



Since 1857

Gresham House

Specialist asset management

GRESHAM HOUSE STRATEGIC PLC

INVESTOR PRESENTATION |
Q3 2018

Gresham House Asset Management

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GRESHAM HOUSE STRATEGIC PLC - THE OPPORTUNITY

- **Compelling opportunity to buy** at a 20.9% discount to NAV¹ (reduced from 30% at end March 2018)
- **Concentrated portfolio with considerable potential upside, attractively valued and tracking in line** with Investment Manager's thesis
- **Significant cash holding** - ability to take advantage of any opportunities/market distortion
- Portfolio valued at a discount to market together with a share price discount to NAV creates a **'double discount'**
- **Proven team** - long-term 20-year track record²
- **Right timing** - focused on undervalued areas (small-cap, value) in a market that is increasingly favouring stock-pickers³
- **In July 2018, 17.25p dividend plus £1m buyback and objective to continue progressive dividend policy in future**

GHS portfolio metrics vs. indices					
	GHS current ⁴	GHS forecast ⁴	FTSE Small Cap current	FTSE All Share current	FTSE AIM current
EV: sales	0.9x	0.8x	1.0x	1.4x	2.0x
EV: EBITDA	6.6x	5.1x	14.9x	9.2x	N/A
Sales growth	9.6%	9.8%	4.4%	3.6%	17.4%
EBITDA growth	11.2%	29.1%	N/A	N/A	N/A
Net debt: EBITDA	0.6x	0.3x	2.0x	0.8x	1.3x

Source: Bloomberg data for FTSE All-Share, Small Cap and AIM market, company accounts and house broker forecasts for GHS portfolio holdings as at 1 October 2018. Based on 1000p, uses weighted value of holdings and takes into account the discount to NAV and cash holdings

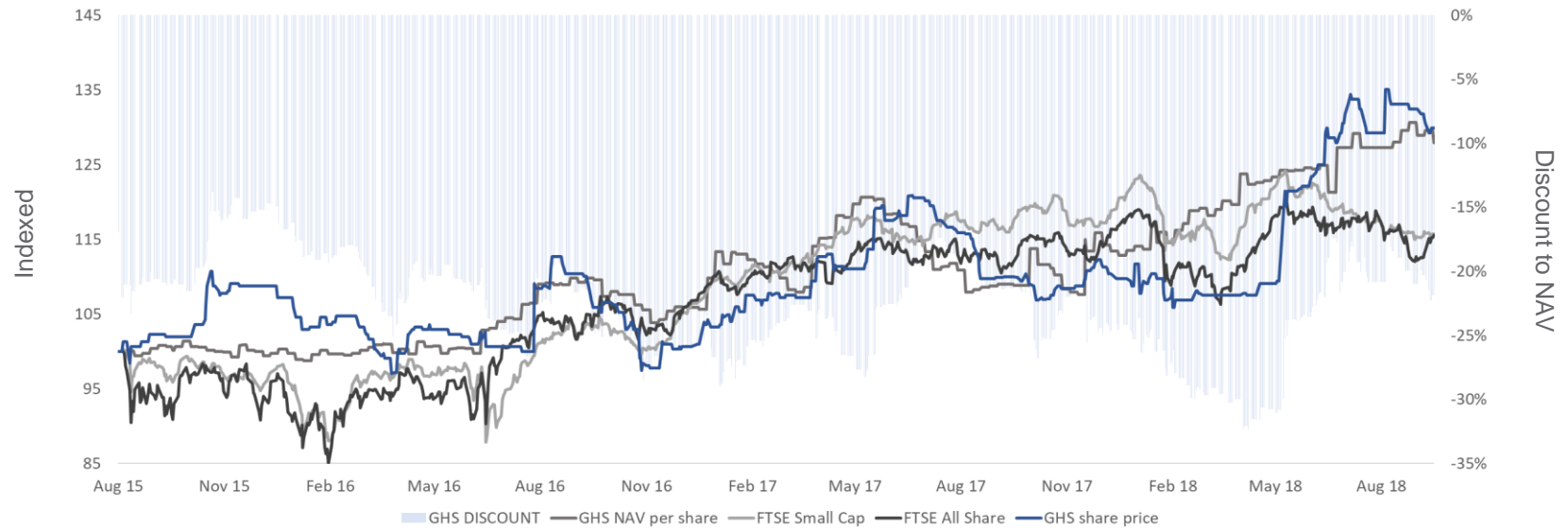
1. Discount to NAV as at 28 September 2018 and using GHS mid-price of 1000p

2. See the "STRATEGIC PUBLIC EQUITY - TRACK RECORD" slide

3. "Stock pickers are poised to reap gains from falling correlations" Cormac Mullen, Bloomberg, 4 August 2017

4. GHS current and forecast values strip out three investments that are private companies and do not have public forecasts. Metrics take into account the discount to NAV and are calculated at a portfolio level. Forecasts are calendarised to December year-end. Current represents 2018, forecast represents 2019. Market ratios based on rolling 12 months

Relative performance



Source: Bloomberg, as at 28 September 2018¹

Performance	2018 Q3 ¹	3 years since inception ²	Six months to 28 Sept 2018	Since inception to 28 Sept 2018 ³
GHS NAV total return	7.0%	30.8%	8.1%	31.5%
FTSE Small Cap total return	-2.1%	26.7%	4.8%	26.5%
FTSE All Share total return	-0.8%	29.6%	8.2%	29.0%
Relative performance				
vs FTSE Small Cap total return	9.1%	4.1%	3.3%	5.0%
vs FTSE All Share total return	7.8%	1.2%	(0.1)%	2.5%

1. 29 June 2018 to 28 September 2018

2. Inception 14 August 2015, three years to 17 August 2018

3. Inception 14 August 2015

STRATEGIC PUBLIC EQUITY - THE MARKET OPPORTUNITY

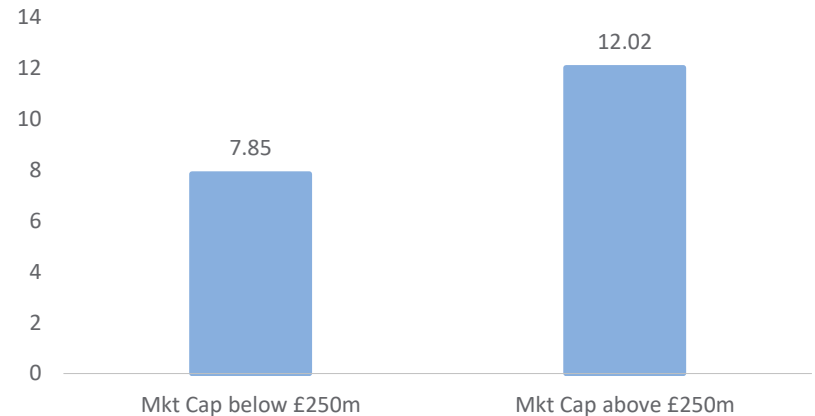
Smaller companies attractively priced

- The valuation differential between large stocks above £250m and smaller, less liquid stocks is significant
- The valuation dislocation has been increasing
- Significant opportunity to generate superior long-term returns investing in good quality, intrinsically undervalued smaller companies

Value stocks set to outperform

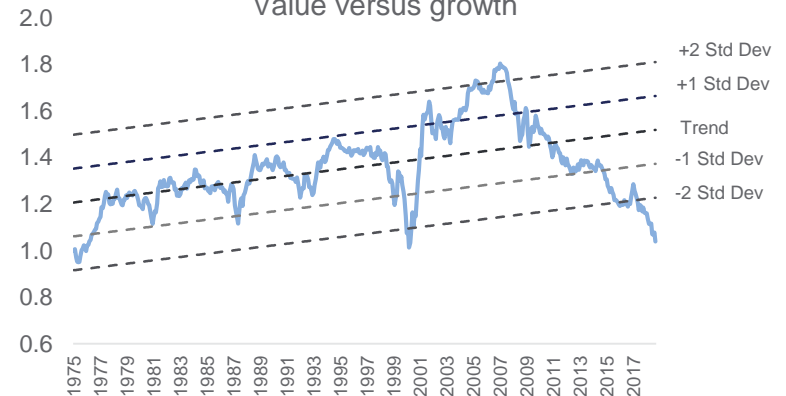
- Recent relative under-performance of value vs growth provides potentially the strongest argument for value in 40 years
- Stocks with value characteristics have been overlooked for much of the last five years

FTSE All Share median EV/EBITDA multiple (x)



Source: Bloomberg data to 28 September 2018

Value versus growth



Source: Bloomberg data to 28 September 2018

STRATEGIC PUBLIC EQUITY - INVESTMENT OPPORTUNITY

Influential minority stakes

5%-25% and **active management** of investments (including Board introductions, advisory)

Highly engaged strategy

Adding value as an active investor **supporting strong management teams**

Targeting inefficient areas of public markets

Smaller companies (illiquid, under researched, barriers to growth capital)

Focus on profitable, cash generative companies

Which are **intrinsically undervalued** and can benefit from strategic, operational or management initiatives

Thorough diligence to identify value creation catalysts

Improved return on capital, profit growth, multiple expansion, debt reduction and cash returns

Flexible mandate, up to 30% can be invested in unquoted companies

Pre-IPO, direct private equity, P2P, preferred positions

Gresham House can add value to investments in a number of areas:

1. Provision of capital
 - a. Primary capital
 - b. Equity and hybrid investments
2. Strategic and corporate advice
3. Access to sector experts and directors
 - a. Use of Investment Committee
 - b. Advisory board
 - c. Industry networks
4. Investor relations and market engagement
5. Operational improvement
 - a. Value enhancement team
 - b. External consultants

GRESHAM HOUSE STRATEGIC PLC - TOP 10 PORTFOLIO HOLDINGS

NAV £44.9m (1,000.0)¹

	£11.0m	Undervalued with strong growth prospects		£1.7m	Strategic change and expansion
	£6.0m	Recovery and growth, investing alongside management		£1.7m	Site rollout, earnings growth, high return on capital
	£3.1m	Buy and build, organic growth plus strong cash generation		£1.2m	Growth capital supporting strategic refocus
	£2.3m	Pre-IPO opportunity, convertible loan notes and equity investment		£1.1m	Conversion to bank enabling funding change, improved net interest margins and growth into new sub-markets
	£2.3m	Recovery and corporate restructuring, resolution of tax issues, investing alongside management and like-minded shareholders		£0.6m	Earnings recovery, de-gearing supplemented with modest organic and acquisition growth at attractive valuations

Other investments - £1.8m

Cash and cash equivalents - £12.1m

Tax losses - c.£140m

1. NAV, cash and holdings value data as of 28 September 2018 using mid-price per share data

STRATEGIC PUBLIC EQUITY - TRACK RECORD

The team launched and managed the SPE strategy while working at SVG Investment Managers.

Company	Fund	Vehicle	Years	Track record
Downing LLP	PFS Downing Active Management ¹	OEIC	2011 - 2016	73% total return since inception vs 55% FTSE Small-Cap ex IT
SVG Investment Managers	Strategic Equity Capital plc	Investment Trust	2005 - 2010	11% IRR since 2007 ²
Schroder Ventures (London)	Strategic Recovery Fund I	Limited Partnership	2003 - 2006	46% net IRR ³ (03 Vintage)
Schroder Ventures (London)	Strategic Recovery Fund II	Limited Partnership	2006 - 2011	6% net IRR ³ (06 Vintage). Remaining equity investments distributed to LPs in specie ⁴ : E2V plc +78%, Journey Group plc +34% and Lavendon Group plc +12%
Schroder Ventures (London)	UK Focus Fund	OEIC	2003 - 2010	78% total return 2003 - 2010 vs. 14% for SMXX ⁵
Philips & Drew	UK Equity Fund	Segregated Institutional mandates & Unit Trust	1999 - 2002	Top Quartile vs. CAPS UK Equity Median

Past performance is not necessarily indicative of future results, and there can be no assurance that the fund will have comparable results or that the fund will be able to implement its investment strategy or achieve its investment objective

1. Tony Dalwood chaired Downing Active Management Fund Investment Committee from July 2011 - December 2014. Total return performance data up to 26 December 2014

2. Gresham House Asset Management Limited calculations excluding dividends 7yr IRR from 2007 when SEC became fully invested to 2014, including period subsequent to the departures of Graham Bird (February 2009) and Tony Dalwood who left SVG in March 2011 having stepped down from the SEC plc Investment Committee, moving to non-executive Chairman of SVGIM on 30 September 2010

3. GVQIM website

4. Bloomberg data (total return since 30 July 2013 when SRF II wound up through to 30th July 2015) - SEC plc continues to follow an SPE style of investment and demonstrates the success of the strategy over the investment cycle

5. Bloomberg data - total return. Tony Dalwood left SVGIM in March 2011 therefore data tracked for UK Focus Fund from August 2003 (July inception) - 31 December 2010



INVESTMENT TEAM AND INVESTMENT COMMITTEE



Tony Dalwood
Fund Manager
Investment Committee
(Chairman)

Started Gresham House Asset Management in 2015. Over 23 years' experience in Public and Private Equity. Previously at SVG Advisers.



Graham Bird
Fund Manager
Investment Committee

Joined in 2015
Over 25 years' experience in Public and Private Equity industry and advisory. Previously at SVGIM.



Pardip Khroud (ACA)
Investment Director

Joined in 2015
Over 15 years' experience in Transaction Services, Restructuring and Private Equity. Previously at Lloyds Development Capital (LDC).



Laurence Hulse
Investment Associate

Joined in 2015
Over 4 years' experience. Previously at Rothschild as an intern in the M&A team.



Tom Teichman
Investment Committee

30 years' experience in VC' and Banking. Co-Founder of The Garage. Previously CEO of Gresham House Strategic (formerly Spark Ventures).



Bruce Carnegie-Brown
Investment Committee

Over 30 years' experience in Private Equity. Currently at Lloyd's Banking Group. Previously at Banco Santander, Aon UK Ltd, and Catlin Group Ltd.



Rupert Robinson
Investment Committee

Joined in 2015
Over 25 years' experience in Private Wealth and Asset Management. Previously at Schrodgers Private Bank.

CONCLUSION

- **Attractive entry point** - 20.9%¹ discount to NAV
- **Significant potential upside** - realising intrinsic value of portfolio
- **Flexibility to take advantage of opportunities** - successful realisations have provided cash to reinvest
- **Timing** - compelling case for small vs large and value vs growth
- **Investment team with a strong track record** of delivering long-term absolute returns
- **Alignment** - Gresham House plc and team members owning >20% of the Fund
- **Portfolio investments compare favourably to the indices** on valuation, growth forecasts and gearing
- Potential for **dividend growth**
- **£1m share buy-back** initiated post period end to address discount

1. NAV, cash and holdings value data as at 28 September 2018 using mid-price per share data



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Appendix

GRESHAM HOUSE STRATEGIC PLC - SHAREHOLDINGS¹

Shareholders	%
Gresham House plc	22.6%
M&G Investments Management Ltd	12.0%
Smith & Williamson Investment	8.8%
River & Mercantile Asset Management	5.7%
Unicorn Asset Management	4.7%
Hargreaves Lansdown Asset Management	4.6%
Miton Asset Management Ltd	3.0%
Berkshire County Council	3.0%
Alliance Trust Savings	2.6%
Interactive Investor Sharedealing	2.3%

1. As at 28 September 2018, most recent Link Asset Services shareholder report and accounting for subsequent TR-1 notifications

GHS HISTORY

2009: Realisation strategy adopted

August 2015: Appointment of GHAM; realisation strategy ended, adoption of SPE investment policy

December 2015: Name change to Gresham House Strategic plc

August 2016: Launch of new 'sister' fund - Gresham House Strategic Public Equity Fund LP

April 2017: Maiden dividend (15p per share) and share buy-back totalling £900,000

July 2018: 17.25p dividend plus £1m buyback

September 2018: three-year anniversary, strong returns ahead of benchmarks; realisations significantly ahead of targets

September 2018: Significant profitable realisation of 55% IMI holding

PARTIAL INVESTMENT EXIT - IMI MOBILE

The story

IMImobile provides software and services centred around mobile data and consumer engagement, helping enterprise clients engage and transact with their customers more efficiently through mobile devices. It was one of GHAM's initial holdings for GHS.

1. Undervalued, misunderstood, Gresham House developed a strong understanding of the operating model and IP
2. Market leader in a sector driven by macro mega-trends
3. Clearly defined catalysts
 - a. Improved governance and clarity on board management structure
 - b. Improved market communications strategy and share register restructure
 - c. Simplified capital structure
 - d. Deployment of balance sheet resources to increase scale

Original investment thesis

Re-rating

Trading at a discount to peers



- Re-rating to peer group average (peer group remains on premium)
- Company has a history of being misunderstood - now improving
- Use of channel partners and resellers to accelerate growth

Earnings growth

Organic with proven M&A capability



- Increasing exposure to higher margin areas and geographies
- Significant structural growth drivers - global trend towards digital communications and engagement via mobile devices
- Significant operational gearing - clear target to grow EBIT margin

Cash generation

Track record of strong cash flows



- Business is highly cash generative which supports reinvestment for growth and improving return on capital
- 86% cash: EBITDA conversion⁴
- 94% revenues are recurring⁵

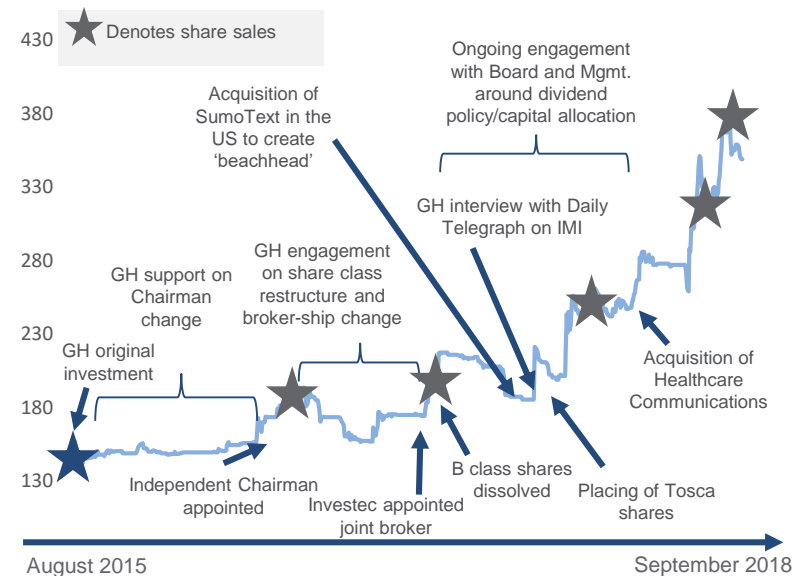
1. Bloomberg data as at 17 July 2018
 2. Bloomberg data as at 17 July 2018
 3. Investec research as at 17 July 2018, Investec determined peer group
 4. IMImobile plc preliminary results 27 June 2018
 5. Company interim results presentation 30 September 2017

Partial realisation summary

Original value of realised stake £m:	£11.4m	Cost price:	155p
Date of original investment:	August 2015	Realised IRR:	27%
Realised profits	£8.6m	Realised money multiple:	1.8x

We have been reducing our investment in IMI for three key reasons:

- Portfolio construction, IMI's strong performance has swelled the weighting in the portfolio
- Achievement of many investment thesis catalysts and outcomes
- Significant liquidity opportunity in the secondary market



Source: Bloomberg data August 2015 - September 2018



INVESTMENT EXIT - MITON GROUP

The story

Miton Group is a UK asset management business focussed on equity and multi-asset portfolios, and was one of GHAM's initial investments for GHS

1. Undervalued, misunderstood, margin and return on capital recovery potential from weak historic performance
2. Strong understanding of Miton's operating model and strategy
3. Clearly defined catalysts
 - a. Resumption of AUM growth
 - b. Operational gearing driving margin; focus on return on capital
 - c. Improved governance and clarity on board management structure

Investment thesis

Re-rating

'Miton was under-rated relative to peers'

- As business achieved greater scale, proved its ability to efficiently allocate capital, and improved margins, rating would improve ✓
- Key strategic catalysts such as clarity on the organisation structure to improve rating ✓
- M&A target potential to drive bid premium ✗

Earnings growth

'Strong operational gearing opportunity'

- Outflows from multi-assets would reverse under new manager ✓
- Strong performance in equity strategies and launch of new funds would drive organic growth ✓
- High operational gearing from consolidated infrastructure would grow earnings ✓

Cash generation

'High margin business with strong balance sheet'

- High margin fund management fees drive cash generation, funding dividend ✓
- Strong cash balance underpinned equity valuation ✓
- Increased dividend / return of cash to shareholders ✓

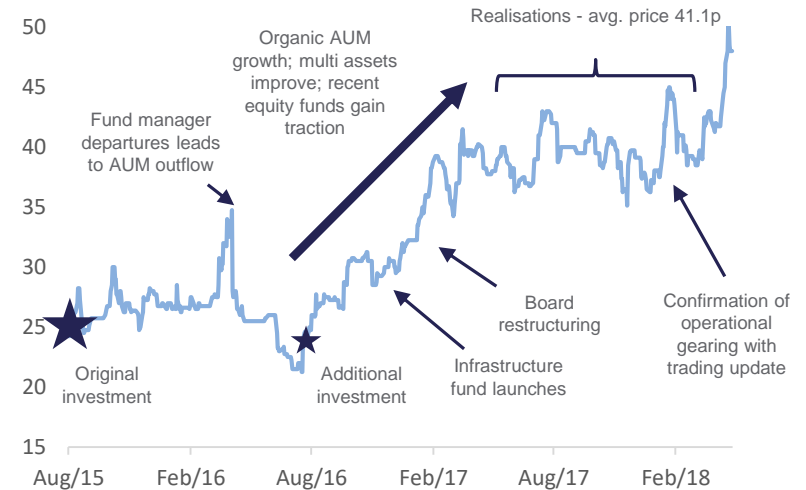
Source: Bloomberg data August 2015 - April 2018

Realisation summary

Deal size £m:	£1.8m	IRR:	26%
Date of original investment:	August 2015	Money multiple:	1.6x
Date of Exit:	April 2018	Exit route:	Secondary sales

We exited our investment in Miton on 3 key conclusions:

- Target price of 40p and identified catalysts at point of investment achieved
- Operational gearing to equity markets and their current valuations/stage in cycle; margins restored
- Liquidity opportunity in the secondary market



NORTHBRIDGE - GHS SHAREHOLDING 10.6% + £2M CONVERTIBLE LOAN NOTES¹

Recovery and growth capital investing alongside management.



The story

Northbridge manufactures specialist industrial equipment for sale and rental and is a leading global supplier of load banks. The company's key markets are oil and gas and power generation.

The business came under pressure at start of the downturn in the oil and gas sector as E&P activity as well as wider capital spending (shipbuilding, power generation, construction). As the market begins to recover we expect the business to strengthen in line with our investment horizon.

Gresham House spent over six months engaging with the management team to support the next phase of the company's growth plan.

Investment thesis

Re-rating

Recovery from stressed rating as market improves

- Underpinned by realisable assets - attractive entry point at 60% of net asset value
- Multiple expansion - entry EV/EBITDA at 4.8x representing a >60% discount to peers and a low point compared to the preceding 2 years' trading range²

Earnings growth

Cost reductions and trading conditions improve

- Margin recovery - profit growth as margins recover to long-term average
- Significant costs taken out of the business during the downturn
- Capacity taken out of the market during the down - company positioned for pricing power in an upturn

Cash Generation

Cash generation and significant reduction in capex

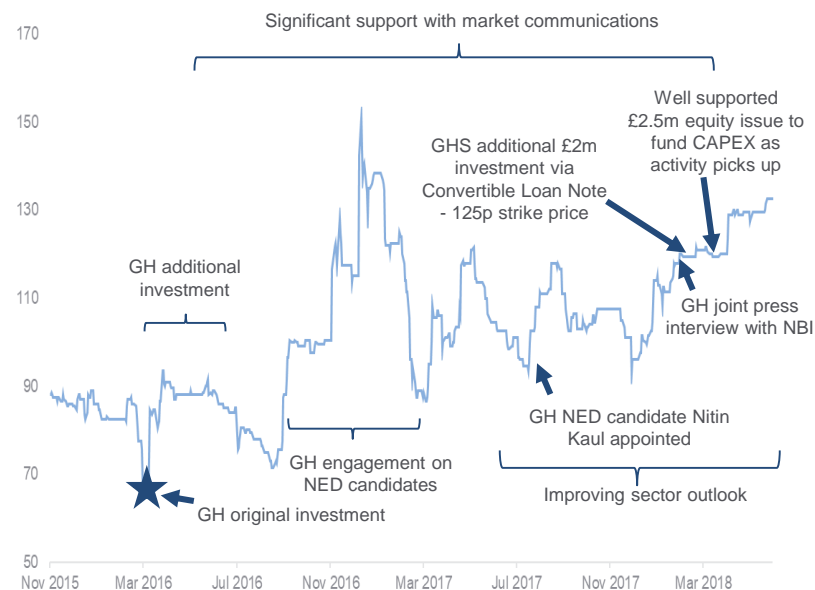
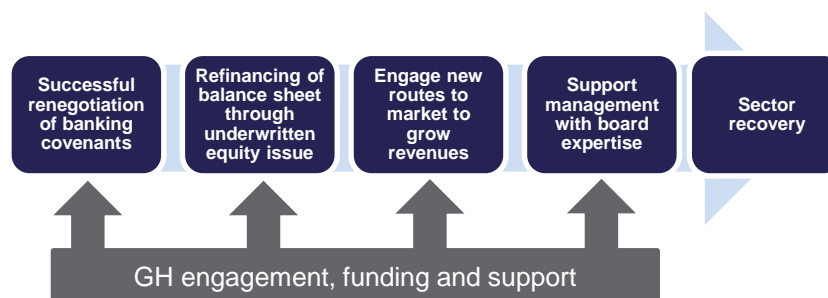
- Inherently strong cash flow generation from operations - free cash-flow yield of >20%³ at GH entry price
- Paying down debt to increase equity value

1. CLN has an exercise price of 125p and is 3yr 3m term paying an 8% coupon

2. Bloomberg data

3. Free cashflow yield GH 2017 forecasts (operating cashflow after interest and tax, less maintenance capex. EV based on fully diluted number of shares at 75p and forecast net debt)

Value creation to realise intrinsic value



Source; Bloomberg, as at 28 September 2018

BE HEARD – GHS SHAREHOLDING 9%

Primary growth capital, supporting buy & build strategy.

BeHeard

The story

Be Heard's strategy is to create a mid-size digital marketing network providing more flexibility than holding groups and greater scale than digital specialists can achieve.

Growth will be achieved through acquiring smaller, niche complementary businesses in the UK, US and Europe and organically developing capability.

The first significant set of results in Q317 demonstrated the potential of the strategy and operational capability of the business to integrate and cross sell effectively.

Investment thesis

Re-rating

Scope for re-rating as business achieves scale

- Valuation arbitrage - larger companies in the sector currently in excess of >12x EV/EBITDA¹
- If proven management team can repeat previous success market likely to re-rate the business as the growth story is realised

Earnings growth

Proven buy & build strategy led by sector leaders

- Track record of successful acquisitions provides scope for further M&A
- Adding new services to existing platform offers earnings accretion, cross-selling opportunities and margin improvement
- Significant revenue and cost synergies available from buy and build strategy

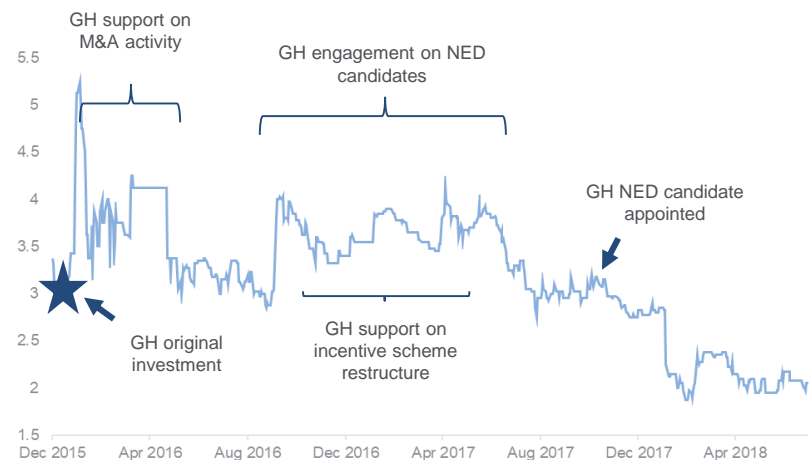
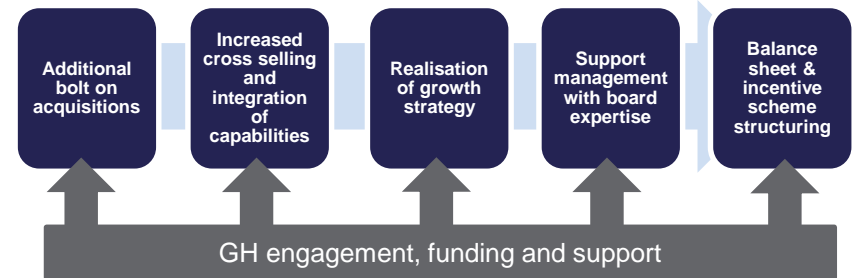
Cash Generation

Opportunity for high-margin income once at scale

- Strong cash flow generation from operations and earnings growth expectation

1. Bloomberg data for M&C Saatchi and Next Fifteen plc as of 29 September 2017 sourced from Bloomberg

Value creation to realise intrinsic value



Source: Bloomberg, as at 28 September 2018

SpaceandPeople

Holding in company

16.2%

Secondary - recovery and growth

- Earnings recovery (refocus on core UK business)
- Margin recovery (cost reduction in non-core areas)
- Multiple expansion / re-rating

Engagement

- Significant strategic input with management
- Supporting shareholder engagement



Source: Bloomberg, as at 28 September 2018

MJ HUDSON

Convertible loan note and private equity

Growth capital supporting buy and build strategy

- Earnings growth (bolt on acquisitions and synergies)
- Margin growth as business achieved scale
- Re-rating and arbitrage opportunity at IPO

Engagement

- Supporting company on near-term path to IPO
- Engagement and advice on M&A activity



Source: Bloomberg, as at 28 September 2018



Holding in company

2.0%

Secondary - growth capital to support strategic refocus

- Margin growth (cost control)
- Earnings growth (focus on higher margin services, shift away from print services; cross selling)
- Improving quality of earnings (focus on recurring revenues)

Significant engagement

- Strategic input with management



Source: Bloomberg, as at 28 September 2018



Holding in company

4.4%

Secondary - recovery and cash generation

- Cash generation (cost cutting)
- Resolution of HMRC offers potential of return of cash to shareholders

Significant engagement

- Initial engagement with Executive Chairman on HMRC issues
- Shareholder dialogue



Source: Bloomberg, as at 28 September 2018

CASE STUDIES



Holding in company **2.1%**

Profits growth, cash generation, improved valuation

- Acceleration of earnings growth via active growth strategy
- Effective sales team implementation and expansion
- Margin growth; expansion into UK mid-market companies
- Regulatory changes requiring businesses to provide quarterly tax returns

Engagement

- Support on growth strategy



Source: Bloomberg, as at 28 September 2018



Holding in company **4.4%**

Recovery, cash generation, debt reduction and re-rating

- Re-rating to comparable trading multiples
- Cash generation and debt reduction to build equity value
- Significant scope for cost and efficiency improvements and margin recovery
- Bolt on acquisitions, driving synergies and growth - although this element of the strategy is currently on hold.

Engagement

- Introduction of NED
- Close consultation on strategic options
- Shareholder and adviser engagement
- Consultation on board appointments



Source: Bloomberg, as at 28 September 2018



Holding in company

8.1%

Primary - Growth capital supporting roll-out strategy

- Earnings growth (through site roll-out)
- Attractive return on capital characteristics with ability to invest for organic growth

Engagement

- Support of strategy
- Introduction to GH industry advisor



Source: Bloomberg, as at 28 September 2018