

# Quarterly Factsheet

## Q3 – 2017

Targeting a net annual return on equity of 12-15% over the long-term, new investments will be made in private equity, public equities and alternative specialist asset classes focussing on smaller deals below £50m enterprise value. The team invests and partners with management teams of profitable and cash generative companies.



### LMS – Key Facts

NAV per share:

# 74p

As at 30 September 2017

Share price:

# 47p

Mid-price as at 30 September 2017

### Significant Shareholdings\*

	£m	% of portfolio
<b>Quoted investments</b>		
Coretx Holdings	3.1	5.3%
Gresham House plc	3.1	5.3%
<b>Unquoted investments</b>		
Medhost Inc	9.6	16.4%
Entuity Ltd	3.6	6.2%
Elateral Ltd	3.5	6.0%
<b>Fund investments</b>		
<i>San Francisco Equity Partners</i>		
Penguin Computing	12.7	21.6%
Yes To, Inc	5.6	9.6%
<i>Others</i>		
Brockton Capital	4.5	7.6%
Opus Capital Venture Partners	3.8	6.5%
Other interests	49.4	84.5%
Cash	9.1	15.5%
<b>Total portfolio</b>	<b>58.5</b>	<b>100.0%</b>
Cash	4.5	
Working capital	(3.1)	
<b>Net Asset Value</b>	<b>59.9</b>	

\* As of 30 September 2017.

### Portfolio Performance

Performance	Q3%	Q2%	Q1%	YTD%
NAV per share	0	7.2	-2.8	4.2

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

**Annual Management fee:** 1.5%

**Performance fee:** 15% over an 8% hurdle. No performance fee will be payable to GHAM in respect of assets held prior to the adoption of the new investment policy.

**Shares in issue:** 80,727,450

**Stock Exchange Ticker:** LMS

### Fund Information

#### Investment Committee

**Tim Farazmand**

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.

**Robert Rayne**

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 in a number of charitable trusts and foundations.

**Tony Dalwood (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).

### Investment Manager's Report

The Company's unaudited net asset value ("NAV") at 30 September 2017 was £59.9 million (30 June 2017: £71.7 million), equivalent to 74p per share (30 June 2017: 74p). The most significant movements in the quarter were:

1. Completion in August of the £11m tender offer referred to below;
2. An increase of £0.4 million in the value of the Company's holding of shares and warrants in Gresham House plc (the warrants having a strike price of 323p);
3. The Weatherford International share price also improved and this increased NAV by £0.3 million;
4. SFEP reported an increase in value of its assets of £0.7 million (excluding currency impact); and

5. Against these increases, adverse foreign currency movements, reflecting the strengthening of sterling against the US dollar in the quarter, reduced NAV by £1.1 million.

The NAV at the end of September is based on the valuation of the Company's investments as at 30 June 2017, adjusted for transactions in the three months ended 30 September 2017, price movements on quoted securities, movements in foreign currency exchange rates, cash calls and distributions from funds, latest reports from third party fund managers, purchases and sales of quoted and unquoted securities, and operating expenses. The next full valuation of the portfolio will be for the Company's full year results as at 31 December 2017.

### Portfolio Management

GHAM has made significant progress since being appointed investment manager in August 2016 and continues to make good progress in executing its mandate. Following its appointment, GHAM set out a three-stage approach to the transition of LMS from an internally managed investment company in realisation to an externally managed company focused on new investment in direct private equity opportunities at the smaller end of the market and alternative, specialist asset classes. The first and second stages, focussed on transition to external management and the realisation and return of capital to shareholders, are now substantially complete including:

- On 15 August the Company announced the completion of the tender offer which returned £11 million to shareholders. This was the full amount of the further returns proposed in the circular sent to shareholders on 27 July 2016 and represents a significant landmark as the Company implements the investment strategy approved by shareholders in August 2016.
- Other transition activities have included:
  - Implementing a new investment process and governance structure, including the newly appointed Investment Committee;
  - Detailed review of portfolio holdings to frame future strategy and drive potential growth and liquidity opportunities; and
  - Appointing external administrators and driving targeted annualised cost savings.

- Realisations since August 2016 have totalled £21.9m and have included:

- The sale of 365ITMS in April, partly for cash but largely for shares in Coretx Holdings plc;
- Completion of the arrangements to sell the Company's interest in Nationwide Energy Partners back to the founders;
- The partial realisation of Yes To; and
- In the first quarter of 2017 the redemption of most of the Company's interest in the Weber Capital funds.

The 'third stage' will be focused on new investment in direct private equity opportunities at the smaller end of the market and alternative, specialist asset classes targeting long term, illiquid strategies, in each case leveraging the expertise, experience and network of the investment team and newly formed Investment Committee. There is a growing pipeline of opportunities in the areas identified by the investment manager. As well as seeking new investments the Company continues to focus on managing the cost base, improvements in investor communication, and managing the existing portfolio of investments to ensure value is optimised.

The team will also seek to scale the Company appropriately to generate additional shareholder value.

### Executive Investment Team

**Graham Bird**

Graham is also a member of the Investment Committee and has 20 years of investment, advisory and operating experience. Previously Executive Chairman of PayByPhone (a subsidiary of PayPoint plc), Director of Strategic Investments at SVG Investment Managers and a Director within the Corporate Finance department at JP Morgan Cazenove.

**Pardip Khroud**

Pardip is Investment Director at Gresham House. She has 13 years' experience in audit, private equity transactions and global tax restructuring at KPMG, as a Senior Manager at Lloyds Banking Group and most recently as an Investment Manager at Lloyds Development Capital (LDC). At LDC she managed numerous investments and was also appointed to the Board of portfolio companies uSwitch and Bluestone.

**Nick Friedlos**

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.

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