

Quarterly Factsheet

Q2 – April 2016



Gresham House
Strategic plc

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, including the provision of growth and development capital.

GHS – KEY FACTS

NAV per share:

998p*

Benchmark: Unconstrained
Ticker: GHS

Share price:

767.5**

Strategic Public Equity
investment mandate

* As of 31st March 2016.

** Mid price as of 31st March 2016.

FUND MANAGERS

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

Graham Bird Fund Manager

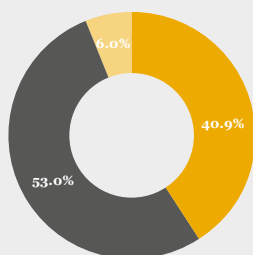
20 years of investment, advisory and operating experience. Previously Executive Chairman of paybyphone (a subsidiary of paypoint plc), Director of Strategic Investments at SVGIM and a Director within the Corporate Finance department at JP Morgan Cazenove.

SIGNIFICANT SHAREHOLDINGS*

	£m	% NAV
IMImobile	15.6	42.4
Quarto Group	2.3	6.3
Miton Group	1.6	4.3
SpaceandPeople	1.2	3.3
Beheard Group	1.0	2.7
Cash and other net assets (GBP)	15.1	41.0
Net Asset Value	36.8	

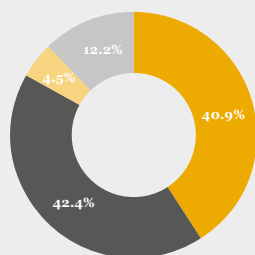
* As of 31st March 2016 – only five holdings at present while the manager invests funds.

Mkt Cap breakdown



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

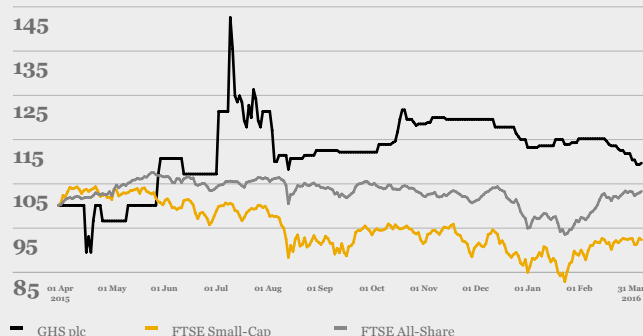
Sector analysis



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

SHARE PRICE PERFORMANCE 1ST APRIL – 31ST MARCH 2016

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



Discrete performance	1st Apr	30th Sep	31st Dec	31st Mar
Share Price	700	785	825	767.5
		12.1%	5.1%	-7.0%
NAV	970	989.3	990.5	998
		2.0%	0.1%	0.8%
Discount	(27.8%)	(20.7%)	(16.7%)	(23.1%)

* 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 FTSE All-share and Smaller Companies indices started the year with a continuation of the uncertainty and volatility that characterised Q4 2015. Indices fell sharply, driven by concern over slowing growth in Asia, pressure on oil and commodity prices, a short-term focus on the prospect of US and UK interest rate rises in contrast to negative rates in Europe and fears of deflation, all resulting in an unclear market direction. However, we saw a rebound towards the end of Q1 as fears of a rate rise dissipated and following dovish rhetoric in the US and further central bank intervention.

We had commented on relatively high market valuations in our Q1 factsheet and we continue to think market valuations are relatively high on a number of metrics compared to long term averages, with the FTSE All share trading at an average P/E multiple of 16.5x and a dividend yield of 2.6%. This is against a backdrop where it will be tough to generate meaningful earnings growth given a slowing global economy and operating margins near peak levels. Evidence of the uncertainty can be seen in the significant contraction, globally, in IPO activity. The UK market faces still further uncertainty with the impending vote on Britain's EU membership.

Against this uncertain backdrop we continue to see a divergence within the equity markets, not just between large and smaller company valuations but also growth versus value. We are already seeing 2016 providing opportunity for alpha focused investors to outperform through investing in smaller companies with "value characteristics" and in inefficient areas of the market, allowing GHS to build a relatively lowly valued portfolio with good long term earnings growth.

INVESTMENT MANAGER REPORT

Gresham House Strategic plc (GHS) net asset value per share remained relatively steady notwithstanding the market volatility rising 1% in the quarter. Notwithstanding the resilience of the portfolio, the GHS share price fell 7.3% in Q1 2016. A significant proportion of the portfolio is held in cash and, facilitated by the volatility and uncertainty, we are seeing a number of attractive opportunities to deploy new capital. The current portfolio remains attractively valued while offering good earnings growth prospects. The current portfolio, stripping out cash and Be Heard Group (which is currently suspended following the recently announced acquisition of MMT which constitutes a reverse takeover under AIM rules, and with no live broker forecasts) is trading on an EV/EBITDA multiple of 4.7x* generating 15% look through EBITDA growth based on broker forecasts. The portfolio weighted median free cash flow yield is 11.5%.

There was positive newsflow from a number of the portfolio holdings during the period with both Quarto and Miton Group announcing results ahead of market expectations. **Miton Group** highlighted strong inflows and top quartile fund performance resulting in a moderate upgrade to broker forecasts. Notable faller in Q4 2015, **SpaceandPeople plc** announced final results in March for the year ended 2015 which were in-line with expectations. **IMImobile**, a significant holding within the portfolio released a positive pre-close trading update on 30th March 2016. Preliminary results for the year ended 31 March 2016 are due for release in June.

The fund exited its position in **Castlestree Investments** on 1st March generating a gross IRR of 43%.

The fund invested in **Be Heard Group plc (BHRD)** in November 2015 acquiring new shares at 3.25p, providing growth capital through participating in a placing and admission to AIM. We added to our holding in December taking advantage of temporary share price weakness. Having experienced some volatility in late December and early January, the share price has risen 27% since our investment in 2015. On the 14th March, in line with

its stated value creation strategy, the company announced the proposed acquisition of design, build and user experience agency MMT. The deal constitutes a reverse takeover under AIM rules and as such is conditional on the approval of Be Heard shareholders at a general meeting.

We acquired a small holding in **Quarto Group Inc (QRT)** in November 2015 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. The shares have performed well increasing by 20% since the time of our initial investment and 16.5% in Q1 2016, in part a result of the company announcing good final results on 17th March with revenue, PBT and the full year dividend slightly ahead of broker forecasts. The acquisition of Ivy Press in February 2015 has been a great success and we believe value can be generated through operational improvement, deleveraging the balance sheet given strong cash generation as well as complementary bolt-on acquisitions aimed at increasing market share within niches of the publishing sector, such as children's books. We increased our position following results taking our stake up to 4.6%.

Signs of success in the turnaround of Miton (MGR) are now becoming evident with momentum in asset inflows and top quartile performance from the majority of group funds. The business has invested heavily in its operational platforms and IT to support scale and we see risk shifting to the upside as the company benefits from significant operational gearing. The company released strong final results on the 21st March showing AUM had increased by 42% since the start of 2015 to £2.9bn. House broker Peel Hunt upgraded forecasts by 8% as a result. The shares rose 17.6% in Q1.

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 normalised levels. The company announced its preliminary results on 29th March which were in-line with expectations guided in the pre-close update in February and citing good progress in winning significant new contracts during the period.

Importantly the results confirmed that the UK business is performing well and delivering good growth in the recently launched and high return on capital digital Mobile Promotional Kiosk product (MPK), which are to some degree replacing legacy Retail Merchandising Units (RMUs). Focus is now on delivery and execution of the new contracts won in 2015 in the UK with Network Rail, British Land and in converting the trial with Auchan, one of the largest operators of shopping centres in France. The company is guiding for modest growth in earnings in 2016 however the valuation implies little expectation of long term growth.

Lastly **IMImobile** released a positive pre-close update on 30th March confirming that the group is trading in-line with market expectations and optimistic for growth prospects for FY17, with strong organic growth across all regions and business units delivering revenue and gross profits growth of 25% and 20%, in particular in western Europe and the Americas where the company had key contract renewals coupled with strong new wins. MEA had an excellent year with an attractive pipeline positioning the business well for continued growth in FY17. The integration of recent acquisition, Archer, in South Africa is complete and throwing off good cross-selling opportunities. The company has also completed investment in and simplification of its product suite. This stock is attractively valued trading below 7x EV/EBITDA which is considerably below trade and private equity multiples for similar businesses. 90% of its revenues are naturally recurring, it is highly cash generative with a strong balance sheet which will enable further consolidation benefits alongside organic growth.

Graham Bird
Fund Manager
GHAM

* GHAM data/calculations

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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