

Quarterly Factsheet

Q1 – January 2016



Investment mandate: Strategic Public Equity (SPE) – targeting above market returns over the long-term

Gresham House Strategic plc (GHS) invests in UK smaller public companies, adopting the SPE investment strategy which applies private equity style techniques to construct a focused portfolio. The manager aims for significant engagement with investee company stakeholders in support of a clear equity value creation plan.

GHS – KEY FACTS

NAV per share:

990.5p*

Benchmark: Unconstrained
Ticker: GHS

* As of 31st December 2015.

Share price:

825p**

Strategic Public Equity
investment mandate

** Mid price as of 31st December 2015.

FUND MANAGERS

Tony Dalwood **Fund Manager and Chairman Investment Committee**
20 years of investment and operating experience. Established SVG Investment Managers and launched Strategic Equity Capital plc and the Strategic Recovery Funds. Former CEO of SVG Advisers (Schroder Ventures London). Previous member of the UK Investment Committee at PDFM.

Graham Bird **Fund Manager**

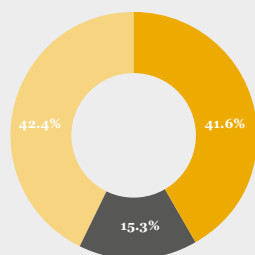
20 years of investment, advisory and operating experience. Previously Executive Chairman of paybyphone (a subsidiary of paypoint plc), Director of Strategic Investments at SVGIM and a Director within the Corporate Finance department at JP Morgan Cazenove.

SIGNIFICANT SHAREHOLDINGS*

	£m	% NAV
IMImobile	15.6	42.7
Miton Group	1.3	3.6
SpaceandPeople	1.3	3.6
Castlestree Investments	1.1	3.0
Quarto Group	0.8	2.2
Be Heard Group	1.2	3.3
Cash and other net assets (GBP)	15.2	41.6
Net Asset Value	36.5	

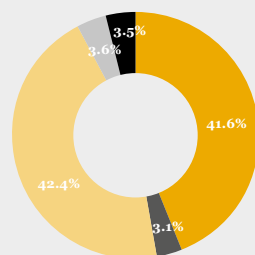
* As of 31st December 2015 – only six holdings at present while the manager invests funds.

Mkt Cap breakdown



■ Cash and other net assets
■ £0 - £50m
■ £50m - £100m

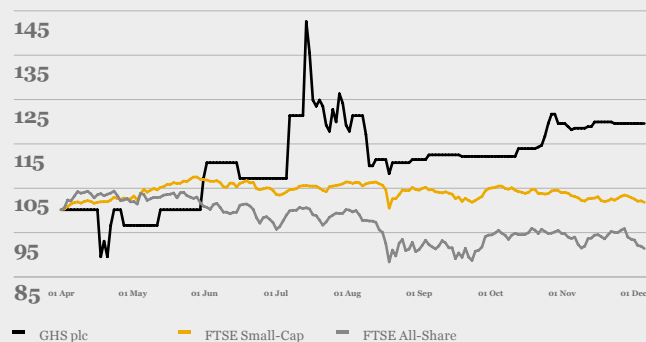
Sector analysis



■ Cash and other net assets
■ Investment companies
■ Software and Computer Services
■ Financial Services
■ Media

SHARE PRICE PERFORMANCE 1ST APRIL – 31ST DECEMBER 2015

Appointment of Gresham House and adoption of SPE Investment mandate on 10th August 2015



Discrete performance	1st April	30th Sept	31st Dec
Share Price	700p	785p	825p
		12.1%	5.1%
NAV	970.0p*	989.3p	990.5p
		1.9%*	0.1%

* To ensure a clear comparison the April 2015 NAV has been adjusted to include the £2.3m incentive fee paid to SVML managers in respect of IMImobile which was paid in August 2015.

MANAGER MARKET COMMENTARY

The final quarter of 2015 saw a continuation of the uncertainty and volatility that characterised the second half of Q3. After a short positive run in late December, the FTSE All-share and Smaller Companies (ex IT) indices have fallen 3.7% and 6.9%* since 4th January 2016. We had commented on relatively high market valuations at the time of GHAMs appointment as Investment Manager in August 2015 and the market falls since then represent a degree of correction. However, with investors' continued concern over slowing growth in Asia, tension in the Middle East, poor economic data from China, as well as continued pressure on oil and commodity prices, short-term focus on US (and possibly UK) interest rate rises, currency volatility and the impact of all these issues on global growth, market direction remains unclear.

Notwithstanding the market correction seen so far, we continue to think market valuations are relatively high on a number of metrics, with the FTSE All share trading at an average P/E multiple of 17.3x and a dividend yield of 2.8%** driven by low cost of capital due to the extraordinary period of loose monetary policy in Europe and the US. Furthermore, corporate ROE has been approaching peak levels (c15%) and

the average transaction multiples paid by Private Equity has increased significantly over the last five years. Both of these phenomena have historically been associated with the end of bull market cycles. The consequence is that expectations for overall market returns over the next few years have fallen and are likely to be below the long term average of c.4% – 5% real.

Another interesting recent phenomenon has been that H2 2015 saw continued divergence within the equity markets, not just between large and smaller company valuations but also growth vs value. Since 2010, 'value' has underperformed 'growth' whereas the reverse has been true over the long term, as shown in the chart to the right. Where this has happened in the past, the trend has reversed.

We believe 2016 will provide opportunity for alpha focused investors to outperform through investing in value style strategies, smaller companies with "value characteristics" and through adopting a more contrarian lens. As we move into 2016, we have already seen an increase in the number of companies fitting 'value criteria' and hence are optimistic about the opportunities for the SPE strategy.

Value vs Growth



Source: MSCI, Morgan Stanley

* Bloomberg share price change to 22nd Jan 2016.

** Bloomberg data screen, median average 22nd Jan 2016.

INVESTMENT MANAGER REPORT

Gresham House Strategic plc (GHS) outperformed the FTSE All-share and small-cap index by 6% with its share price increasing 5.1% from 30th Sept 2015 – 31st Dec 2015, vs 3.3% and 3.4%. There was positive newsflow from a number of the portfolio holdings during the period with IMImobile announcing reassuring interim results in December 2015, Castlestree Investments announcing an acquisition constituting a reverse takeover and Miton Group releasing a positive trading update and strong AUM inflows in January 2016. Notable faller SpaceandPeople plc is yet to update the market on key Christmas trading, expected towards the end of this month, and having risen as a result of new contract wins announced Q3 2015 the stock has fallen 21% on thin trading in the last quarter. I comment on the portfolio holdings individually below.

Miton (MGR), GHS acquired a 2.9% shareholding in August 2015, backing the management team to address the well-publicised challenges experienced in 2014 through personnel changes, restructuring of underperforming funds, and the launch of new single strategy product. Signs of a turnaround are now evident with momentum in asset inflows and top quartile performance from the majority of group funds. This should lead to risk shifting to the upside as the company benefits from significant operational gearing. The company released a positive trading statement on the 14th January confirming the strong net inflows, plans to raise funds for the new European strategy and a potential c-share issue for the Micro-cap Investment Trust. Management also confirmed that adjusted PBT for FY15 will be at 'least in-line with expectations'.

IMImobile (IMO) announced solid interim results in December, with revenue slightly ahead of expectations and earnings in-line as the management team increases investment in support of its organic growth strategy. Its recent acquisition of Archer in South Africa is performing well and the company is already benefiting from cross-selling products and services. Investec Securities were announced new NOMAD and joint broker alongside Whitman Howard in January this year.

Through the fund's investment in **Be Heard Group plc (BHRD)** we are supporting a proven team with a strong track record of value creation within the media industry, including at Aegis and the Engine Group, by providing growth capital in support of a buy and build strategy to create a leading, mid-sized digital marketing services agency. We added to our holding in December, taking advantage of temporary share price weakness. The shares have strengthened since, settling around the 3.5p level. We expect additional newsflow with respect to bolt-one acquisitions in the near-term.

Castlestree Investments (CSI) announced an interesting deal and conditional placing of new shares raising £30m just before Christmas, acquiring Selection Services Investments Ltd a UK focused provider of IT solutions and cloud based services for an enterprise value of £34.8m. The management team intends to grow the business through acquisitions, consolidating within a fragmented sector, while also enhancing organic earnings growth through expanding capabilities and focusing on higher value services.

SpaceandPeople (SAL) Signs of recovery have been evident in 2015 with scope to grow the top line and in particular its digital kiosk offering and to restore margins back to normal levels. If achieved, we believe this will result in an improved rating for the shares by the market. The business is cash generative, has a strong balance sheet and recently announced significant contracts awards (Network Rail). Lack of liquidity at the smaller end of the small-cap universe and the absence of newsflow (given limited visibility of earnings) has resulted in a slow decline in the share price based on thin traded volume. We expect the company to update the market on the key Christmas trading period and importantly on outlook for 2016 in February.

We invested in **Quarto Group Inc (QRT)** in November acquiring a small holding with a view to supporting CEO Marcus Leaver by providing access to growth capital for bolt-on acquisitions as he continues to grow the business organically. We believe value can be created through self-help and operational improvement as well as complementary acquisitions leading to increased market share within a fragmented niche publishing sector. The business is attractively valued and is highly cash generative supporting debt reduction.

Graham Bird
Fund Manager
GHAM

FUND INFORMATION

Investment Committee

Tom Teichman

30 years VC & banking experience having founded SPARK Ventures in 1995. Former Investment Committee member at Brandt's, Credit Suisse, Bank of Montreal and Mitsubishi Finance London. Start-up investor/director of lastminute.com, mergermarket.com and Chairman of notonthehighstreet.com

Bruce Carnegie-Brown

Chairman of Moneysupermarket.com Group plc. He is a non-executive director of Santander UK plc. He was previously a Managing Partner of 3i QPE plc, a Managing Director of JP Morgan and CEO of Marsh Ltd.

Rupert Robinson

Former CEO and CIO of Schroders Private Bank Rupert was previously Head of UK Wealth Management at Rothschild Asset Management.

Gresham House Asset Management

The asset management division of Gresham House plc (GHE).

It specialises in managing assets on behalf of third party clients focused on funds and co-investments across a range of differentiated and illiquid alternative investment strategies. The company is built around a long-term value investment philosophy and applies private equity techniques to due diligence and investment appraisal.

Investment Manager: Gresham House Asset Management Ltd (GHAM)

Annual Management fee: 1.5%

Performance fee: 15% over a 7% hurdle

Shares in issue: 3,687,504 (excluding shares held in treasury)

Stock Exchange Ticker: GHS

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