

# GRESHAM HOUSE STRATEGIC PLC QUARTERLY FACTSHEET



Q2 - JUNE 2018

Investment mandate: Strategic Public Equity (SPE) - targeting 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 Manager focuses on profitable, cash generative companies that are intrinsically undervalued and aims for significant engagement with investee company stakeholders in support of a clear equity value creation plan over the long term.

## GHS KEY FACTS

NAV per share:  
**1198.2p\***

Share price:  
**990.0p\*\***

**Benchmark:**  
Unconstrained

Strategic Public  
Equity investment  
mandate

**Ticker:**  
GHS

## FUND MANAGERS

**Tony Dalwood** Fund Manager, Investment Committee Chairman  
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, Investment Committee Member  
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.

\*As at 29 June 2018

\*\* Mid price as at  
29 June 2018

## SIGNIFICANT SHAREHOLDINGS\*

	£m	Shareholding in company %	Portfolio NAV %
IMImobile Plc	£18.4m	11.5%	43.1%
Northbridge Industrial Services Plc	£6.0m	10.6%	14.0%
BeHeard	£3.6m	9.0%	8.5%
MJ Hudson	£2.2m	1.3%	5.2%
Centaur Media Plc	£1.4m	2.1%	3.4%
Tax Systems Plc	£1.4m	2.3%	3.2%
Augean Plc	£1.2m	3.0%	2.7%
Escape Hunt	£1.1m	4.9%	2.7%
Private & Commercial Finance Group Plc	£1.1m	1.4%	2.5%
Quarto Group	£1.0m	4.4%	2.3%
Other investments	£2.4m		5.6%
Cash & other working capital items	£3.1m		7.2%
<b>Total NAV</b>	<b>£42.6m</b>		

\* Top 10 holdings are shown as at 29 June 2018

## 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 alternative investment strategies. The company is built around a long-term investment philosophy and applies private equity techniques to due diligence and investment appraisal.

## SHARE PRICE PERFORMANCE 17 AUG 2015 – 29 JUN 2018

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



Performance	2018 Q2	Since inception
GHS NAV	1.0%	21.3%
FTSE Small Cap	5.8%	18.7%
FTSE All Share	8.0%	16.5%
Relative performance		
vs FTSE Small Cap	-4.8%	2.6%
Vs FTSE All Share	-7.0%	4.8%

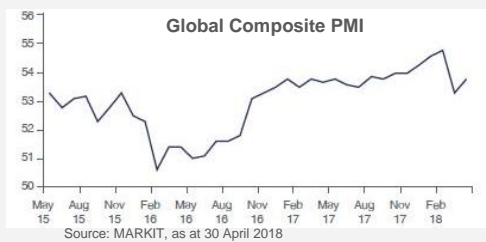
1. To 29 June 2018

2. First NAV released on 17 August 2015 to 29 June 2018, most recently announced NAV

## MARKET COMMENTARY

It was another volatile three months for equity markets, which remain range-bound close to their all-time highs, with markets flitting between the more positive global growth narrative and bearish political concerns; most notably President Trump's trade policies which came into focus towards the end of the quarter.

As we commented in the [2018 Investment Manager's Report](#), whilst wary of the stage in the cycle and market valuations relative to historic ranges, we remain cautiously optimistic in our outlook for the shorter term, especially when focusing on the UK. Taking an objective view of the global economy and UK markets, there remains much to be positive about and we have seen some market recovery in the second quarter after the turbulence of Q1. As we have argued consistently in the market commentary section of our factsheets over the past 12 months, we feel UK markets are well positioned to capitalise on the sustained growth of the global economy in the medium term.

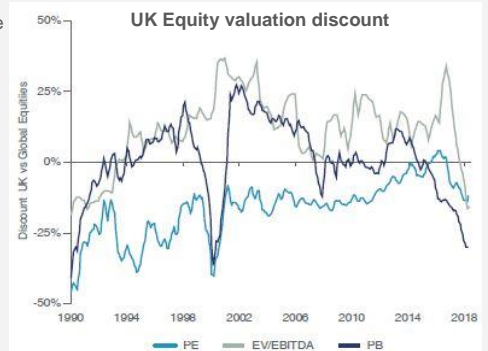


This view is based on two key conclusions:

Firstly, notwithstanding the recent cabinet resignations, we believe the domestic political situation is likely to remain stable. The benefits of this for UK companies and the economy are well understood.

Secondly, the Brexit vote has created an uncertain economic environment in the UK for the past two years and this has had two key implications:

1. A significant devaluation in sterling following the vote which effectively gave the UK a one-off pricing advantage on exports just as global GDP and demand for goods and services has started to tick up.
2. The problem of deferred investment in the UK both domestically and from global investors, as most market participants sat on the side-lines, seeking greater clarity and predictability around the outcome of Brexit and the minority government. We anticipate that as a greater element of predictability returns to the UK economy and political scene, these nerves should subside and there will be an element of 'catch up' in UK GDP in the medium term which should feed through to UK companies' earnings.



## INVESTMENT MANAGERS' REPORT

At the end of the second quarter of 2018, we are pleased to report another three months of positive NAV performance. The NAV per share reached a new high since GH took on the mandate, falling back in the last week of the month to finish +1.0% in the three months to the end of June, and then recovering to achieve another record high, recovering 5.0% in the week to 6 July. This is against a back drop of ongoing directionless market volatility. In the year to 30 June 2018, the NAV per share is up 7.5% vs FTSE All Share and FTSE Small Cap (excluding Investment Trusts) which declined 0.5% and 1.5% in the same period respectively.

Following some realisations in the period, we currently hold a portfolio of investments in 15 UK companies (11 >2.0% NAV) and are evaluating some exciting opportunities in our toehold investments and pipeline. We feel well positioned for the second half of 2018 as investment theses in some of our holdings start to gain traction; notably in Northbridge and IMI Mobile. However, there remains work to be done within the portfolio.

### Northbridge (NBI)

Over the past six months the sector recovery story which underpins our investment thesis has begun to emerge from the early indicators evident at the back end of 2017. This has begun to translate into increased business activity leading to an acceleration of capital expenditure to support new contracts. The traditional markets for load banks as well as newer, emerging areas, such as Data Centres and Energy Storage Systems, have provided resilience and growing opportunity and the JV in Malaysia has been tracking well.

We evidenced our growing conviction for the recovery story with a significant additional investment into the company. We played a leading role in a comprehensive refinancing package which we initiated, structured and

completed; a £4m convertible loan note (CLN) issue of which GHS subscribed for c.£2m. The CLN pays an 8.0% p.a. coupon quarterly over a three year term and has a conversion price of 125p. The issue was in conjunction with renewed banking facilities for the next three years. Since then, the company has taken advantage of strong demand for their shares, raising £2.5m through a placing to fund accelerated CAPEX and to repay the final instalment of deferred consideration, further strengthening the covenant on our CLN. The share price has appreciated and the CLN was 'in the money' on 30 June 2018.

We are supporting the company in a number of areas including market awareness and IR. The first of these efforts was a joint interview with Graham Bird (GHS Fund Manager) and Eric Hook (NBI CEO) on Share Talk in April.

### IMI Mobile (IMO)

The financial year to March ended as strongly for IMO as it had started. The company published a trading statement ahead of its preliminary results citing revenue ahead of expectations with significant new business success across the portfolio, notably for IMI Connect.

We have been proactive through Gresham House's PR advisers by providing support with market awareness and coverage of the company as its major shareholder. These efforts gained traction leading to coverage in a number of high-profile financial publications contributing to the share price performance which reached its highest level since IPO.

IMO released strong results on 27 June, with EBITDA and Gross Profit ahead of market expectations and Profit After Tax in line. Although some profit

taking saw the share price fall in the immediate aftermath, IMO announced a further acquisition of Canadian based Impact Mobile on 3 July. The deal provides a significant enhancement to earnings and has been well received, resulting in a strong rebound in the IMO share price, benefitting our NAV per share accordingly. M&A continues to provide opportunity for IMO, with all three previous acquisitions performing strongly.

### Realised Investment - Miton Group

Miton was one of Gresham House's initial investments for GHS, where we identified that the company was materially undervalued on an absolute and relative basis. A strong trading update at the end of March saw the share price trade up from around 38p to 43p+, above our target price which was based on the achievement of certain milestones we had identified.

This effectively brought our thesis to a close; the majority of the milestones we identified have been achieved, including operational gearing, management re-organisation, earnings and margin growth, reversal of AUM outflows and improved return on capital. As a result, we capitalised on some significant liquidity in the secondary market.

We are pleased with the result which, after a 2.5 year holding period, achieved a 26.0% IRR/1.6x money, contributing meaningfully to NAV growth.

### New Investments & Pipeline

As we continue to manage the portfolio of concentrated investments, we are now working on some exciting opportunities within our pipeline and look forward to updating shareholders on these workstreams in the coming months.

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

**Rupert Robinson** Managing Director of Gresham House Asset Management Ltd. Former CEO and CIO of Schroders Private Bank Rupert. Previously Head of UK Wealth Management at Rothschild Asset Management.

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**Investment Manager:** Gresham House Asset Management Ltd (GHAM)

**Annual Management fee:** 1.5%

**Performance fee:** 15.0% over a 7.0% hurdle

**Shares in issue:** 3,654,504 (as at 31 March 2018, there are no shares held in treasury)

**Stock Exchange Ticker:** GHS