

GRESHAM HOUSE STRATEGIC PLC

Q1 FACTSHEET - 31 MARCH 2019

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 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. The SPE team has managed five consecutive funds since 2003, including GHS plc, following the SPE strategy and these on average have outperformed by 10.7% per annum.¹

KEY FACTS AS AT 31 MARCH 2019

NAV per share: 1,253.9p
Mid price: 970p
Benchmark: Unconstrained
Strategic Public Equity investment mandate
Ticker: GHS

FUND INFORMATION

Annual Management fee: 1.5%
 Performance fee: 15.0% over a 7.0% hurdle
 Shares in issue: 3,555,330 (as at 29 March 2019, there are no shares held in treasury)

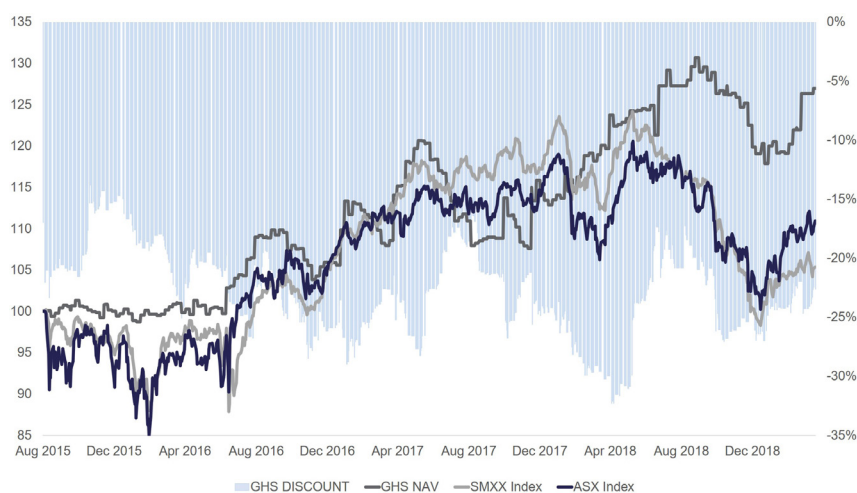
INVESTMENT MANAGERS

Graham Bird,
 Fund Manager, Investment Committee Member, 25 years' 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.

Tony Dalwood,
 Fund Manager, Investment Committee Chairman, 23 years' 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).

NAV PER SHARE RELATIVE PERFORMANCE

17 August 2015 - 31 March 2019 (Appointment of Gresham House and adoption of SPE Investment mandate in August 2015).



Top ten shareholdings ⁴	£m	Shareholding in company %	Portfolio NAV %
IMImobile plc	£10.4m	5.4%	23.4%
Augean plc	£6.9m	7.0%	15.5%
Northbridge Industrial Services plc	£6.2m	10.9%	13.9%
BeHeard	£3.3m	11.2%	7.3%
MJ Hudson	£2.5m	1.0%	5.6%
Tax Systems plc	£2.0m	2.0%	4.5%
Centaur Media plc	£1.7m	2.1%	3.8%
Private & Commercial Finance Group plc	£1.2m	1.5%	2.8%
Swallowfield plc	£1.2m	3.8%	2.6%
Universe Group plc	£1.1m	10.2%	2.6%
Other investments	£4.0m	-	8.9%
Cash and other working capital items	£4.1m	-	9.3%
Total NAV	£44.6m		

Performance	Q1 2019 ²	Since inception ³	1 yr	3 yrs
GHS NAV total return	5.5%	31.4%	8.0%	30.1%
FTSE Small Cap total return	5.1%	16.9%	-3.1%	18.5%
FTSE All Share total return	9.4%	26.8%	6.3%	31.3%

INVESTMENT MANAGER

Gresham House Asset Management Ltd (GHAM)

Gresham House Asset Management, the asset management division of Gresham House plc (GHE), manages funds and co-investments across a range of differentiated alternative investment strategies for third-party clients. The company is built around a long-term investment philosophy and applies private equity techniques to due diligence and investment appraisal.

INVESTMENT COMMITTEE

Tom Teichman: 30 years' VC and 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.

1. Average annual outperformance against FTSE Small Cap (Excluding investment trusts) Index across 5 funds totally £221m spanning periods from 2003 to 2019. Performance measured over life of fund/period relevant to the investment team's involvement

2. 31 December 2018 to 31 March 2019

3. Inception 14 August 2015

4. Top ten holdings shown as at 31 March 2019 using bid-price data. Investments in Northbridge, BeHeard and MJ Hudson include equity and convertible loan notes

MARKET COMMENTARY

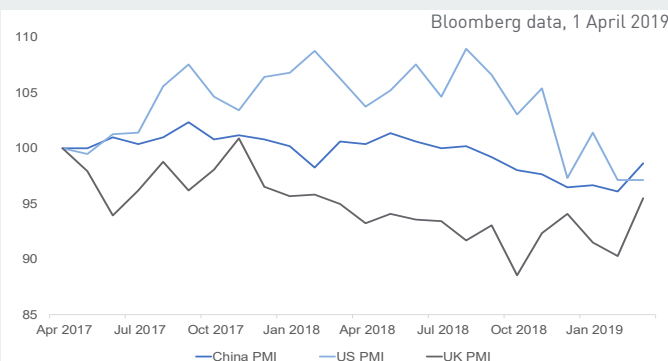
The first three months of 2019 saw a strong rebound in global equity markets after the volatility and weakness witnessed at the end of 2018. In our view, the drivers of this were threefold:

Firstly, as the chart opposite demonstrates, the first few months of 2019 have seen a stabilisation of economic data which had started to soften (US), and show signs of recovery in other key regions (UK and China). This has provided equity markets with a platform from which to rally, as fears of a near-term global growth slowdown had been the key theme rolling markets at the back end of last year. As we have flagged to our investors over the past twelve months, we remain cautious of how lengthy the current cycle has become and last year's concerns were by no means unwarranted. We remain cautious on a longer-term view, though would expect some near-term support for the global economy in the form of a US-China trade deal and a recovery in Europe driven by Brexit clarity. We note that on 1 April, the Atlanta Fed raised their Q1 GDP growth estimate from 1.7% to 2.1%.

Secondly, the market volatility clearly caught the attention of Capitol Hill and Beijing, for just as equity markets formally entered bear markets at the back end of December, a flurry of political statements and monetary/fiscal policies emerged, clearly designed to support confidence. In America, the Treasury Secretary sought to calm the nerves of banks and held out an olive branch in the trade negotiations with China. In Beijing, significant stimulus increases were announced. The Federal Reserve offered its own contribution with a halt to rate hike plans. These efforts

have clearly helped sentiment - global equity markets bottomed the day Steve Mnuchin held a conference call with the President's Working Group on Financial Markets.

Thirdly, the first two drivers discussed herein have meant that the c.20% declines across major equity indices in the US, UK and Europe had created a more attractive buying point for investors who had been wary of valuations earlier in 2018.



INVESTMENT MANAGER'S REPORT

We are pleased to report to our shareholders that it was strong quarter for the NAV on an absolute and relative basis, building on 2018 performance, during which GHS was the top-performing UK Small Cap Investment Trust / Investment company for the calendar year, and best-placed amongst all 49 open-ended funds in the IA UK Smaller Companies sector.⁵

Our NAV per share increased to 1253.9p in the first quarter of 2019, up 5.5% - a really strong quarterly performance. This was driven by a profitable realisation in Tax Systems, and strong performances in Augean (+30%), Northbridge (+25%) and IMI Mobile (+23%). We are evaluating some interesting opportunities both in our toehold investments and new ideas pipeline for 2019 as we look to create additional NAV drivers for the portfolio.

We took advantage of the Q4/Q1 market weakness to increase our positions in IMI Mobile, BeHeard, Northbridge, Swallowfield and Universe Group.

Tax Systems

We were pleased to see an execution of our thesis for Tax Systems, for a final offer price of 115p vs. our in price of 72p two years ago, generating an IRR of 27% and profit of £0.7m, well ahead of our 15% IRR target return.

Augean

It was an extremely pleasing quarter for our investment in Augean, which rallied +30% in the period. The share price strength was driven by ongoing execution of an investment thesis that centres around cost reduction, cash generation and resolution of the HMRC discussions. The company made significant progress on cost reduction and cash generation in FY18, which catalysed the share price. The results confirmed that the net cash and profit position were significantly ahead of estimates.

The shares were driven on further with an announcement that the company had won a series of significant contracts, that by our calculations materially underpin years 2020 and 2021 earnings estimates, and hence these have been moderately upgraded by brokers.

The company's next catalysts are further cash generation which should strengthen the balance sheet and further updates from the HMRC investigation, which the company is challenging. Our roadshow meeting with management suggested that an 'end-game' with HMRC is probably 12-18 months away.

IMI Mobile

IMI Mobile has been a stand-out performer over the quarter, as the shares have partially recovered from a difficult few months. We feel vindicated for increasing our holding by c.400k shares at 220p earlier in the quarter they have increased in value by 32% relative to the repurchase price in a few weeks. We believe this has been driven by:

1. Ongoing operational performance - meetings with management and RNS updates have confirmed that the company continues to grow organically and perform in line with expectations
2. Share register rotation - the IMO share register had come under pressure as it seemed holders facing redemptions in the worst of the market volatility created an overhang. A number of Gresham House managed vehicles cleared out the last of this overhang at 220p earlier in the quarter.
3. Market recovery - the improving sentiment in equity markets, especially in the UK, provided additional support to the share price.

From an operational perspective, the next big news flow will be the trading update which is usually posted in April and then the annual results in due course.

5. Data compiled by FE Trustnet and Morningstar for the year to 31 December 2018, shows the Gresham House Strategic fund outperformed all open-ended UK smaller companies' funds and UK smaller companies closed ended funds, achieving total NAV total returns of 8.9%. Since inception in August 2015, GHS has outperformed its benchmark by 13.3%.

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