

Gresham House Strategic plc

Q1 Factsheet - 31 March 2021



Gresham House
Specialist asset management

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.

Key facts as at 31 March 2021

NAV per share: 1,515.4p
Mid-price: 1,420.0p

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: 3,480,884 (as at 31 December 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.

Laurence Hulse

Deputy Fund Manager & Associate Director

Over 7 years' investment experience. Previously at Rothschild as an intern in the M&A team.

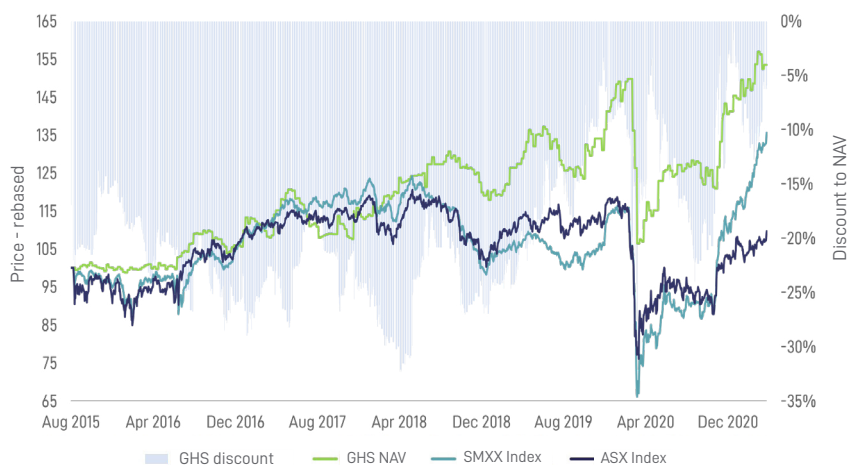
Tony Dalwood

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 - 31 March 2021 (Appointment of Gresham House and adoption of SPE investment mandate in August 2015).



Performance	Q1 2021 ¹	Since inception ²	1 year	3 years	5 years
GHS NAV Total Return	7.5%	65.9%	46.7%	36.3%	64.5%
FTSE Small Cap Total Return	15.2%	53.2%	78.4%	27.0%	55.9%
FTSE All Share Total Return	5.2%	31.0%	29.9%	9.9%	35.2%
AIC UK Smaller Companies Sector Rank	-	-	18/25	8/25	12/25

Source: Bloomberg as at 31 March 2021 and AIC.co.uk (NAV TR) as at 6 April 2021, net of fees and costs

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

Equity markets, especially the small-cap indices, again had a strong quarter reflecting the huge fiscal stimulus, stronger economic data and further vaccine rollout success in both the US and the UK.

Whilst the market volatility of February settled, the yield curve has continued to change, reflecting a growing narrative around the return of inflation. March ended with the highest US ten-year rates for 14-months and rising rates have been a consistent theme through the quarter; we believe the impact this has on the discount rate and valuation models for some asset classes have only just started to be felt. We see higher rates being significant for the valuation of growth orientated equities, those companies are still highly leveraged and asset classes that have succumbed to scarce-yield hunters, who

may turn out to be tourists. The GHS portfolio is currently exposed to undervalued shares, cash generative and under-leveraged companies, with material self-help opportunities; several of which we are encouraging, or driving, through active engagement. The quarter ended with UK GDP forecast increases, sharp rebounds in manufacturing purchasing data and the ongoing vaccine rollout, which bode well for a domestic rebound through the rest of this year. Whilst 2022 has the potential to be a little more reserved, we remain cautiously positioned to take advantage of any further market weakness or disruption having used this first quarter to build up a significant pipeline of opportunities for investment.

1. 31 December 2020 - 31 March 2021

2. Inception 14 August 2015 - 31 March 2021

Top ten shareholdings ¹	£m	Shareholding in company	Portfolio NAV
Augean plc	£12.6m	5.7%	23.8%
Northbridge Industrial Services plc	£5.7m	12.4%	10.9%
RPS Group plc	£5.5m	2.1%	10.3%
Pressure Technologies plc	£3.8m	13.8%	7.2%
ULS Technology	£3.5m	6.6%	6.6%
Flowtech Fluidpower	£3.4m	5.8%	6.4%
Centaur Media plc	£3.3m	5.9%	6.3%
M&C Saatchi	£2.8m	1.6%	5.4%
The Lakes Distillery Company plc	£2.6m	-	4.9%
Van Elle Holdings plc	£2.6m	6.4%	4.9%
Other investments	£8.0m	-	15.3%
Cash and other working capital items	(£1.1m)	-	(2.0%)
Total NAV	£52.7m		100%

1. Top ten holdings shown as at 31 March 2021 using bid-price data. Investments in Northbridge include equity and Convertible Loan Notes (CLN)

2. As at 31 December 2020

Investment Manager's Report

The strong second half performance of 2020 for the Trust continued into this first quarter of 2021. A number of catalysts at some of our portfolio holdings helped drive the NAV to 1,515.4p and the shares again ended the quarter trading at an all-time high of 1,420.0p, enabling Gresham House Strategic to retain its top quartile position in the AIC UK Smaller Companies sector over three years (2/25) for Share Price Total Return. Some of our investments significantly outperformed in the quarter, namely M&C Saatchi (new investment), RPS, Flowtech Fluidpower and Bonhill.

The team has used the first quarter of the year to drive forward numerous engagement initiatives, some of which are described below (Northbridge Industrial Services, and Augean) or have triggered announcements (Universe Group) and others remain work in progress behind the scenes. There has also been significant work on the pipeline and we have a healthy shortlist of progressed ideas for when investable cash becomes available from realisations.

M&C Saatchi plc - SAA LN (new investment)

Following material due diligence by the team in Q4 last year while the shares were suspended due to historic accounting issues, we quickly built a 4% position in M&C Saatchi upon resumption and the shares have performed superbly since our investment. We have backed a new board and executive team with a more focussed strategy centred around a simpler operating structure. We were delighted to see share purchases from board members including Moray McLennan (CEO; £500k), Gareth Davies (Chair & Non-Executive Director of Gresham House, £160k) which added to Vice-Chair Vin Murria's recently acquired 12.5% stake.

Northbridge Industrial Services plc – NBI LN

There were a number of announcements from Northbridge in the quarter including personnel changes as well as strategic and operational updates. The company confirmed trading is improving again and more importantly a strategic pivot to electrical markets, playing to its strengths in power reliability. To oversee

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.£4.0bn² in assets under management.

these changes Peter Harris has become Executive Chair and Stephen Yapp (who we introduced to the company) becomes Senior Independent Director. The two operating divisions; Tasman (drilling tools) and Crestchic (power reliability) will be run separately by their prospective MDs reporting into the board. Eric Hook (CEO) has retired but will remain a shareholder and supporter of the business.

Augean plc – AUG LN

Augean released its full year results for 2020 in March, re-confirming the resilience of its core energy for waste revenue line and the highly attractive return on capital employed (ROCE) and margins of the operating model. This has allowed the business to confirm a dividend policy, which we had been speaking to the company about and were keen to see – the earnings per share (EPS) growth, margins and cash generation of the business create the potential for a fantastic cash returns and dividend story for investors now that the turnaround has been completed.

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 of risk than that investments in larger, more established companies.

CONTACT

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