

Quarterly Factsheet

Q4 – October 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:

1081.9p*

Benchmark: Unconstrained
Ticker: GHS

* As of 30 September 2016.

Share price:

815p**

Strategic Public Equity
investment mandate

** Mid price as of 3 October 2016.

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 (UBS Asset Management).

Graham Bird Fund Manager

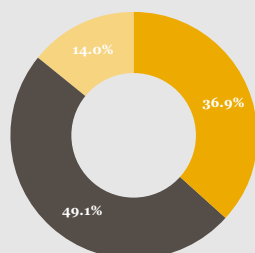
20 years of investment, advisory and operating experience. Previously Executive Chairman of paybyphone (a subsidiary of paypoint plc), Director of Strategic Investments at SVGIM and a Director within the Corporate Finance department at JP Morgan Cazenove.

SIGNIFICANT SHAREHOLDINGS*

	£m	% shareholding in Company	% of portfolio NAV
IMI Mobile	15.0	13.5	37.6
Be Heard Group	2.7	10.6	6.8
Quarto Group Inc	2.5	4.4	6.3
Northbridge Industrial Services	2.4	10.9	6.1
Miton Group	2.1	4.1	5.2
Cash and other net assets	15.2		38.0
Net Asset Value	39.9		

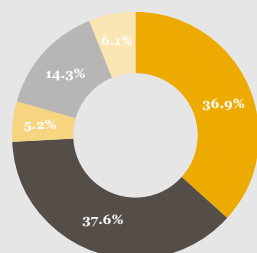
* As of 3 October 2016.

Mkt Cap breakdown



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

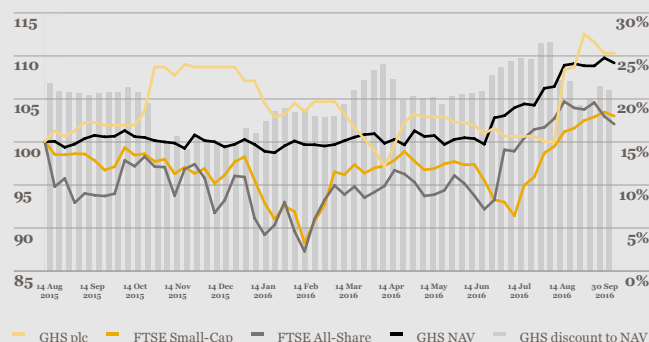
Sector analysis



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

SHARE PRICE PERFORMANCE 14 AUGUST 2015 – 30 SEPTEMBER 2016

Appointment of Gresham House and adoption of SPE Investment mandate in August 2015



Performance	Q2	Q3	Last 12 months ¹	Since inception ²
GHS NAV	2.1%	6.3%	8.8%	9.5%
FTSE Small Cap (ex Inv Trusts)	(4.1%)	11.0%	6.3%	3.2%
FTSE All Share (ex Inv Trusts)	5.3%	5.5%	11.3%	4.5%
Relative performance				
vs FTSE Small Cap	6.2%	(4.7%)	2.5%	6.3%
vs FTSE All Share	(3.2%)	0.8%	(2.4%)	5.0%

¹ Last 12 months to 30 Sept 2016.

² First NAV release on 14 August 2015 to 30 Sept 2016.

MARKET COMMENTARY

The FTSE All-share and Smaller Companies indices saw a strong rebound in Q3 having fallen initially in response to the UK's vote to leave the EU. 2016 has been a volatile year and we are pleased with the consistent performance of our portfolio holdings with stable net asset value (NAV) progression year to date of 9.2%¹.

We commented in factsheets earlier this year that the market average valuation was towards the upper end of historic ranges (FTSE small-cap trading on c.16x PER, yielding c.3%²) and this continues to be the case with equities buoyed by quantitative easing and depressed bond yields. This is against a backdrop where it will be tough to generate meaningful

earnings growth given a slowing global economy, low inflation and operating margins nearing peak levels, a result of unprecedented low cost of capital following periods of quantitative easing. GHS therefore maintained a significant cash weighting in the portfolio during Q3.

INVESTMENT MANAGERS REPORT

Gresham House Strategic plc (GHS) NAV has been consistently resilient against a volatile backdrop with an information ratio of 3.8³. NAV has risen 9.5% between Gresham House Asset Management's (GHAM) appointment and the period end, outperforming the FTSE Small-Cap index by 6.3%.

At present we hold six companies in the portfolio with a medium term target which would see between 10 and 15 stocks representing more than 80% of the portfolio. We believe the current holdings are attractively valued, with good growth prospects and positive cash generation. Taking into account cash in the portfolio and the current share price discount to NAV per share, the portfolio is trading on an implied EV/EBITDA multiple of 5.2x⁴, which is a significant discount to the average market rating of 9.3x⁵, and offers estimated EBITDA growth prospects in excess of 20%, also twice the market median.

A number of our portfolio holdings reported positive news flow in Q3 with IMImobile, Quarto and Miton Group contributing to the positive portfolio performance.

Northbridge reassured investors with its interim results announced on 29 September and the share price responded accordingly rising to 88p, 15.8% above our initial entry price. As widely signalled, the company continues to face challenges in its New Zealand and Australian oil services businesses and the shares had been a weak performer in the portfolio during the majority of Q3 following a trading update in August citing that despite oil price stabilisation, conditions for oil sector companies worsened slightly as crude prices remain historically low compared to medium term norms. Importantly the company published results in September showing continued positive cash generation and reduced gearing and reiterated the strength of trading within its load banks division in the UK and Europe as well as the successful, although still nascent, entry into the US market. Together this has meant that overall the share price is up marginally during the period. We remain highly engaged with the management team and increased our stake to c.11% ahead of the recent results.

Miton Group announced strong interim results in September beating analyst expectations and resulting in marginal upgrades to full year forecasts. The company showed a return to asset growth momentum and net inflows, importantly in the multi-asset strategies not just its single strategy funds and is on course to increase earnings by 50% in the full year. 9 out of the 14 funds managed by Miton are top quartile performers and we continue to believe forecasts are well underpinned. It has c.£18m of cash on its balance sheet (c.11p per share) and specifically touched on the significance of a good and growing dividend in recent investor presentations. We see scope for improved ROCE over the medium term.

Be Heard published good interim figures in September confirming strong progress from Agenda21 with the company stating that the business is likely to hit its maximum earn-out target evidencing the strong performance since acquisition. The shares have rallied as a result ending the period at 3.77p up 19.8% over the period.

The Quarto share price performed well in the period, climbing c.17% from 240p to 281p, supported by a number of factors. The Ivy Press acquisition continues to integrate well into the Group, which is promising for future earnings through organic growth and synergies, and gives credence to Quarto's stated acquisition growth strategy. The strategy was extended with the acquisition of Becker and Mayer announced in August for \$9.8m, expanding children's publishing revenues by 30%. This positive activity has been supported by beneficial movements in FX rates for Quarto as a majority of earnings are denominated in US\$ and then converted to GBP. The interim results on 9th August were encouraging, showing continued growth in the US, in children's publishing and strong cash generation supporting debt pay down and a progressive dividend. The company is hosting a capital markets day on 13th October.

IMImobile announced strong results in July showing double digit organic revenue and gross profit growth, strong cash generation ahead of expectations and an increase in monthly recurring revenues now in excess of 90% of the group's total revenue. We continue to believe the stock is undervalued trading at c.8.5x ev/ebitda relative to its quoted peer group

trading on a range of 11x – 13x. The company has good growth prospects both organic and with developed opportunity for selective acquisitions.

We had disappointing news from SpaceandPeople plc (SAL) in Q3, following on from the closure of its S&P+ division announced in Q2. SAL is a small holding within the GHS portfolio, less than 1% of NAV so the overall impact on the net asset value of the portfolio is marginal, albeit disappointing. Importantly the core UK business is performing well with good growth in the high return on capital digital kiosks (MPKs - >20% ROCE) and the significant Network Rail contract rolling out well with additional opportunities through the contract with British Land and through the successful pilot with the largest shopping mall operator in France. However, this was offset by weak demand within its German promotional and retail business resulting in another downward revision to earnings for 2016 and flat forecast growth into 2017. The company remains profitable and cash generative, however given the one-off costs incurred in H1 2016 related to the closure of S&P+ and the weaker demand in Germany the Board took the decision to temporarily suspend the dividend for 2016. We expect to engage further with the management team and the Board to explore various options for the company.

Outlook

UK equities remain expensive relative to historic ranges and buoyed by quantitative easing and loose monetary policy. Investors are struggling to find yield which in turn props up and upwardly re-rates the larger public companies (>£250m in size). Global growth is slowing and European companies are acquiring growth, M&A so activity is increasing in H2 2016⁶. Market uncertainty following 'Brexit' has resulted in a reduction in institutional interest in new equity issues for small companies, and our view is that management teams are increasingly eager to engage with investors who are able to take a longer term view and who are willing to engage with the company's strategy. This is reflected in our healthy pipeline of investment opportunities (both public and private, pre-IPO deals); many small companies can be viewed as 'private companies with a quote'. Consequently, we remain optimistic for the prospects and the returns from GHS which employs a private equity approach to public markets.

1 Year to date (30 September 2016). 2 Median average of FTSE Small-Cap (ex. Investment Trusts). 3 GHAM calculation - volatility of returns relative to the FTSE Small-Cap Index (14 Aug 2015 to 30 September 2016). 4 GHAM calculations applying corporate broker FY16 forecasts to portfolio holdings factoring in discount and stripping out residual cash as of 30 September. 5 Source Bloomberg – FTSE Small-Cap Index. 6 City A.M – 'Merger mania' 23 August 2016.

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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