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Gresham House

Specialist asset management

LMS CAPITAL PLC

INVESTOR PRESENTATION

Q3 2018 AS AT 30 SEPTEMBER 2018

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SUMMARY

- NAV at 30 September 2018: £63.1m (78.1p per share). 30 June 2018: £63.8m (79.0p per share); 31 December 2017: £64.5m (79.9p per share)
- NAV decreased £0.7m (1.1%) since June 2018
 - £0.4m decrease in the portfolio value (reduction in market prices on quoted portfolio offset by unrealised foreign exchange gains)
 - Other net changes, including operating costs for the quarter, amounted to a reduction of £0.3m
- Top five holdings represent 50.3% of the portfolio - clear drivers of future NAV growth and liquidity
- Pipeline of further opportunities now being actively developed

PORTFOLIO BREAKDOWN - 30 SEPTEMBER 2018



	Total NAV (£m)	Holding	Sector	NAV (£m)	% NAV
Quoted stocks	7.0	Weatherford	Oil & Gas services	1.1	1.7
		Gresham House	Asset Management	4.7	7.4
		IDE Group	Technology services	0.6	1.0
		Other	Other	0.6	1.0
UK private - directly held	6.7	Elaternal	Software	2.5	4.0
		Entuity	Software	3.6	5.7
		Northbridge Industrial	Industrial services	0.6	1.0
US private - SFEP managed	14.5	YesTo	Consumer goods	9.3	14.7
		Penguin	Technology	4.4	7.0
		ICU Eyewear	Consumer goods	0.8	1.3
US private - other	11.7	Medhost	Software	8.6	13.6
		NEP	Utilities (energy services)	3.1	4.9
UK funds	8.1	Eden Venture Partners	European technology	2.0	3.2
		Brockton Capital	Real estate	4.8	7.6
		Other	Other	1.3	2.1
US funds	4.5	Opus Capital Venture Partners	Early stage technology companies	3.2	5.1
		Weber Capital	US small cap	0.8	1.3
		Other	Other	0.5	0.8
Cash				13.0	20.6
Other net assets/liabilities				(2.4)	(3.8)
Company net assets¹				63.1	

1. Source: Gresham House Asset Management. Portfolio breakdown at 30 September 2018, as per the latest NAV statement

LARGEST PORTFOLIO HOLDINGS - 30 SEPTEMBER 2018

 <ul style="list-style-type: none"> ▪ Develops and sells innovative natural beauty products ▪ Strongly performing brand in rapidly growing sector, with a well regarded management team ▪ June 2017 transaction provided additional capital to the company and partial exit to investors ▪ Opportunity: Revenue growth, gross margin focus and attractive comparable transaction multiples (trade buyers) 	<i>Domicile</i>	US
	<i>Nature of holding</i>	Fund & co-investment SFEP
	<i>Value</i>	£9.3m
	<i>Valuation methodology</i>	Sales / earnings multiple
	<i>% company</i>	9%
	<i>% NAV</i>	14.7%
	 <ul style="list-style-type: none"> ▪ Provides technology services to the medical sector in the U.S ▪ LMS owns 8% of the equity ▪ A co-investment alongside the Primus funds as lead manager ▪ The original investment was \$5m in 2007 and LMS received a return of capital of \$10.1m in December 2013 ▪ The business is profitable and cash generative ▪ Transaction comparable multiples indicate potential upside 	<i>Domicile</i>
<i>Nature of holding</i>		Co-investment
<i>Value</i>		£8.6m
<i>Valuation methodology</i>		GP Valuation
<i>% company</i>		8%
<i>% NAV</i>		13.6%

LARGEST PORTFOLIO HOLDINGS - 30 SEPTEMBER 2018

 <ul style="list-style-type: none"> ▪ Brockton Capital Fund 1 - UK real estate fund ▪ The remaining asset in this fund is a “super prime” residential development site in Mayfair ▪ The site is in construction to deliver 18 principal apartments and 14 pied-à-terre by mid-2020. In addition, 4 flats in an adjoining building will be refurbished ▪ LMS’ remaining NAV is attributable principally to its look through interest in the preferred debt position in the development vehicle 	<i>Domicile</i>	UK
	<i>Nature of holding</i>	Fund investment
	<i>Value</i>	£4.8m
	<i>Valuation methodology</i>	DCF
	<i>% NAV</i>	7.6%
 <ul style="list-style-type: none"> ▪ Significant supplier of high powered and cloud computing solutions in North America ▪ Sold June 2018 - initial consideration realised c.68% of previous USD NAV ▪ Balance estimated to be recovered from earnout before June 2019 	<i>Domicile</i>	US
	<i>Nature of holding</i>	Fund & co-investment SFEP
	<i>Value</i>	£4.4m
	<i>Valuation methodology</i>	Earnout proceeds
	<i>% NAV</i>	7.0%

LMS - THE VALUATION OPPORTUNITY

- NAV per share is 78.1p¹ - LMS share price trades at 36.9% discount²
- Recent realisations have been at or slightly ahead of NAV
- The Company now has sufficient liquidity to recommence active investment and made its first new investment since August 2016 in Northbridge Industrial Services plc during H1 2018
- Further investment activity expected
- The manager believes that there are clear shareholder return drivers from existing portfolio - the top five investments equate to 50.3% of NAV
- Objective to increase liquidity, make further new investment, grow NAV and reduce discount
- GHAM Investment Committee responsible for re-deployment of capital

1. As at 30 September 2018

2. LMS share price of 49.25p as at 29 October 2018 and applying 30 September 2018 NAV of 78.1p per share

INVESTMENT COMMITTEE - EXPERIENCE



Tim Farazmand
Investment Committee and Investment Team

Tim has a strong background in UK mid-market Private Equity with over 30 years in the industry working with a broad variety of companies such as LDC, 3i, RBS PE and Catalyst Fund Management during that time. Most recently Tim was a MD at LDC, the private equity subsidiary of Lloyds Bank plc. Tim is a former Chairman of the British Private Equity and Venture Capital Association (BVCA).



Tony Dalwood
Investment Committee (Chairman)

CEO of Gresham House and Chair of the Investment Committee. Prior to Gresham House he established SVGIM and launched Strategic Equity Capital plc and the Strategic Recovery Funds. Tony is the former CEO of SVG Advisers (Schroder Ventures London), former chair of Downing Active Management Investment Committee and a former member of the UK Investment Committee at PDFM. Currently non-executive director of JP Morgan Private Equity Plc (JPEL).



Graham Bird
Fund Manager and Investment Committee

Graham leads the Strategic Equity division of Gresham House Asset Management Ltd (GHAM). He was previously Director of Strategic Investments at SVGIM having helped launch the Strategic Public Equity strategy with Tony Dalwood. Graham has considerable experience as a fund manager and an adviser to quoted companies having previously been a Director within the corporate finance department at JP Morgan Cazenove. More recently Graham held senior positions in industry at Paypoint plc including Strategic Planning and Corporate Development Director, and PayByPhone President & Executive Chairman, managing a growing technology business.



Robbie Rayne
Investment Committee

Robbie has expertise in a wide range of sectors including real estate, media, consumer, technology and energy. He established LMS Capital's investment activities in the early 1980s as Investment Director and later Managing Director and Chief Executive of London Merchant Securities.

Robbie is Non-Executive Chairman of Derwent London plc and is involved with a number of charitable trusts and foundations.

CONCLUSION

- **Value opportunity** - current share price represents 36.9%¹ discount to NAV of 78.1p per share
- **Liquidity** - the Company's improved liquidity position creates scope to restart investment activity
- **Portfolio - valuation opportunity in both short and long term**
 - Identified assets with potential to drive NAV growth and/or cash realisations
- **Opportunity to buy into Gresham House's long-term value creation plan**
 - Objective to scale
 - Target shareholder returns (cost reduction, cash realisations)
 - New Investment Committee - experienced and successful track records

1. LMS share price of 49.25p as at 29 October 2018 and applying 30 September 2018 NAV of 78.1p per share

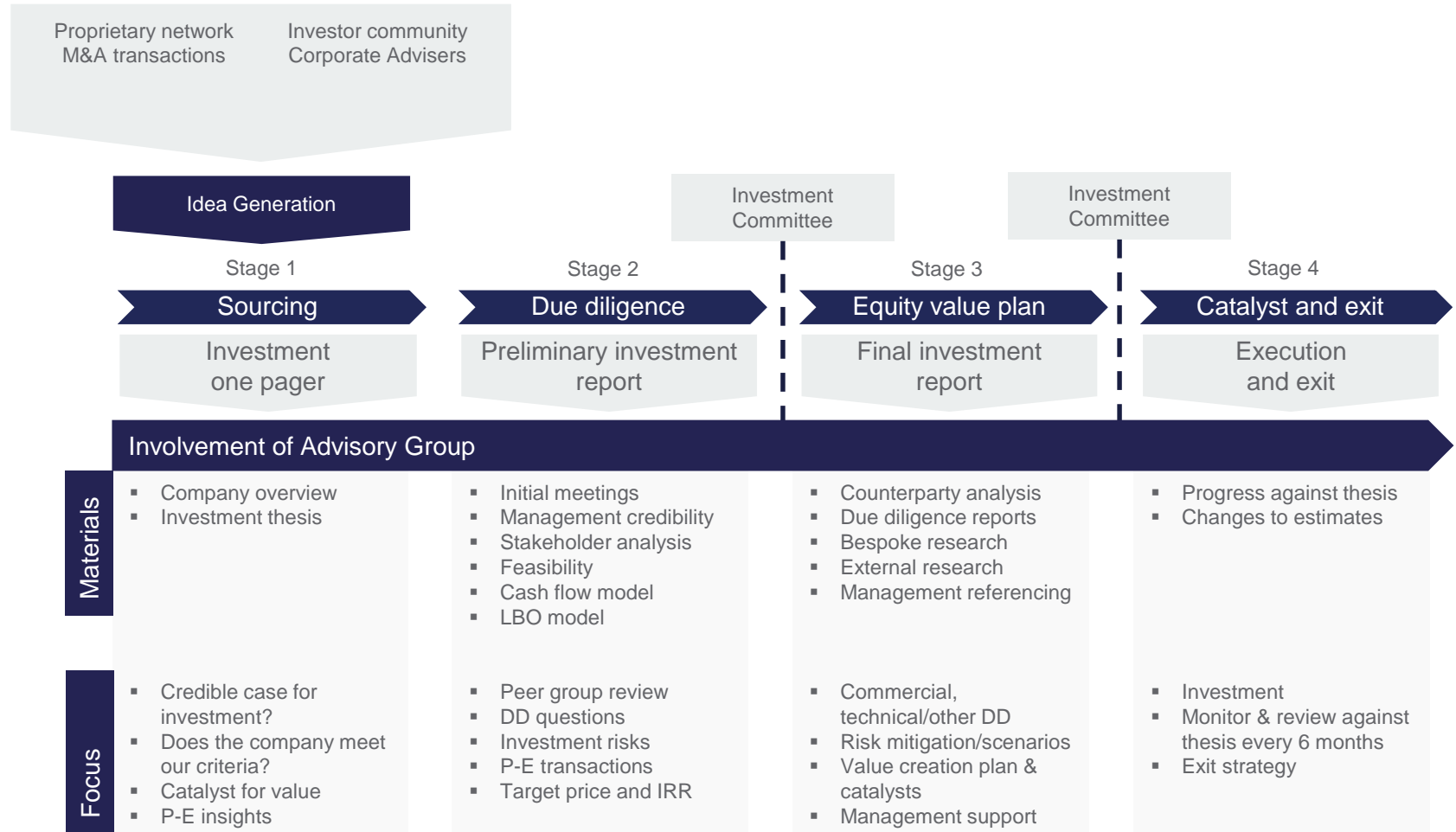


Since 1857

APPENDIX

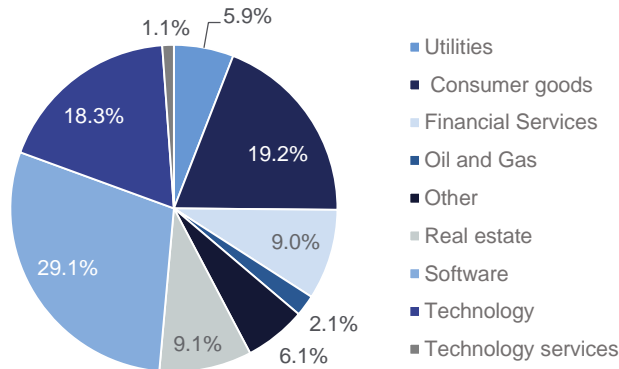
INVESTMENT PROCESS

Four stage investment process, with multiple touchpoints for a highly experienced Investment Committee.

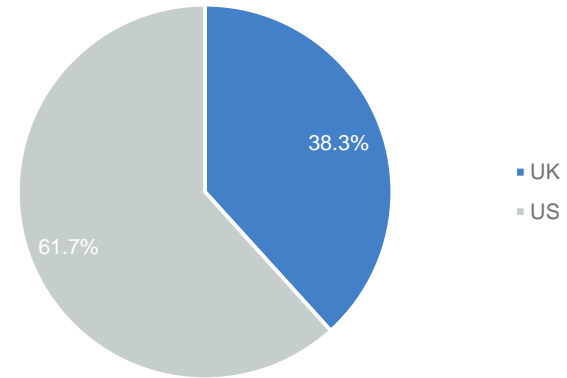


PORTFOLIO COMPOSITION - 30 SEPTEMBER 2018

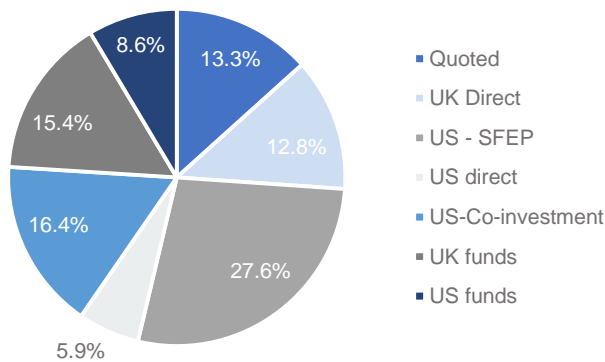
Sector exposure



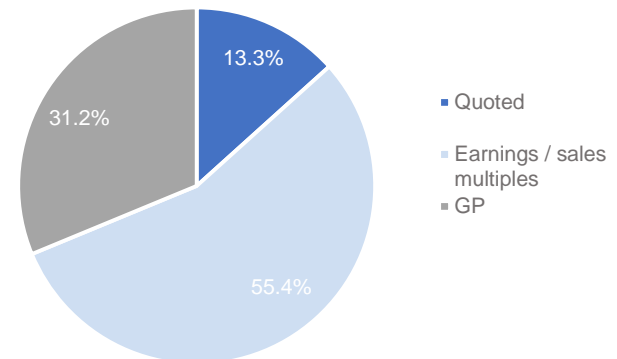
Domicile of investment




Nature of investment



Valuation approach



QUOTED STOCKS - 30 SEPTEMBER 2018

 <ul style="list-style-type: none"> Highly liquid Non-strategic holding; plan to realise in next 12 - 18 months 	<i>Domicile</i>	US
	<i>Nature of holding</i>	Direct
	<i>Value</i>	£1.1m
	<i>Valuation methodology</i>	Bid price
 <ul style="list-style-type: none"> Significant upside potential through AUM growth and operational gearing, plus future dividends Long-term strategic investment and relationship Warrants now exercised 	<i>Domicile</i>	UK
	<i>Nature of holding</i>	Direct
	<i>Value</i>	£4.7m
	<i>Valuation methodology</i>	Bid price
 <ul style="list-style-type: none"> Additional financing announced July 2018 backed by existing major shareholders; LMS participated pro-rata Business is now under new management with Ian Smith as CEO who is conducting a full strategic review with a view to recovering value 	<i>Domicile</i>	UK
	<i>Nature of holding</i>	Direct
	<i>Value</i>	£0.6m
	<i>Valuation methodology</i>	Bid price

OTHER INVESTMENTS - 30 SEPTEMBER 2018



- Develops and sells enterprise class network management software to medium and large businesses
- LMS own 67% equity investing alongside founders and management team
- GHAM investment team member has Board seat
- Opportunity: New CEO driving cost reduction, plus revenue growth evident
- Strong operational performance has enabled shareholder loans to be part repaid in June 2018
- Company is evaluating strategic options

Domicile UK

Nature of holding Direct

Value £3.6m

Valuation methodology Sales / earnings multiple

% company 67%

Eden Ventures - UK early stage technology fund, £89.3m, currently extended to 2019 (2007 vintage)

- LMS original commitment £7.4m, 97% drawn
- NAV plus distributions to date represent c.1.0x investment¹
- Eden do not control exits on underlying investments

Domicile UK

Nature of holding Fund investment

Value £2.0m

Valuation methodology GP valuation

1. Source: Eden Ventures fund report 31 December 2017

OTHER INVESTMENTS - 30 SEPTEMBER 2018

<p>NEP - Supplies and administers the distribution of energy and water to multi tenanted apartment buildings in US</p> <ul style="list-style-type: none"> LMS sold part of its holding in January 2017 as the first stage of a two stage exit arrangement, leaving it with 31.25% holding Under stage 2, this 31.25% was acquired in December 2017 for a further \$5m, settled by way of issue of loan notes, repayable over 4 years and carrying a coupon LMS has a Board seat for so long as any part of its loan is outstanding 	<i>Domicile</i>	US
	<i>Nature of holding</i>	Direct
	<i>Value</i>	£3.1m
	<i>Valuation methodology</i>	DCF
<p>Opus - US and Israel early stage technology fund, \$280m, currently extended to 2019 - (2006 vintage);</p> <ul style="list-style-type: none"> LMS original commitment \$7.5m, fully called NAV plus distributions to date represent c. 1.1x investment¹ Quoted shares to value of £815k distributed in specie during H1 2018. 11.6% of fund NAV remains in quoted Solaredge shares Balance spread mainly across 2 large investments (together 75% of NAV) 	<i>Domicile</i>	US
	<i>Nature of holding</i>	Fund investment
	<i>Value</i>	£3.2m
	<i>Valuation methodology</i>	GP Valuation
<p>Elateral - Provides a software platform that automates and manages the production and distribution of marketing content predominantly for global brands</p> <ul style="list-style-type: none"> LMS own 46% equity investing (pre dilution) alongside another fund, founders and management team GHAM investment team member has Board seat Opportunity: Drive growth and profitability from next generation of the platform 	<i>Domicile</i>	UK
	<i>Nature of holding</i>	Direct
	<i>Value</i>	£2.5m
	<i>Valuation methodology</i>	Sales multiple

1. Source: Opus Capital Venture Partners V LP fund report 30 June 2018

LMS CAPITAL PLC - SHAREHOLDINGS¹

Board / Management / Directors / Investment Team & Investment Committee members 4.5%

Rayne Family Holdings	43.0%
Charles Stanley & Co Ltd	9.6%
Armstrong Investment Management LLP	5.7%
Rath Dhu Limited	5.3%
Schroders plc	3.5%
UBS AG	2.9%
Hargreaves Lansdown Asset Management	2.2%
Smith & Williamson Investment Management	1.9%
Miton Group	1.7%
East Riding of Yorkshire Council	1.5%

1. Source: JP Morgan Cazenove as of 28 September 2018 shareholder analysis

INVESTMENT TEAM



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)



Nick Friedlos
Investment Director

Nick joined the GHAM team in August 2016, having previously joined LMS in 2012 to oversee the realisation strategy and was instrumental in structuring the Company's new arrangements with GHAM. Nick is a Chartered Accountant by training and was a partner at PriceWaterhouseCoopers. For the last 20 years Nick has worked as a consultant to and as CFO and CEO in alternative asset investment businesses including real estate, private equity and renewable energy



Laurence Hulse
Investment Manager

Laurence joined Gresham House after graduating in Politics and Political Economy from Warwick University. He supports the investment team with quantitative analysis and due diligence. Prior to Gresham House he interned with the M&A team at Rothschild and on the Equities trading floor at Barclays Capital.

LMS CAPITAL PLC - NON-EXECUTIVE BOARD



Martin Knight
Chairman

Martin has held a number of project and advisory roles over the last 30 years. He was a director of Morgan Grenfell & Co Limited and subsequently became the principal adviser to the private wealth investment firm, South Audley Street Investments. He was a governor and council member of Imperial College from 1992 to 2010. Martin is Chairman of Cambridge Mechatronics Limited and Frontier Smart Technologies Group Limited. He is also non-executive director of Chrysalis VCT plc. and Trustee of the Royal Institution.



Rod Birkett
Director

Rod is a former investment manager and investment company specialist with over 30 years investment experience including equity long only and hedge fund management. Since 2006, he has developed a portfolio of non-executive and consultancy roles. Rod's experience includes managing JP Morgan Fleming's investment company business and he is a former director of the Association of Investment Companies. Rod is Trustee and Investment Committee Chairman of Royal Navy Royal Marines Charity, Investment Committee member of the British Heart Foundation and non-executive director of Ininiti China Opportunities Fund.



Neil Lerner
Director

Neil retired in September 2006 as Risk Management partner for KPMG where he had responsibilities for managing all aspects of professional risk and reputation. Until September 2009, he was Special Advisor to KPMG's International captive insurer. Neil is Deputy Chairman at the Royal Brompton & Harefield NHS Trust and council member of the RNLI. Neil is the Audit Committee Chairman.



Robbie Rayne
Director

Robbie has expertise in a wide range of sectors including real estate, media, consumer, technology and energy. He established LMS Capital's investment activities in the early 1980s as Investment Director and later Managing Director and Chief Executive of London Merchant Securities.

Robbie is Non-Executive Chairman of Derwent London plc. and involved with a number of charitable trusts and foundations.

GRESHAM HOUSE - WHO WE ARE

About us

- London Stock Exchange quoted specialist alternative asset manager offering funds, direct investment and tailored investment solutions, including co-investment, in a range of differentiated alternative investment strategies
- Incorporated in 1857 - one of the oldest companies on London Stock Exchange
- December 2014 new management team transformed the company into a specialist alternative asset management business
- Committed to building long-term partnerships with clients to help them achieve their financial goals
- Structural provision of discretionary co-investment to clients

Investment strategies



Vision

- To build a leading alternative asset manager which will become an “asset to covet”
- Value creation through sustainable and superior investment performance and quality service provision
- Culture of empowerment. Individual flair and entrepreneurial thinking is encouraged, attracting and retaining top talent

TRACK RECORD - INVESTMENT COMMITTEE

Individuals	Track record	Investment examples
<p>Anthony Dalwood</p>	<p>Over 20 years experience in public and private equity businesses. Tony established SVG Investment Managers (a subsidiary of SVG Capital plc) and acted as CEO and chairman of this entity, and launched Strategic Equity Capital plc. His previous appointments include CEO of SVG Advisers (formerly Schroders Ventures (London) Limited), membership of the UK Investment Committee of UBS Phillips & Drew Fund Management and the board of Schroders Private Equity Funds.</p>	<p>Public Equity Private Equity</p>
<p>Robbie Rayne</p>	<p>Over 40 years expertise in a wide range of sectors including real estate, media, consumer, technology and energy. He established LMS Capital's investment activities in the early 1980s as Investment Director and later Managing Director and Chief Executive of London Merchant Securities. Robbie is Non-Executive Chairman of Derwent London plc. and involved with a number of charitable trusts and foundations.</p>	<p>Private Equity Public Equity Real Estate</p>
<p>Tim Farazmand</p>	<p>Over 30 years in PE including 12 years at LDC; in this time LDC made over 500 investments were completed and reached over £2.5bn invested, which includes; GVA, Mountain Warehouse, Fever-Tree and many more.</p>	<p>Private Equity</p>
<p>Graham Bird</p>	<p>At SVG Investment Managers, Graham Bird managed the Strategic Equity Capital Plc fund for a 5 year period – the fund achieved 11% IRR from 2007-2014. At Schroders Ventures (London), Graham managed the Strategic Recovery Funds I and II in the years 2005-2009. Fund I achieved 46% net IRR (2003 Vintage) and Fund II performed 6% net IRR (2006 Vintage). The remaining equity investments at Schroders Ventures distributed to LPs in specie: E2V Plc +78%, Journey Group Plc +34% and Lavendon Group Plc +12%.</p>	<p>Public Equity Private Assets</p>

CONTACT DETAILS

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