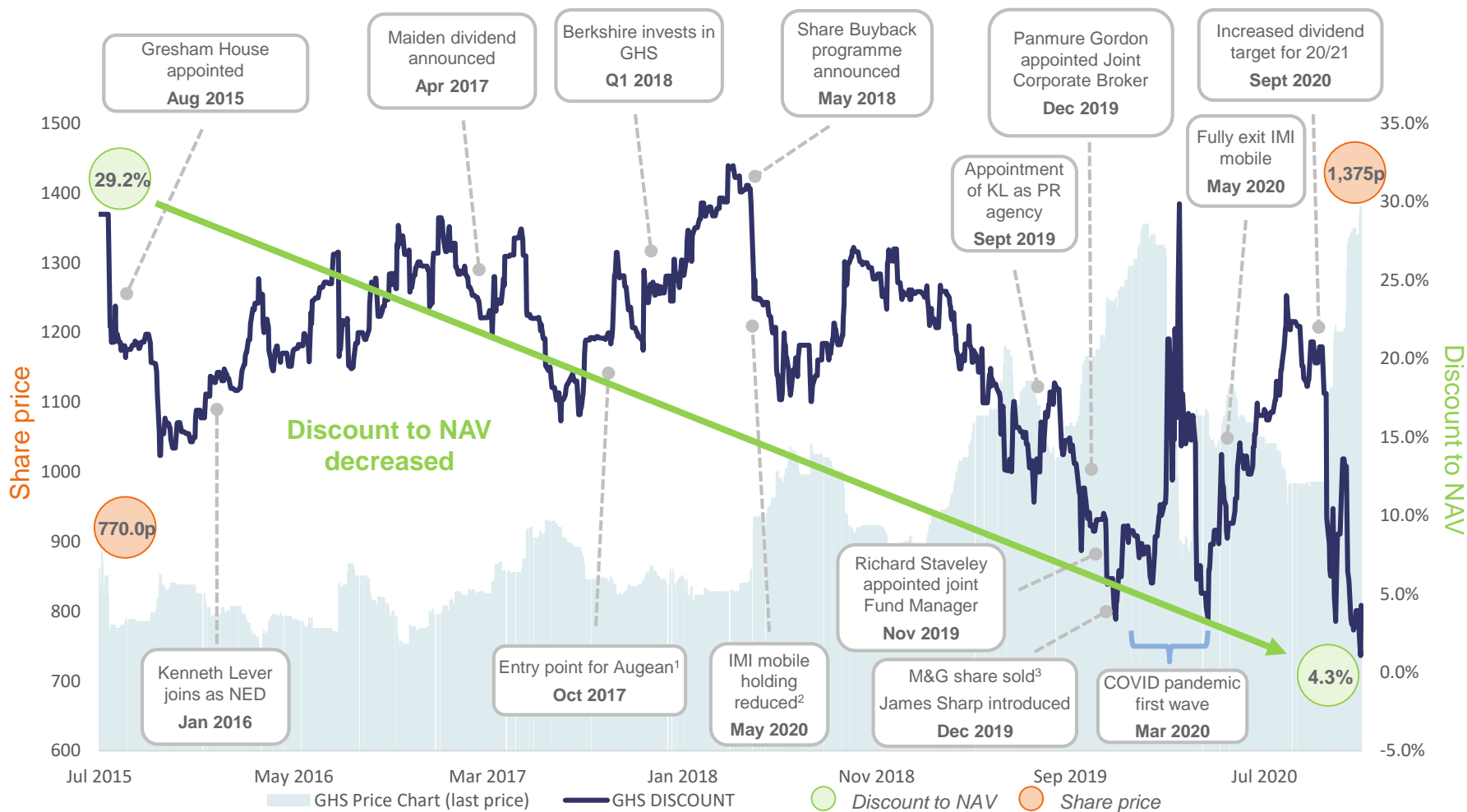


DISCOUNT REDUCTION PLAN

Narrowing the share price discount to NAV is a key strategic priority to be achieved over time through a package of measures

- Appointment of Ken Wotton as Lead Fund Manager and focus on leveraging the wider Gresham House platform and capability to support SEC
- Evolution of the investment portfolio and enhancement of engagement activity to drive performance improvement
- Emphasise proprietary “Strategic Public Equity” process differentiation in marketing and PR initiatives
- Aberdeen Standard Investments promotion agreement to provide substantial resources in support of the marketing and distribution of the Trust
- Improved shareholder engagement and investor relations activity
- Gresham House track record of supporting its client funds with balance sheet capital

DISCOUNT REDUCTION: THE GHS CASE STUDY



17 July 2015 - 31 December 2020, Bloomberg, GHS LN Equity

1. Augean - largest holding from May 2020 to present

2. IMI mobile % reduced in portfolio alongside additions to portfolio meaning more diversified

3. M&G shares sold following a number of meetings between Anthony Dalwood and Tom Dobell

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

PORTFOLIO REPOSITIONING PROGRESS

	Company	<£300m Mcap?	Total Gresham House Stake	Engagement Potential?	Owned by other GH Funds?	
New Investments	Inspired Energy	✓	10%+	✓	✓	Three recent new investments into companies that are consistent with revised strategy; all well known to Gresham House.
	Ten Entertainment Group ¹	✓	c.10%	✓	✓	
	SimplyBiz	✓	6%+	✓	✓	
Existing Holdings	Tribal	✓	10%+	Tbc	✓	Top up investments in existing holdings that meet investment criteria; proactive engagement opportunities WIP.
	Medica Group	✓	10%+	✓	✗	
	XPS	✓	10%+	Tbc	✓	
Pipeline Opportunities (Sample)	Real Estate Services	✓	Small	✓	✓	Attractive pipeline of opportunities identified in target market capitalisation range. Continue to be highly selective and require deep due diligence prior to investment.
	Engineering / Consultancy	✓	Small	✓	✓	
	Legal Services	✓	N/A	Tbc	✗	
	Infrastructure Services	✓	N/A	✓	✗	
Exited Holdings	Ergomed	✗	N/A	In past - Yes Today - No	Previously owned	Three exited holdings in period. All above £300m market capitalisation, with limited opportunity for engagement.
	4Imprint	✗	N/A	In past - Yes Today - No	Previously owned	
	Numis	✗	N/A	✗	Previously owned	

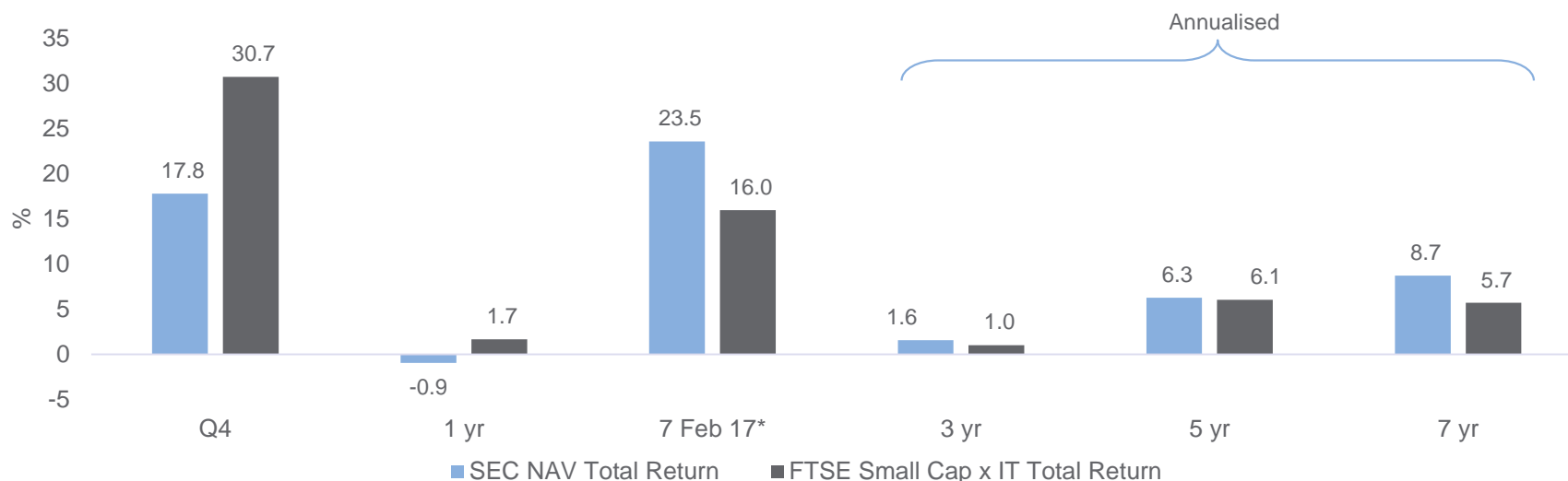
Good start to evolution of portfolio; expect significant further progress in first half of 2021.

1. Gresham House ownership of company as at 21 January 2020

Source: Bloomberg, As at 31 December 2020

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PERFORMANCE SUMMARY



- Strong absolute performance however lagged the Index¹ as market experienced exceptional bounce driven by optimism following approval of COVID vaccines. Average cash balance of 10% (higher at start of period, lower at end); drag to relative performance
- The Index (+30.7%), outperformed AIM (+20.9%) and the FTSE All Share Index (+12.6%). FTSE All Share driven by financials (banks, insurers), resources, 'hard' industrials (e.g. mining equipment, autos), and telecoms; sectors where SEC, by design, has limited exposure
- Positive news flow across portfolio in the period (see slides 10-11), in particular Tyman and Tribal. However, c.40% of NAV experienced limited 'vaccine bounce'. Potential for recovery into 2021
- Further volatility likely; attractive conditions for strategy. Strong pipeline, but diligence and selectivity critical

Chart source: Unaudited Bloomberg, PATAC, as at 31 December 2020, net of fees

1. Comparator index FTSE Small Cap ex Investment Trusts Total Return

2. On a total return basis

* Lead Manager change

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INVESTMENT & DIVESTMENT ACTIVITY

Investments

£19.4m purchases (11% Closing NAV)

Follow-on investments to build stakes in Inspired Energy, Medica, XPS, Tribal.



Two new investments in the period: SimplyBiz and Ten Entertainment Group. Both are owned by other Gresham funds and are well known to the investment team.



A leading provider of tech enabled regulatory solutions and services to IFAs

Investment thesis

- Initial stake taken with diligence ongoing
- Low-rating due to leverage and C19 trading impact
- Technology platform opportunity to drive digital transformation in IFA market
- Short term growth and margin recovery
- Long term re-rating through quality of earnings and of SaaS revenue mix



The UK's number two ten pin bowling centre operator

Investment thesis

- Existing GH holding leveraging insight and diligence
- Post C-19 value recovery potential: revenue, margin and rating recovery
- Long term growth opportunity from capex investment and M&A
- Opportunity to engage on digital marketing approach

Pipeline of attractive opportunities; focus on £100-250m market cap segment. Continue to be highly selective.

Realisations

£16.5m sales (11% Opening NAV)







Full exits from Ergomed (+72.2% IRR, see page 8), 4Imprint (+21.8% IRR) and Numis (+1.8% IRR).



Tyman, Clinigen and Hyve trimmed on rerating.

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Q4 ATTRIBUTION ANALYSIS






Positive attribution			Negative attribution		
Company	% pts	Comment	Company	% pts	Comment
 TYMAN PLC	+4.2	<ul style="list-style-type: none"> Trading updates flag strong trading in US with faster than expected recovery; double digit upgrades. Shares up 58% in the period New high profile Chairman, Nicky Hartery appointed Director buying in the period 	 CLINIGEN	-0.4	<ul style="list-style-type: none"> In line AGM update November; in line trading update in January and mid-term guidance unchanged despite some disruption from COVID second wave Delay to Iovance TIL¹ therapy FDA filing Clinigen trades on <9x FY22 PE for 5-10% organic growth and 20%+ EBIT margins
 TRIBAL	+3.6	<ul style="list-style-type: none"> Multiple contract wins including strategic win of NTU in Singapore worth up to £17m over 8 years Illustrates customer buy-in to the company's next gen Tribal Edge cloud product platform 	 EQUINITI	-0.3	<ul style="list-style-type: none"> Trading update (in line) flags continued weak trading due to cuts to base rate, low levels of corporate actions and lockdown related delay to remediation work Ongoing engagement with the Board of Directors and other shareholders CEO change post-period end
 Hyve	+2.6	<ul style="list-style-type: none"> Shares up 75% in the period as sentiment to 'COVID impacted' stocks improved on positive vaccine news Strategic acquisition of digital event platform, Retail Meetup for £19m Cash ahead of market expectations and sufficient to trade into at least Q4 2021 even if no events run 	 XPS Pensions	-0.2	<ul style="list-style-type: none"> In line interim results, with revenues in the 6 months to September growing 6% organically H2 expectations slightly more muted due to weaker pipeline conversion over lockdown Business has demonstrated impressive resilience over the course of 2020

1. Tumour Infiltrating Lymphocyte; Iovance's novel therapy is used in conjunction with Clinigen owned drug Proleukin

Source: Attribution estimates based on Bloomberg Portfolio Analytics as at 31 December 2020, Numis, Bloomberg, company reports

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FURTHER PORTFOLIO NEWS

Company	% of NAV	News in period
 Healthcare	8.1%	<ul style="list-style-type: none"> Resilient interim results, although revenue continues to be impacted by disruption to NHS activities Acquired Irish peer, Global Diagnostics in November for €16m (8x run rate EBITDA). Funded by balance sheet. Improves footprint and diversification of business with workflow and IT synergies expected in time
 Media	5.5%	<ul style="list-style-type: none"> Good trading update in period; results ahead of expectations. PBT ahead of prior year, although revenues lower. Balance sheet robust; covenant waivers that were negotiated are unlikely to be required Business has been successful at migrating significant amounts (but not all) of F2F activities to online formats
 Healthcare	5.4%	<ul style="list-style-type: none"> Robust full year results, with significant strategic progress. Has now divested or shut down all unprofitable non-core activities, in particular vaccine manufacture (which was sold to UK govt). Modest upgrades End markets remain mixed; salmon has been resilient, but shrimp production remains weak globally
 Business Services	5.2%	<ul style="list-style-type: none"> Disposed of challenged and non-core SME division in MBO for up to £10.5m. Strategically positive, although earnings dilutive Trading remains subdued due to lock down reducing business activity, but business is well positioned and well financed
 Healthcare	4.4%	<ul style="list-style-type: none"> Resilient interim results; organic revenues down 3% with prescription medicines most impacted due to disruption to healthcare procedures. Key asset Kelocote grew 8%. Modest broker upgrades Acquired US company Biogix for \$110m funded by balance sheet. Biogix owns Amberen, a clinically proven supplement to alleviate symptoms of menopause. In line with stated acquisition strategy.

As at 31 December 2020

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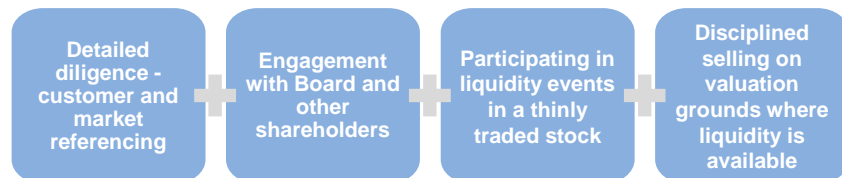
ERGOMED

PORTFOLIO REALISATION CASE STUDY

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
- Realisations on strong share price performance; final sale at 875p. IRR over investment period of 72%

Active Ownership and Value Creation



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

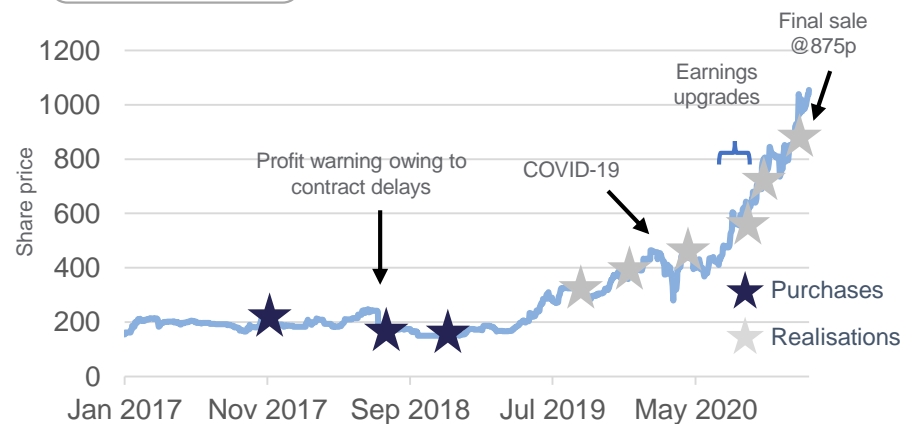







Chart source: Bloomberg, as at 31 Dec 2020

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TOP 10 HOLDINGS¹ - INVESTMENT THESES






Company	% of NAV	Investment thesis
 Software	9.8%	<ul style="list-style-type: none"> International provider of student administration software with market leading positions in the UK, Australia and NZ Strong defensive characteristics with high visibility of earnings and entrenched position with customers Transition to cloud-based platform will improve recurring revenues and margins
 Healthcare	9.0%	<ul style="list-style-type: none"> Leading positions in unlicensed medicines and territories without access to healthcare treatments; an acyclical structurally growing market High barriers to entry built through M&A and organic investment Attractive growth and cash flow potential Significant potential medium-term upside with Proleukin
 Industrials	8.2%	<ul style="list-style-type: none"> Market leader in residential and commercial window and door manufacturing Building activity in end markets remains far below long-term levels Multiple self-help opportunities under new management to improve ROCE; de-gearing should drive a re-rating
 Healthcare	8.1%	<ul style="list-style-type: none"> 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 Above market organic growth and underappreciated cash generation characteristics A better defined strategy and expansion of offering under the new CEO and CFO
 Business services	7.7%	<ul style="list-style-type: none"> Leading 'challenger' brand in the pensions administration and advice market with organic market share opportunity following industry consolidation Highly defensive - high degree of revenue visibility and largely non-discretionary, regulation driven client activity Below market rating despite favourable cash flow characteristics

As at 31 December 2020

1. Top 10 holdings representing c.69% of NAV

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TOP 10 HOLDINGS¹ - INVESTMENT THESES

Company	% of NAV	Investment thesis
 Business Services	5.8%	<ul style="list-style-type: none"> Market leader in defensive share services and regulated technology markets Potential to grow through cross-sell, penetrating the North American market and through self-help De-gearing and cash flow demonstration required to drive a re-rating Precedent M&A in this sector given financial characteristics
 Media	5.5%	<ul style="list-style-type: none"> International provider of B2B data and training in the compliance, insurance, financial and healthcare sectors New Chair, CEO and CFO incentivised to re-focus the business and deliver a return to organic growth Greater focus on the portfolio and clarity of strategy will aid growth in profit and cash flow and drive a re-rating
 Healthcare	5.4%	<ul style="list-style-type: none"> 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 Leading IP and significant barriers to entry. High value-add segments of structural growth aquaculture industry Strategic and operational self help re unprofitable vaccine activities. Recent Board and management change
 Business Services	5.2%	<ul style="list-style-type: none"> UK B2B corporate energy services and procurement specialist. Strong ESG credentials Leading playing in fragmented industry; significant opportunity to gain market share through client wins, proposition extension and M&A. Gresham House funds have been invested in the company since IPO in 2011; SEC invested at placing to strengthen balance sheet and provide capital for acquisitions to consolidate market further
 Media	4.5%	<ul style="list-style-type: none"> International organiser of trade exhibitions and conferences. Fundamentals of industry attractive; structural growth, high margins and cash generation. Significant corporate and private equity activity historically Significantly impacted by COVID restrictions. SEC invested in discounted rights issue in 2020; balance sheet now strong enough to last until Q4 2021 at least. Long term recovery prospect with significant upside

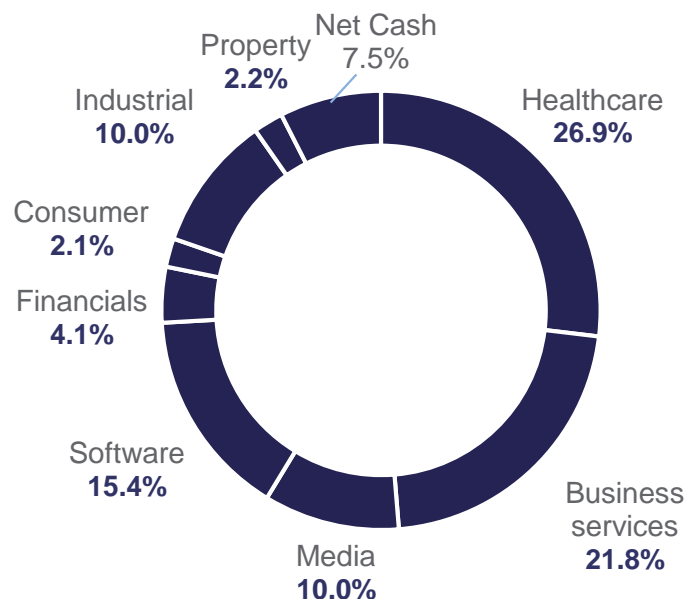
As at 31 December 2020

1. Top 10 holdings representing c.69% of NAV

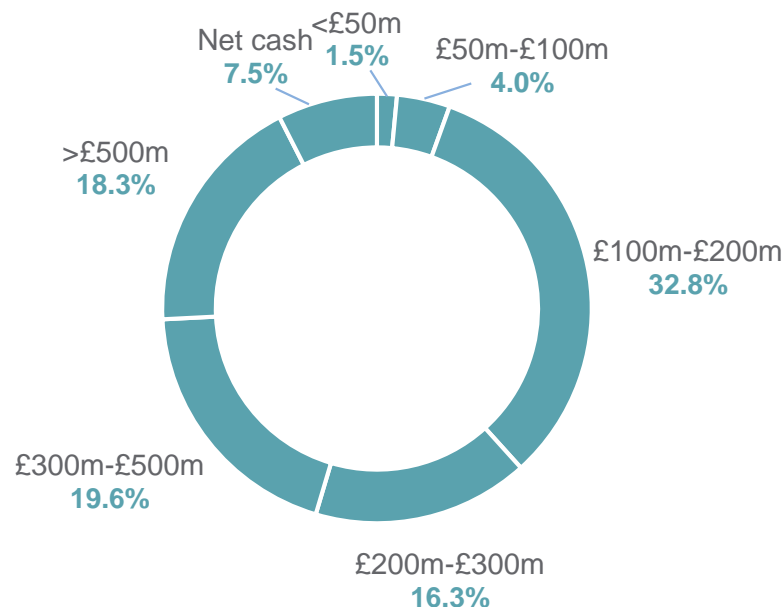
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HIGHLY CONCENTRATED & UNCONSTRAINED PORTFOLIO

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, PATAC as at 31 December 2020

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PORTFOLIO CHARACTERISTICS

Portfolio vs Small Cap Index

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

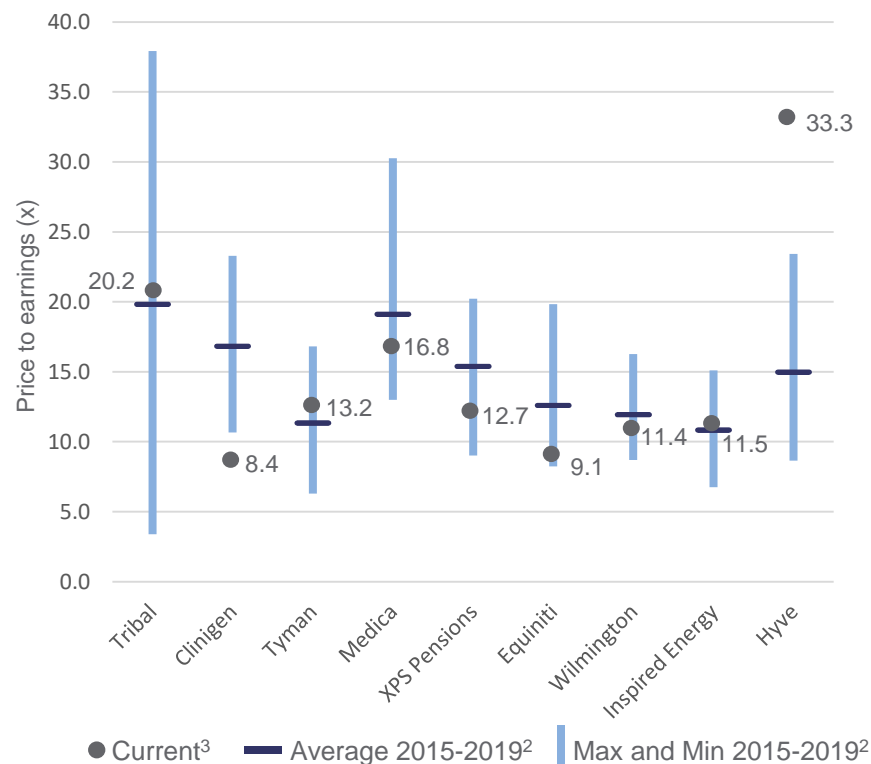
Portfolio weighted avg. metrics vs. index

Based on next financial year (i.e. FY21)

	SEC Top Ten ¹	FTSE Small Cap
Price to Earnings	14.8x	12.0x
EV: Sales	2.2x	1.0x
EV: EBITDA	10.2x	6.6x
Net debt: EBITDA	1.4x	3.0x
EBITDA Margin %	21.8%	15.9%
EBITDA Growth	22.3%	11.2%
Sales Growth	11.6%	4.3%

Growth Quality Valuation

Valuation vs Historic Trading Range



NB FY21 estimates remain volatile

Table source: Bloomberg and Gresham House data as at 31 December 2020

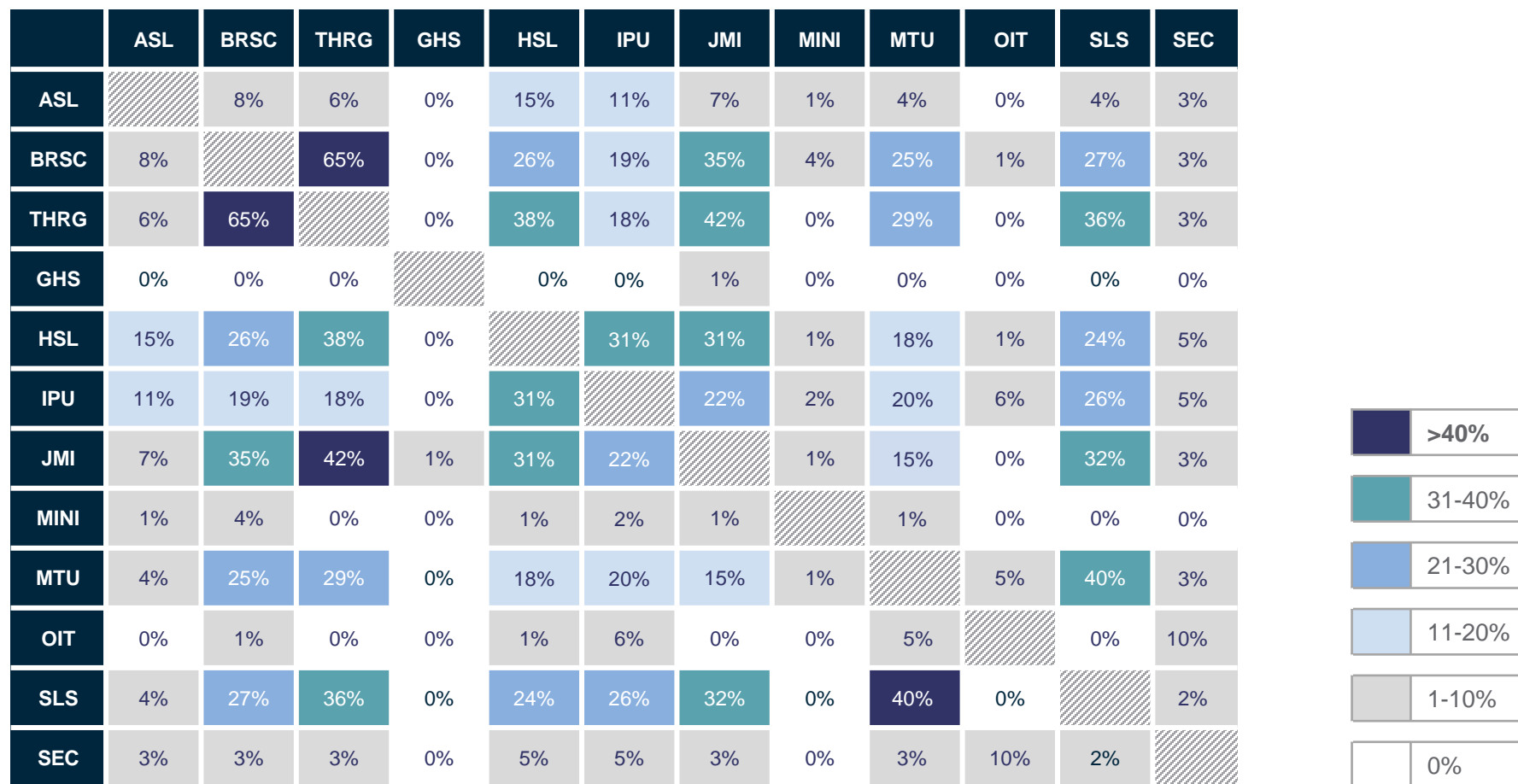
1. Weighted average of top ten portfolio holdings, representing c.69% of NAV. Price to Earnings ratio excludes Benchmark (estimates unavailable); Sales Growth and EBITDA Growth excludes Hyve and Benchmark (annual growth from low / negative base in 2020)

2. Based on 2015-2019 NTM PE Ratio (where available); Source: Bloomberg (31 December 2020)

3. Based on current consensus PE Ratio for next year (i.e. FY21 in most cases); Source: Bloomberg (31 December 2020)

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MORNINGSTAR SMALL CAP INVESTMENT TRUST OVERLAP ANALYSIS

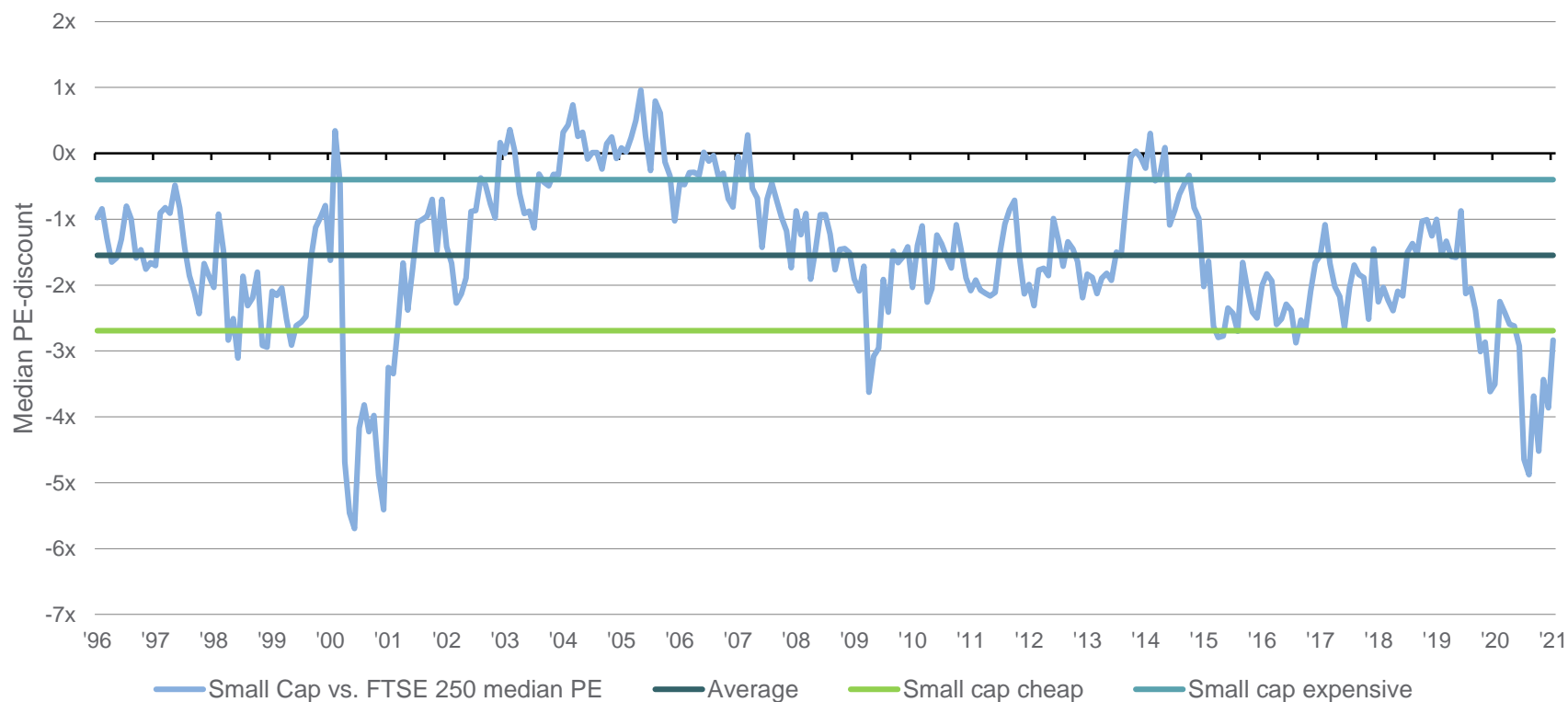


A differentiated approach with limited overlap with other smaller company investment trusts

As at 31 December 2020 - using latest reporting available from Morningstar
Source: Winterflood

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SMALL-CAP DISCOUNT



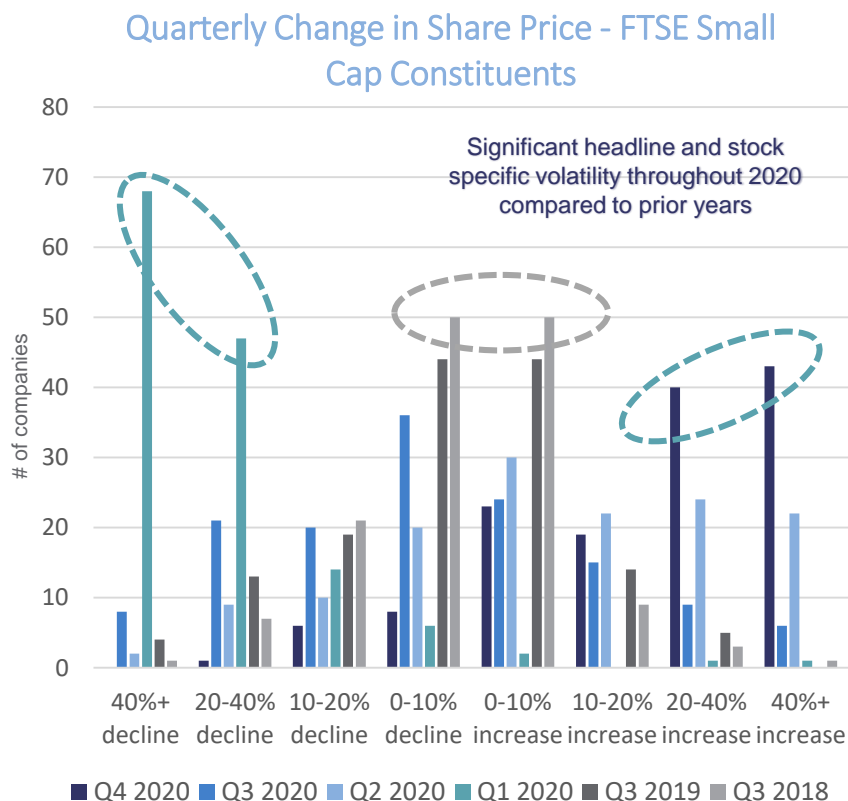
- Small caps are trading at multi-year discounts relative to larger companies
- We believe this is owing to concerns over liquidity, perceived risk and a reduction in resources devoted to this area of the market - this provides a distinct opportunity for our strategy in our view

Sources: Liberum, 1 January 2021

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THE MARKET OPPORTUNITY

Market Volatility Creates Opportunity



Source: Bloomberg, 15 January 2020

1. Stocks in FTSE Small Cap ex Investment Trusts Index; share price movement in Q4 2020 and 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 and 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

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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 ¹	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 31 December 2020

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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

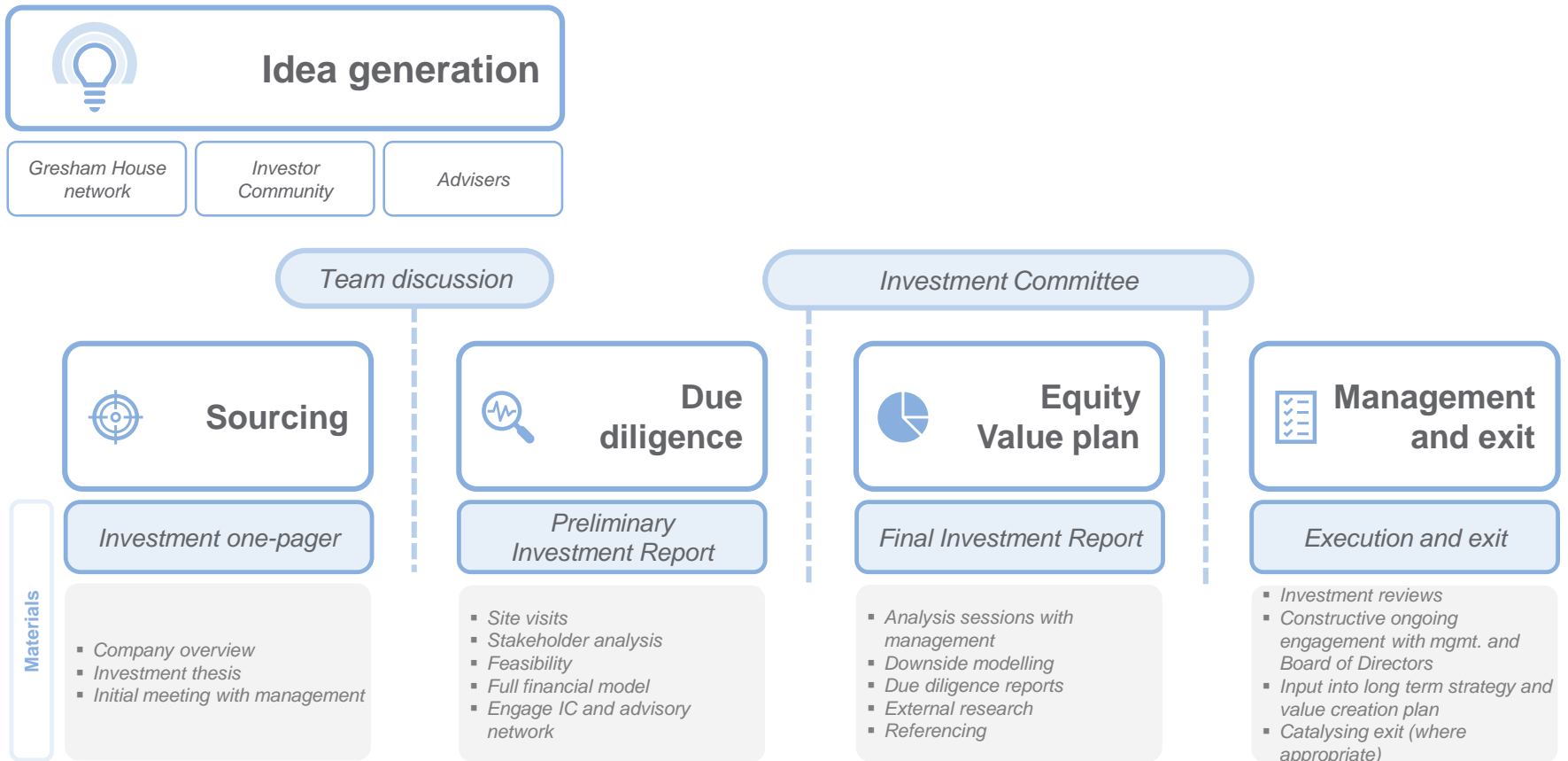
Focus on intrinsically undervalued, cash generative companies.
A “value approach”

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.*

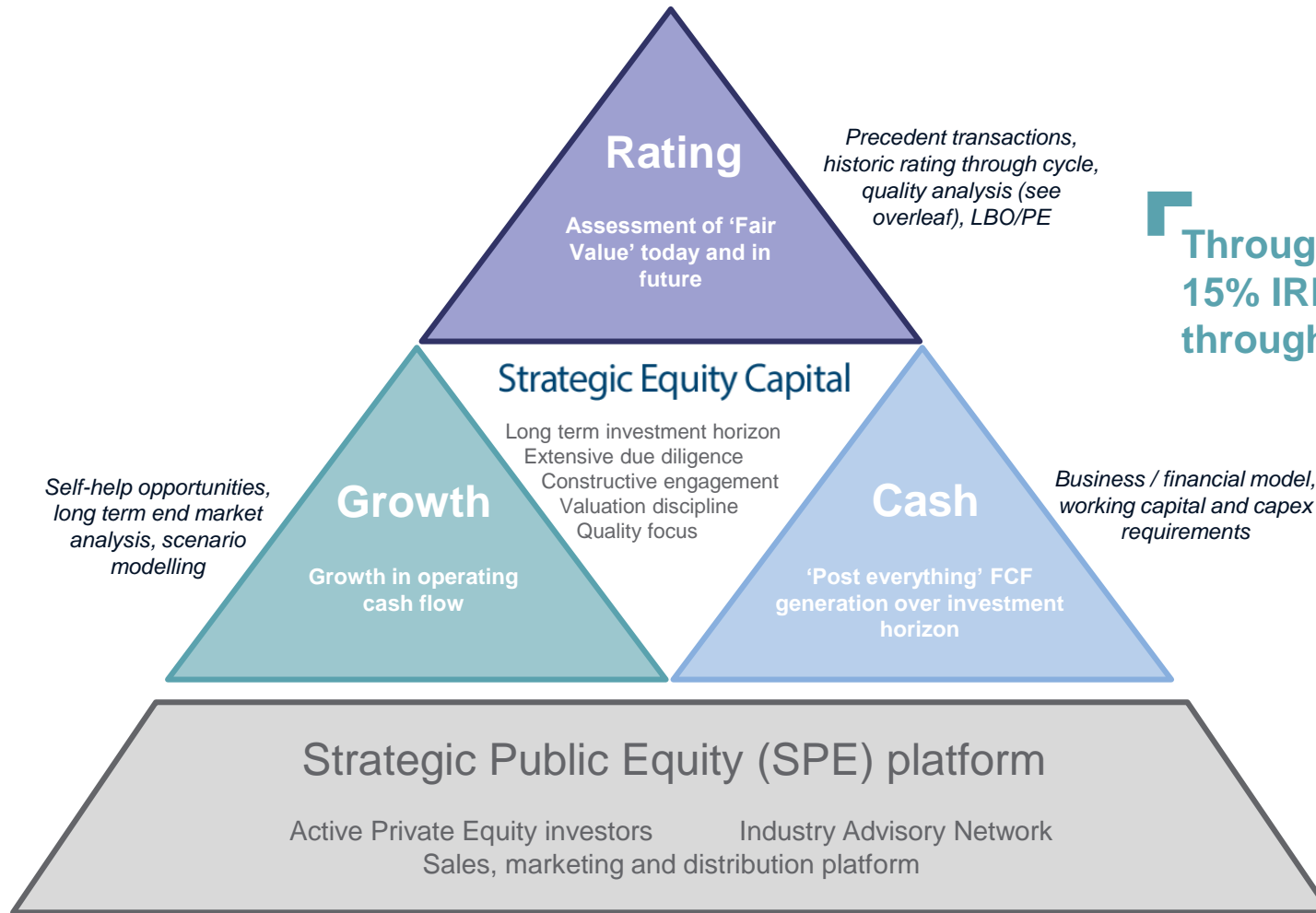
PROCESS MODELLED ON PRIVATE EQUITY

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



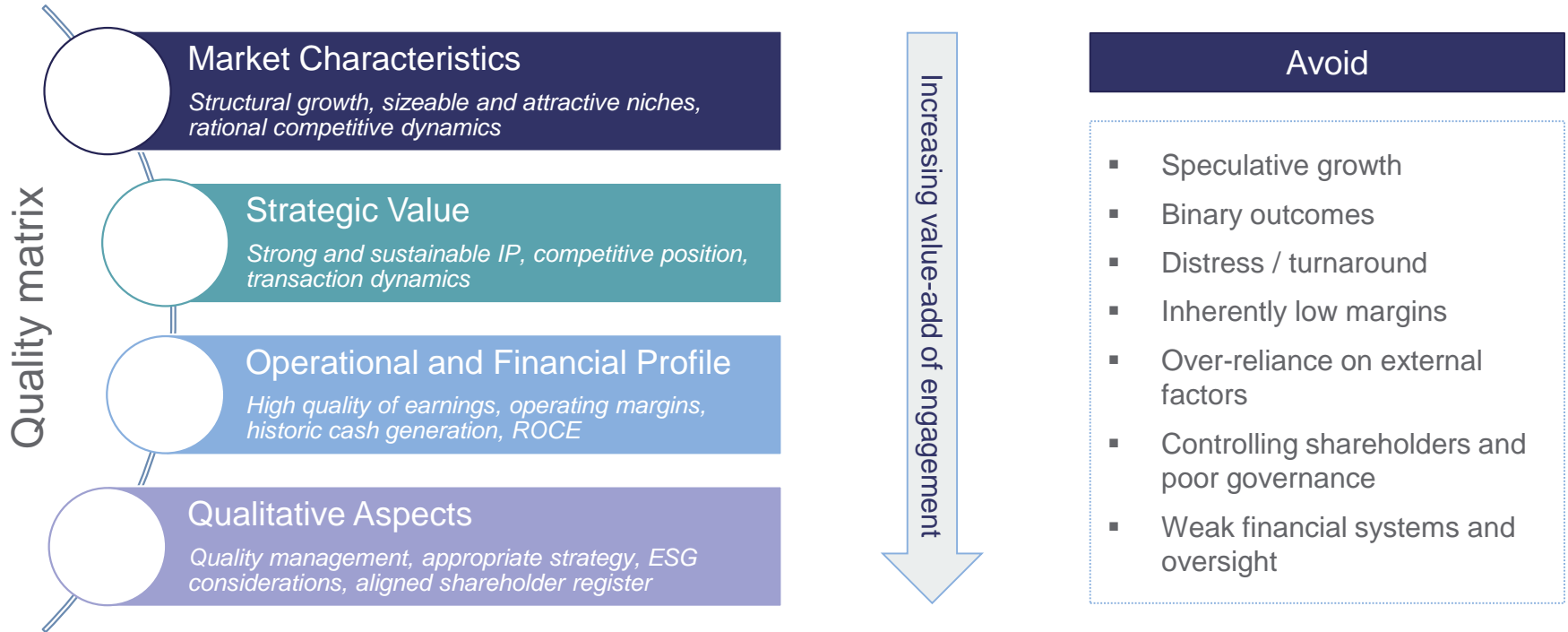
1. Internal target only, not guaranteed

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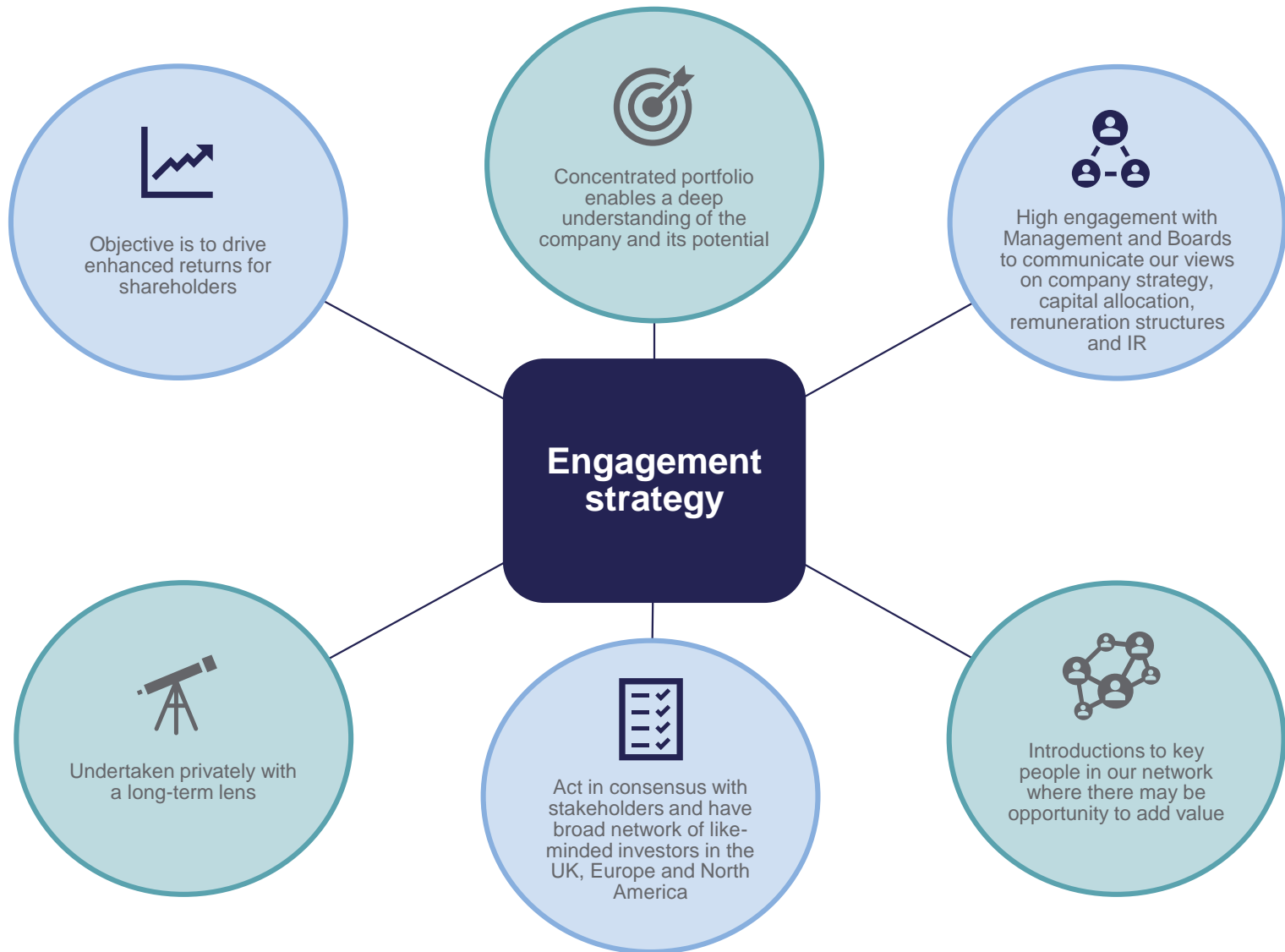
OUTPUTS OF INVESTMENT PROCESS

Applying a private equity approach to public markets

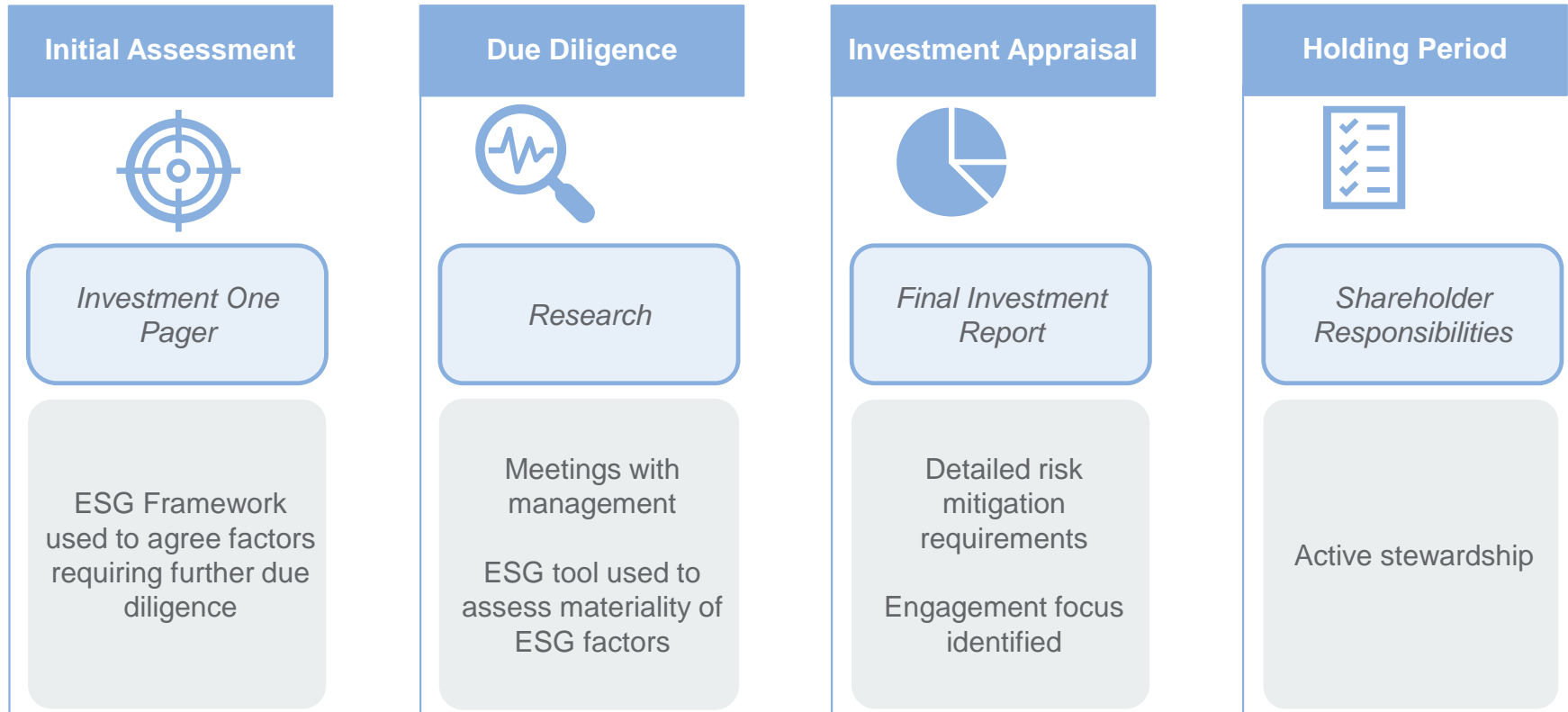
What do we look at?



ENGAGEMENT STRATEGY



ESG IMPLEMENTATION: PUBLIC EQUITY



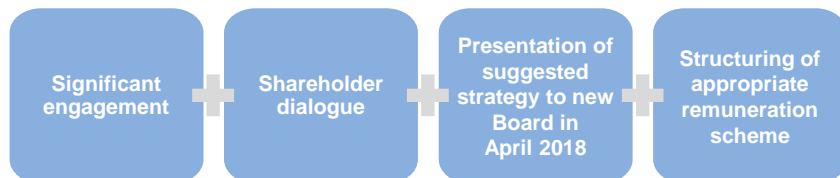
We are proud signatories to the following member organisations:

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

Active Ownership and Value Creation



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



Chart source: Bloomberg, as at 30 September 2019

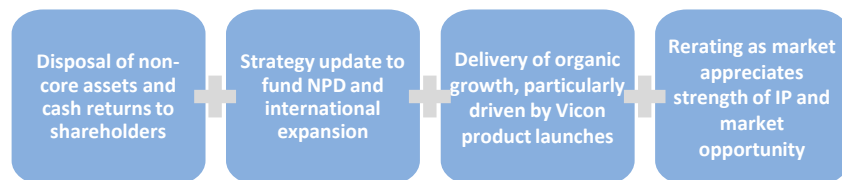
Case studies selected for illustrative purposes only to demonstrate investment strategy and are not investment recommendations.
Past performance is not necessarily a guide to future performance. Portfolio investments in smaller companies typically involve a higher degree of risk.

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

Active Ownership and Value Creation



Investment thesis

Rating

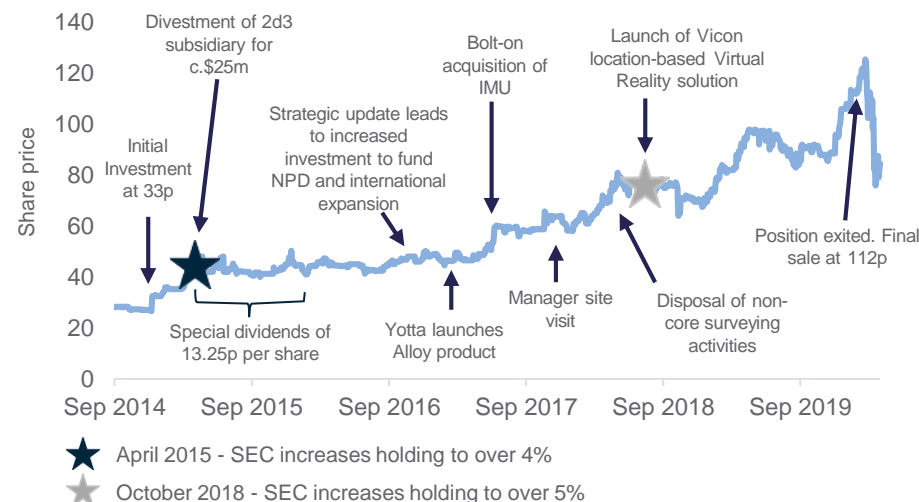
Underappreciated IP and quality of earnings. Headline valuation and financials misleading given loss making division; attractive SoTPs

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

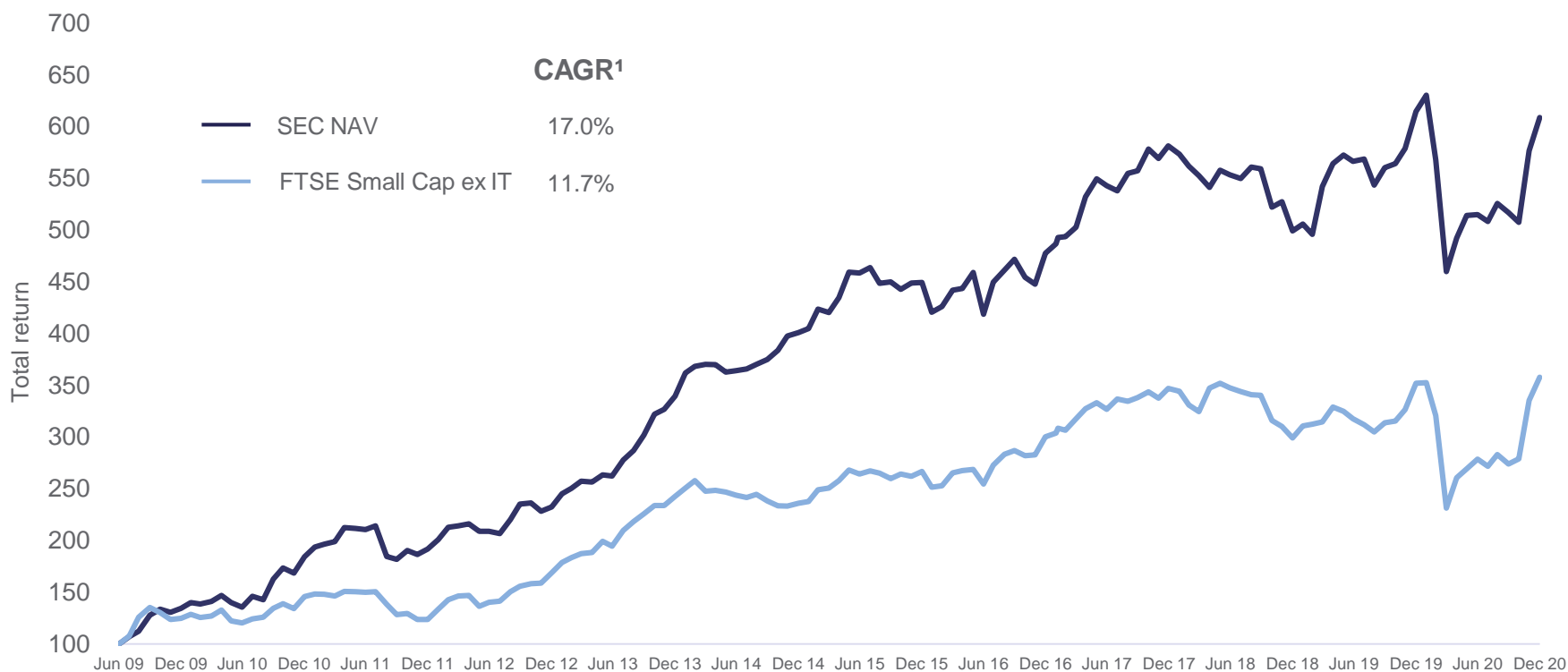


Source: Bloomberg, as at 31 March 2020

Case studies selected for illustrative purposes only to demonstrate investment strategy and are not investment recommendations. Past performance is not necessarily a guide to future performance. Portfolio investments in smaller companies typically involve a higher degree of risk.

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 31 December 2020, net of charges

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

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

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 & Sustainable Infrastructure

- 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
- Gresham House BSI Infrastructure LP

£0.8bn

£2.5bn



Housing

- Gresham House BSI Housing LP
- Residential Secure Income plc (ReSI REIT)
- Gresham House Residential Secure Income LP²

£0.3bn

£3.3bn¹

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 26 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 23 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 at 31 December 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 86 funds in IA UK Equity income sector by FE

Performance & ratings

Performance return	1 year	3 year	5 year	10 year
LF Gresham House UK Micro Cap Fund	6.49%	30.07%	73.23%	332.83%
IA UK Smaller Companies	6.48%	17.84%	61.94%	179.87%
Rank ¹	24	13	15	4
Quartile ¹	2	2	2	1

Performance return	1 Year	2 Years	3 Years
LF Gresham House UK Multi Cap Income Fund²	-5.56%	23.34%	20.41%
IA UK Equity Income	-10.73%	7.19%	-4.11%
Rank ³	11	4	1
Quartile ³	1	1	1



ELITE FUND
rated by FundCalibre.com



FE fundinfo Crown Fund Rating



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 9.8% per annum¹

Fund	Years	Track Record
Gresham House Strategic plc ("Closed Fund II")	2015 - present	NAV per share total return 92.0% since inception ² vs 33.0% for SMXX
Gresham House Strategic Public Equity LP ("LP Fund III")	2016 - present	Money Multiple 1.27X, IRR 10.1% ²
Strategic Equity Capital plc ("Closed Fund I")	2005 - 2011	11% IRR since 2007 ³
Schroder Ventures Strategic Recovery Fund II ("LP Fund II")	2006 - 2011	6% net IRR ⁴ (06 Vintage). Remaining equity investments distributed to LPs in specie ⁵ : 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 ⁴ (03 Vintage)
Schroder Ventures UK Focus Fund	2003 - 2010	78% total return 2003 - 2010 vs 14% for SMXX ⁶
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 (Jan) 2021. Performance measured over life of fund/period relevant to the Investment Team's involvement

2. Gresham House/ Fund administrators calculations to 31 December 2020, based on the last set of accounts received from the Administrator; LP Fund III to 30 September 2020

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

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