



Onward Opportunities Limited

Half-Year Update
September 2023

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Since IPO

Executive Summary



Highlights since inception to 31st August;



NAV performance of +3.6%, ONWD share price performance of +4%, both materially outperforming the UK markets and majority of peers



Encouraging top decile start to investment performance (NAV growth); 3rd of 26 peers in the AIC UK Smaller Companies sector



Gross portfolio IRR of 20.7% across Gilts and equity holdings, Gross IRR of 65.8% from pure equity portfolio



c.50% of capital invested into equities, several nursery investments and 4 core positions



Ahead of plan to deploy capital into outstanding market opportunity in UK equities as demonstrated by early IRR performance in Angling Direct, React Specialist Cleaning plc and Transense Technologies plc

Performance	IPO to 30 Jun 23	IPO to 31 Aug 23
Onward Opportunities NAV Total Return	+0.8%	+3.6%
Onward Opportunities Total Shareholder Return	+5.5%	+4.0%
UK AIM All-Share Index	-6.5%	-7.9%
MSCI UK Small Cap Index	-1.3%	+0.7%

Source: Refinitiv data as at 01/09/2023



Investment Opportunity



The Three Core Ingredients

1. An Identified Market Opportunity

- Structural 'gap in the market' caused by rising costs and regulation on both the buy and sell side reducing flow of information
- This creates mispriced and misunderstood smaller companies in the UK (<£250m)

2. A Bespoke & Proven Strategy

- High conviction investors using an in-depth and active approach to generate >15% IRR on investments. Previous Funds realised 15.2% IRR
- Relationship-based activist strategy focused on making returns rather than noise

3. Depth of Experience to Execute

- The team has a history of value creation over c.160 years of combined experience
- Small cap specialists and team members that have worked together

To Generate Capital Growth

- A portfolio of 10 to 15 high conviction investments and a further 5 to 10 smaller portfolio holdings
- The team expects to deploy the rest of capital within the first 12m of operations (March 2024)
- NAV uplift potential from a proprietary strategy that has a history of strong performance

Total Return Target

>15%
IRR

Target Money Multiple Return

2.0x
MM

Top 10 Holdings as at 31/08/23



Holding	Value	% Weighting Portfolio	Thesis Summary	Active Agenda	Unrealised IRR
UK Govt 2.25% SNR 07/09/23	£1.2m	9.5%	n/a	n/a	+1.7%
UK Govt 0% T-Bills 11/09/23	£1.2m	9.5%	n/a	n/a	+4.2%
UK Govt 0% T-Bills 25/09/23	£1.2m	9.4%	n/a	n/a	+4.1%
 Angling Direct Getting Everyone Fishing	£1.1m	8.7%	Secondary Recovery Capital	Mitigation of European losses (recovery or closure), Board composition, uses of significant cash balance	+204%
 REACT	£800k	6.3%	Secondary Growth Capital	Organic growth opportunities, uses of future cash flows, share register	+64%
UK Govt 0% T-Bills 20/11/23	£749k	6.0%	n/a	n/a	+4.6%
UK Gilt 0.125% 31/01/24	£753k	5.9%	n/a	n/a	+4.6%
 transense technologies plc	£497k	3.9%	Secondary Growth Capital	IR strategy, Board composition, redeployment of royalty income streams	+103%
UK Govt 0% T-Bills Oct 23	£452k	3.6%	n/a	n/a	n/a
UK Govt 0% T-Bills Jan 24	£446k	3.5%	n/a	n/a	n/a
Aggregated other equity investments	£3.6m	28.1%	n/a	n/a	n/a
Cash at bank	£742k	5.6%	n/a	n/a	n/a



The Market Opportunity

Structural Market Opportunity



Market inefficiencies drive information asymmetry: 'slow' information vs. 'fast' prices



Rising regulation and costs make it increasingly uneconomical for brokers to support broad small company research coverage



Rising costs and reducing management fees at larger institutional investment managers have created a greater need for size at the fund and investment levels

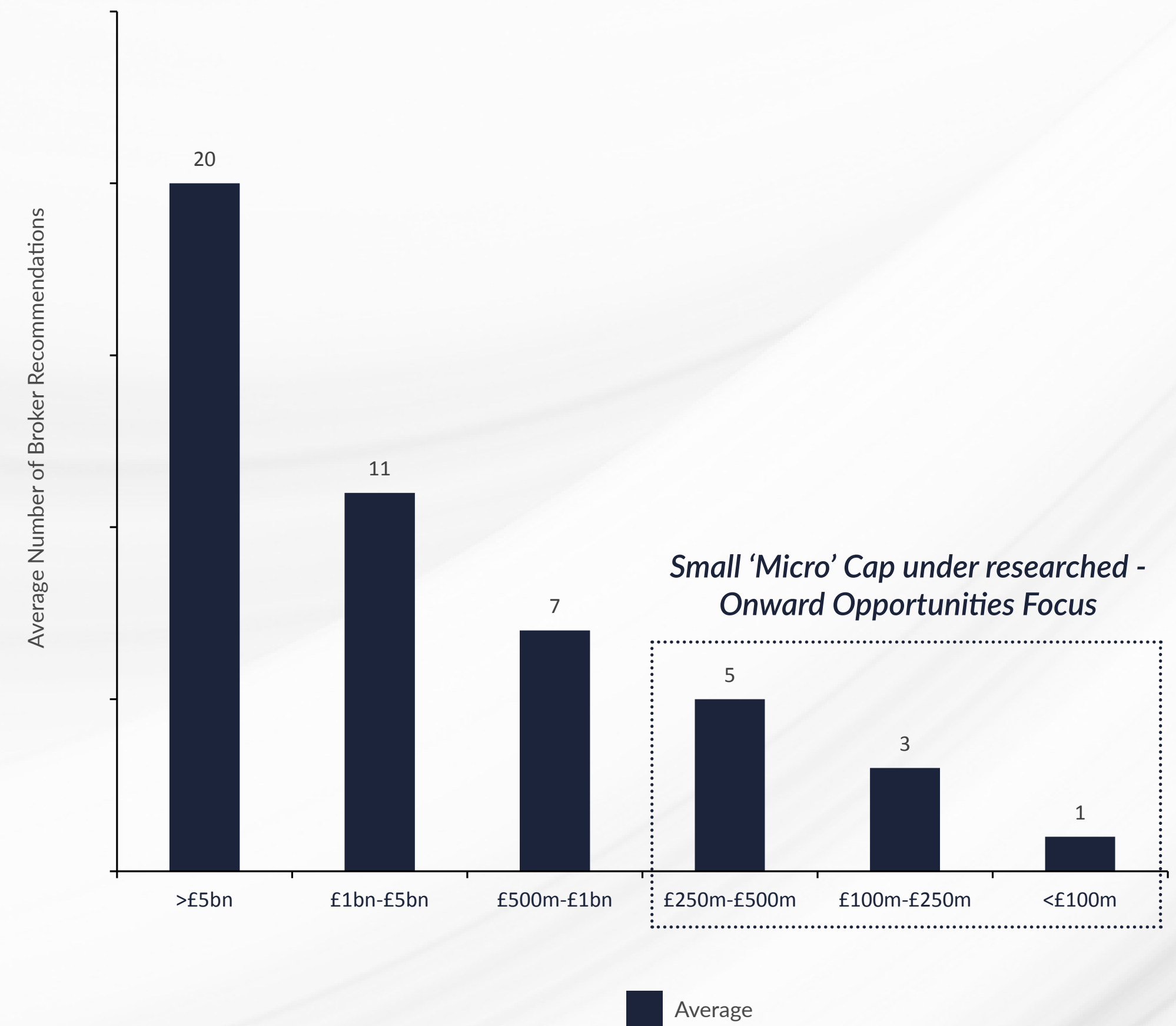


Board and Portfolio Manager's belief that the end of 'loose monetary policy' era is likely to increase the opportunity in public markets for active stock-picking strategies



Mansion House Compact - Pension Funds in the UK have a value of £2.5T and currently allow 1% to unlisted and small cap equities. Following this announcement, this allowance will move to at least 5% and if 20% of this were invested in AIM, it would circa double its market cap

Trading View Data as of 18.08.23

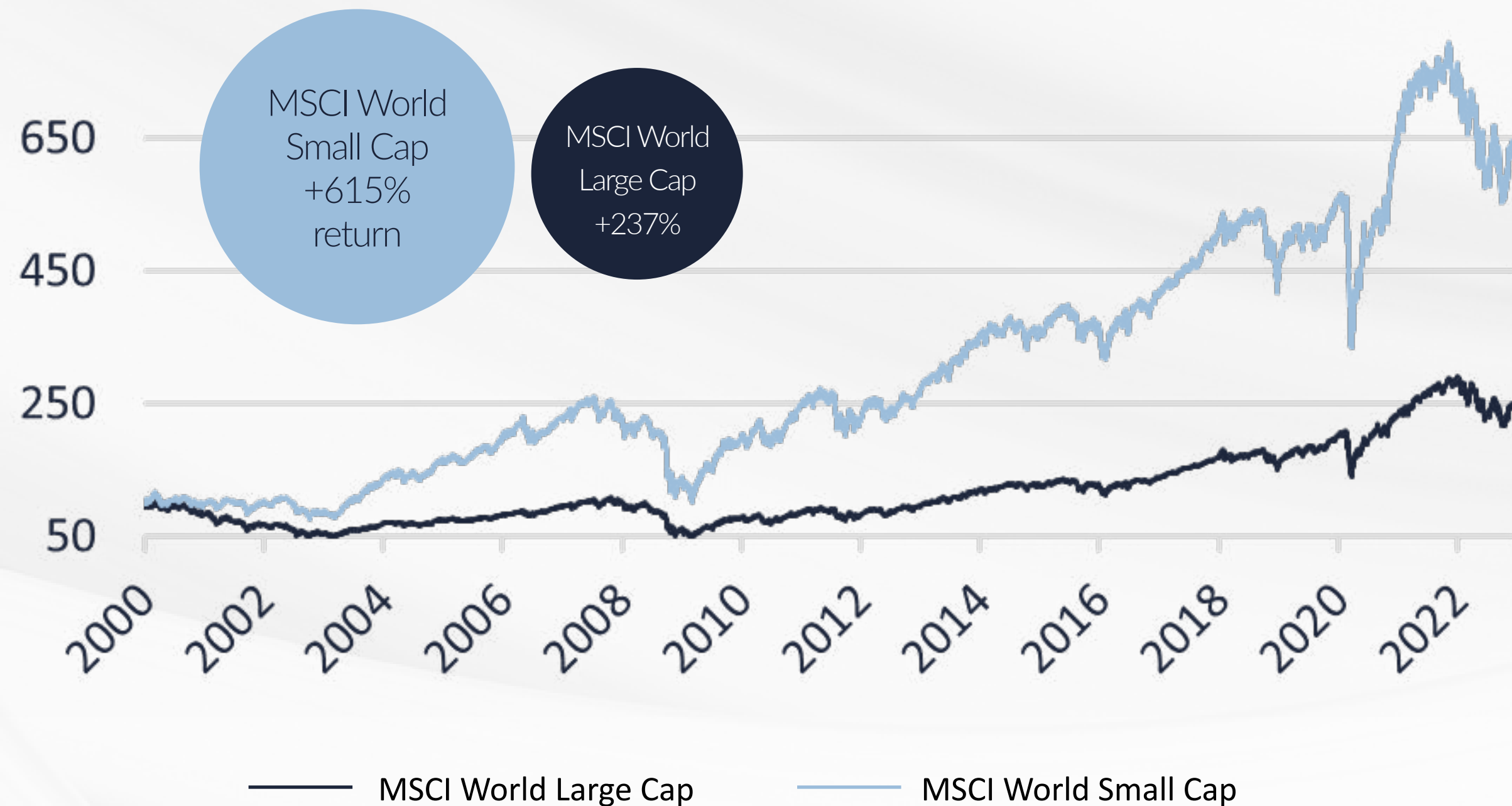


Structural Market Opportunity

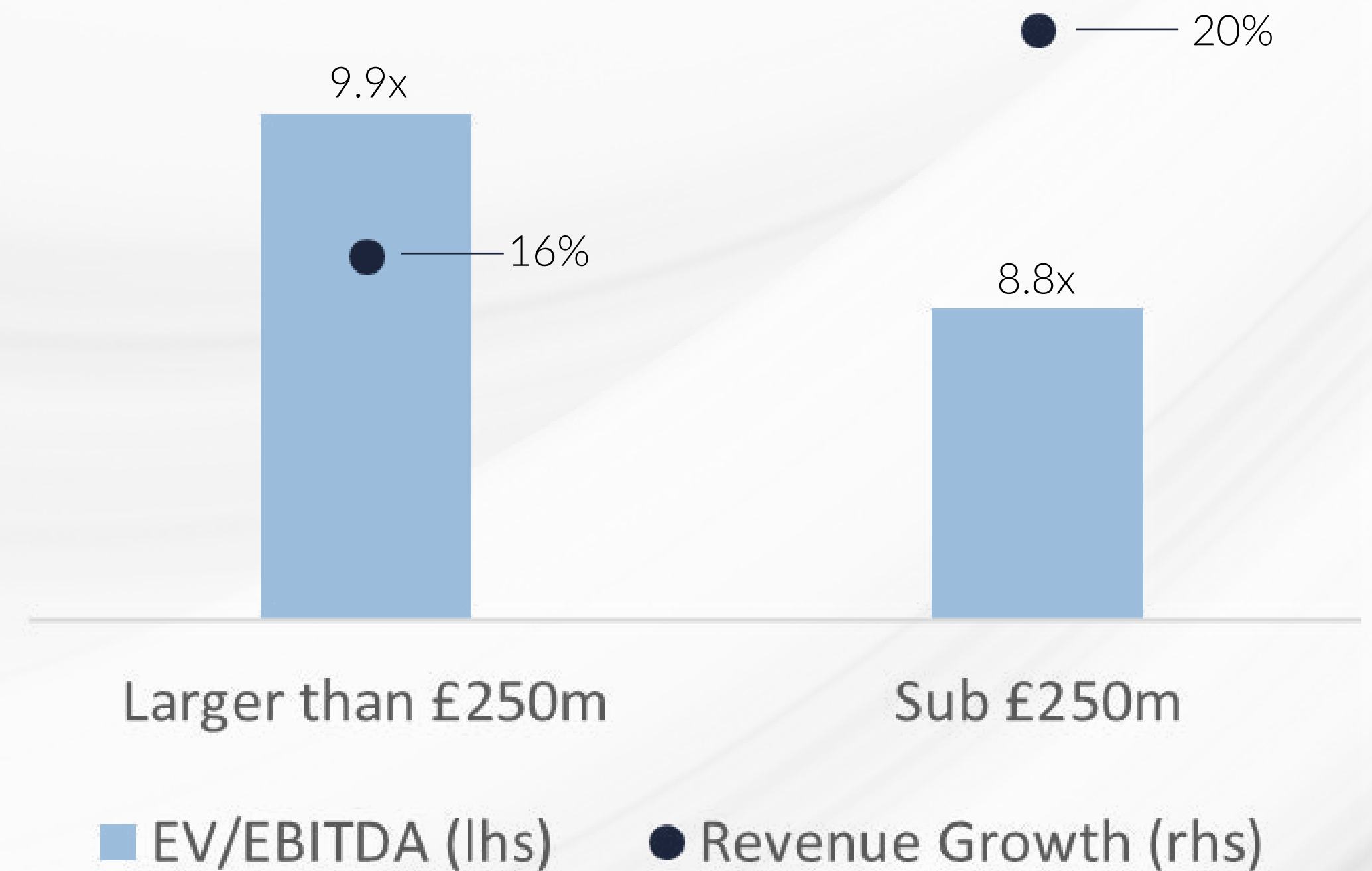


Valuation & performance characteristics of smaller companies vs. large

Smaller companies can deliver long term outperformance when compared to investing in large cap companies.



Smaller companies can offer investors access to higher growth at a lower price



Past performance is not necessarily a guide to future performance. Portfolio investments in smaller and/or unquoted companies typically involve a higher degree of risk. Source: Bloomberg Data as at January 2022.

UK Valuations



22/23 has created an interesting time to deploy capital into well-researched investment ideas in the UK



Source: Panmure Gordon, Refinitiv

1. Source: Cenkos from trailing P/E over 30 years.
Past performance is not necessarily a guide to future performance.
Portfolio investments in smaller and/or unquoted companies typically involve a higher degree of risk



Not only have smaller companies tended to outperform over the long-term, historically, but short periods of underperformance have also often proved to present attractive buying opportunities



Supra-normal return opportunities. Average 12 month small cap return after an entry price of <math>< 10\times</math> P/E was 35.9%

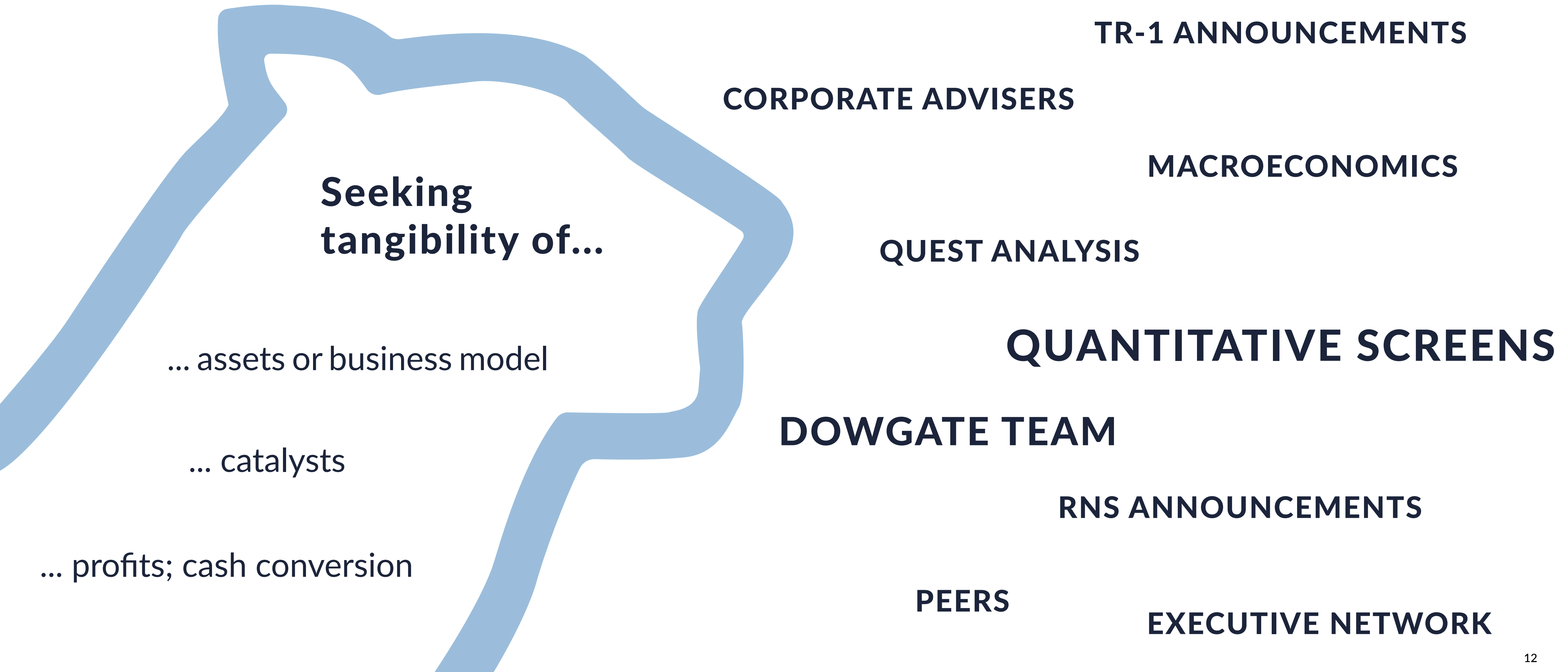


UK equities are trading at generational lows, and at a material discount to long-term averages



The Investment Strategy

1) Idea Generation & Sourcing



Case Study - React Specialist Cleaning Plc



React is a B2B specialist cleaning group in the UK, with 3 complementary divisions across reactive cleaning, specialist glass/cladding and public sector facilities



Valuation – an 80% contracted (1-5yr) revenue business growing at 17-25% per annum purchased by ONWD at a P/E of 6.5x-8.5x



Timing – New management team have transformed the group, reached a scale of cash conversion and operational gearing



Catalysts – Ongoing contract win momentum from new head of business development, completion of deferred payments unlocks FCF for growth CAPEX and returns to shareholders



Trading View Data as of 18.08.23

Case Study - Angling Direct



ANG is the UK's leading retailer of fishing tackle in the UK, with over 40 stores, an online store and a market share of c.15%



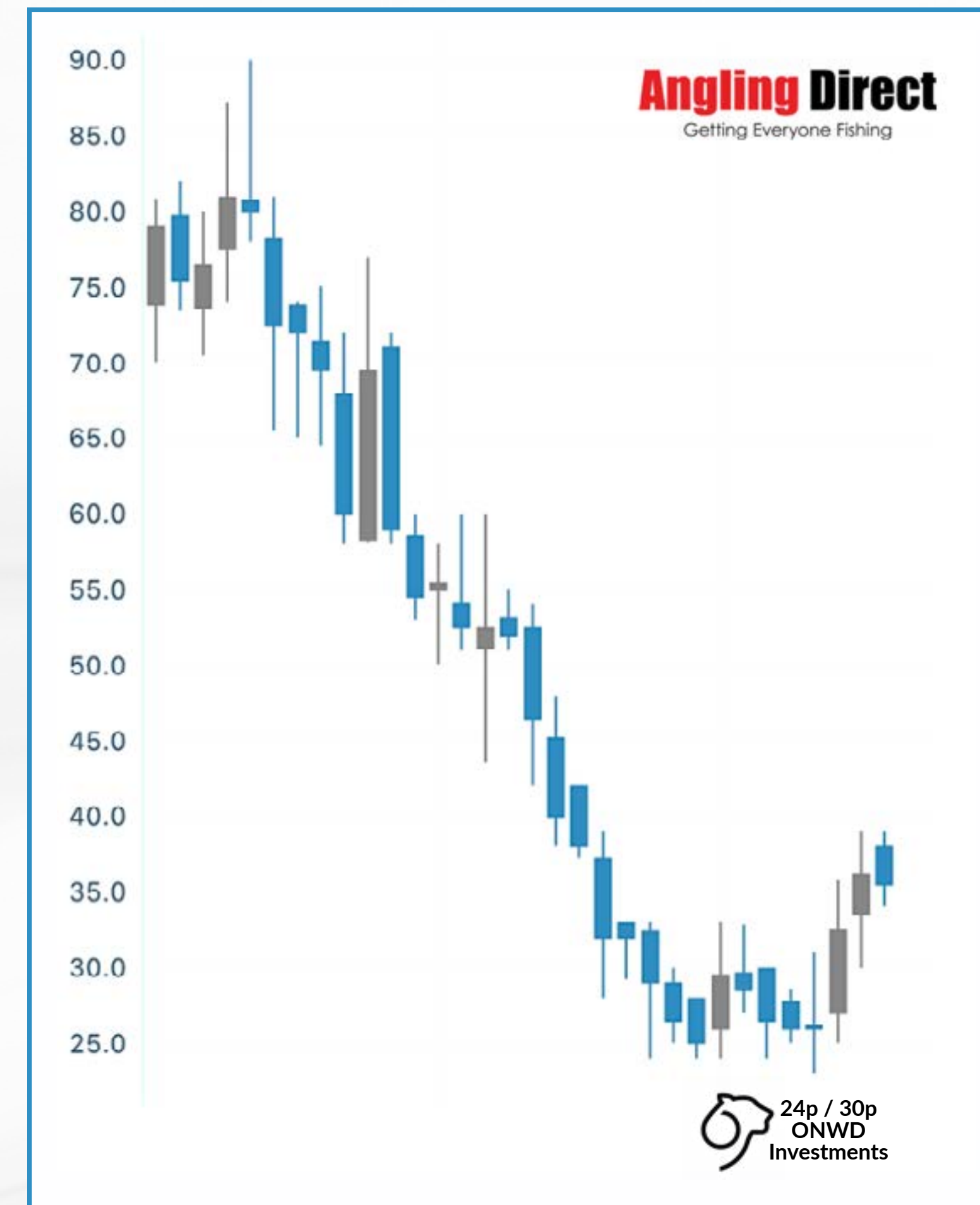
Valuation – A UK retail recovery play bought at a material discount to net tangible assets (cash and stock) and recovery EV/EBITDA multiple of <2x



Timing – A number of gross margin challenges easing including supply chain, negotiation of supplier terms, price competition and consumer sentiment



Catalysts – Board evolution, uses of material cash balance, success or closure of European venture to add back at least 50% to group EBITDA, UK retail recovery and PE interest in fishing tackle retailers in the US & Nordics



Trading View Data as of 18.08.23

2) Investment Execution

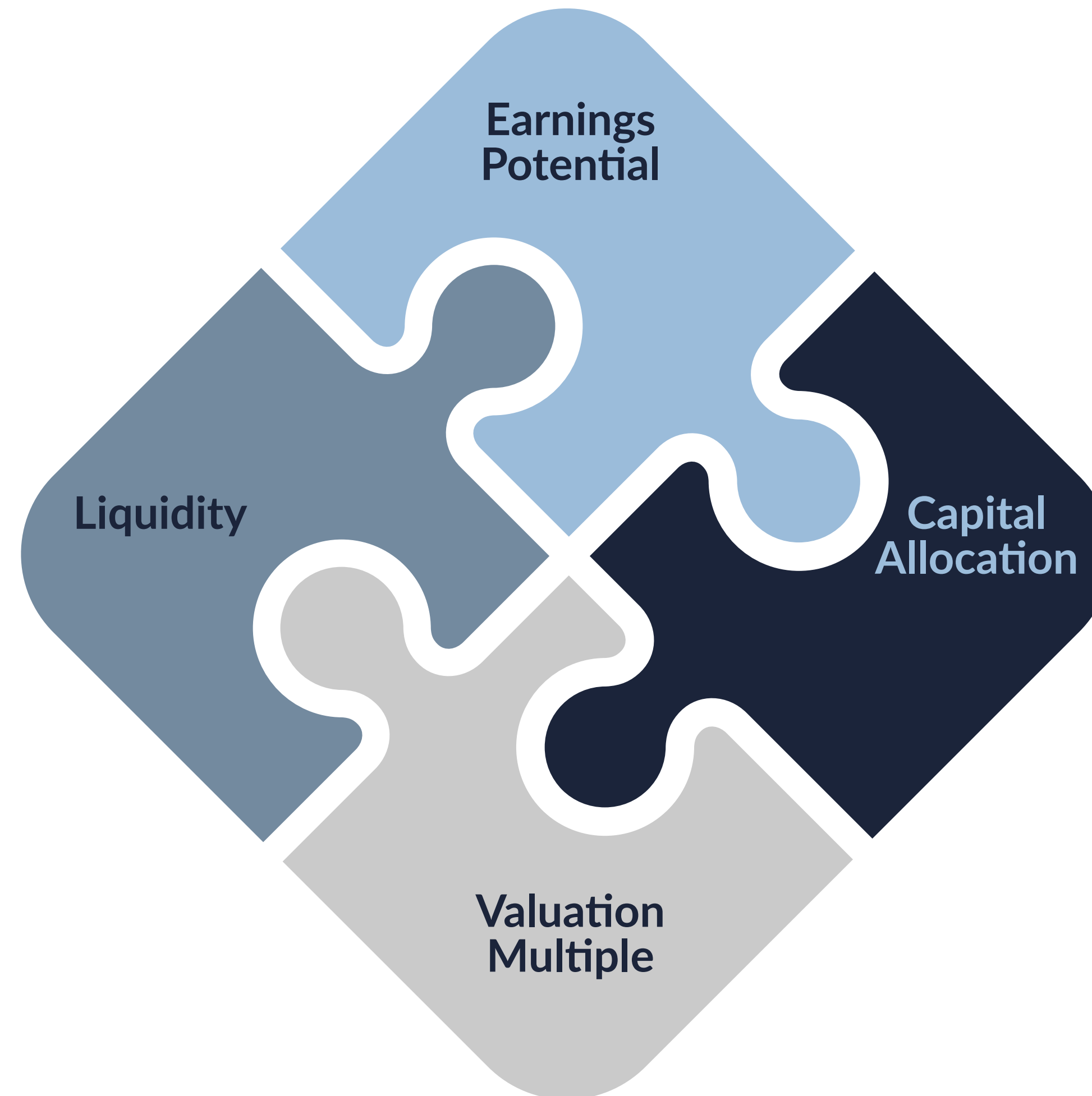


1. Analyse

- Desktop DD
- Quest Analysis
- Initial valuation analysis
- Initial touchpoints
- Team discussion

2. Deep Dive

- Earnings analysis
- Re-rating drivers
- Uses of cash generation
- Catalysts
- Referencing
- Consult advisors & PE
- Advisory Board
- Incentive Arrangements



3. Communicate & Debate

- Investment committee discussion to analyse & review
- Engagement with target's Board
- IC will approve, reject or defer

4. Execute

- DD always incorporates entry and exit liquidity analysis
- Targeting structural entry and exit points
- Work with highly experienced in-house dealing team to maximise efficiencies

3) Catalysts, Monitoring and Exit



Case Study - Comptoir



Comptoir is a boutique chain of 30 Lebanese restaurants predominantly in the UK, with an emerging quick-service-retail franchise opportunity ('QSR')



Valuation – Negative EV despite trading profitably through a very tough period for the sector, ONWD's stake purchased at a discount to net cash & recovery multiple basis e.g. £3m PAT on 10x P/e = c.25p/share



Timing – Impressive new board with strong CV, trough margins & multiples for sector and a significant net cash balance to fund QSR franchise opportunity



Catalysts – Net Promoter Score has nearly doubled under the new team, significant cash balance uses, improved shareholder messaging and UK consumer recovery



Trading View Data as of 18.08.23



Conclusion

Conclusion



Valuation

- i. Team has invested c.50% of NAV into equities, all trading at least half of their intrinsic value
- ii. Encouraging top decile start to investment performance (NAV growth); 3rd of 26 peers in the AIC UK Smaller Companies sector
- iii. UK equities at generational lows with signs of troughing pattern



Timing

- i. Remainder of IPO proceeds expected to be allocated in the next 6 months
- ii. Statistically approaching likely moment of market recovery
- iii. Early NAV performance has recovered the majority of launch costs for investors
- iv. Gross portfolio IRR of 20.7% across Gilts and equity holdings, Gross IRR of 65.8% from pure equity portfolio



Catalysts

- i. Macro - Peak rates, falling inflation
- ii. Markets - Peak outflows, generational low valuations, Mansion House compact
- iii. ONWD - A number of portfolio holdings with near team catalysts to generate further NAV performance

Appendix

Investment Committee



David Poutney
Investment Committee Member

- Corporate Broker since 1990 - involved in floating >40 companies
- A former No.1 rated financials analyst
- Went on to build Numis Securities as head of Corporate Broking



Tom Teichman
Investment Committee Member

- 7 years experience in this investment strategy; directly working with Laurence
- Over 30 years' experience in venture capital & banking; chaired or member of several credit & investment committees



Laurence Hulse
Investment Director

- Track record of outperformance working on equity funds; AA-rated by Citywire and 2 co-managed funds achieved '5-crown' ratings¹
- Joined Gresham House as an early employee, grew to £7.5bn AUM in 7 years



Jay Patel
Investment Committee Member

- 25 years in technology sector as venture capitalist and operating executive
- CEO of IMImobile PLC that delivered 5x multiple from IPO to exit to Cisco (previous investment by the team +23.7% IRR)
- ACA, MBA Insead



Jeremy McKeown
Investment Committee Member

- 40 years experience of UK stock market from both buy and sell side.
- Independent advisor to Institutions.
- Experienced NED.
- Investment writer & podcaster.

1. As at 8th September 2022; final day of employment at Gresham House

The Board



Andrew Henton
Chairman

- Chartered accountant who qualified in London and worked in the City as a corporate financier and private equity investor
- Latterly head of offshore businesses for Close Brothers, responsible for banking, custody, fund administration and asset management operations
- Non-executive director for a number of regulated financial services businesses, private equity backed trading companies and listed funds including Bill Ackman's Perishing Square Holdings



Luke Allen
Chair of Audit Committee

- Chartered accountant with over 30 years' experience working in the financial services sector
- Former chief executive and managing director of Man Group plc's Guernsey office
- Significant experience sitting on the board of investment managers and open and closed-ended funds, including listed and unlisted entities across various asset classes and international jurisdictions. Chair of the Audit Committee of Bousard & Gavaudan Holding Limited



Susan Norman
Non-Executive Director

- Chartered Secretary and Governance professional with over 20 years of boardroom experience within the finance industry and beyond.
- Established a consultancy business providing non-executive directorship and governance services
- Non-executive director of Terra Firma private equity group and a select number of other non-executive directorships covering regulated investment structures, sectors and asset classes



Henry Freeman
Non-Executive Director

- Investment and corporate finance professional with 25 years' experience in investment banking, fund management and fintech
- Extensive experience in alternative assets funds, both as buy-side investment manager and sell-side capital markets advisory, structuring and broking
- Board member of Guernsey's sovereign reserve and civil service pension funds as well as Non-executive director on other commercial fund boards

Past Experience - 15.2% IRR & 18.2% IRR



Laurence Hulse



Laurence worked on Gresham House Strategic & Strategic Public Equity Fund LP from inception.

Laurence Hulse roles & responsibilities¹

Analyst - Start - Dec '15

Associate - Jan '16 - Sept '18

Investment Manager - Oct '18 - Dec '20

Investment Director - Jan '21 - End²



Sources: Bloomberg, Dowgate Wealth September 2022



Laurence was one of a small initial team of employees at Gresham House - taking part in AUM growth to over £7.5bn in 7 years



Part of a top-performing equities team at Gresham House, working on and ultimately deputising or co-managing three out-performing small cap funds



This work resulted in a Citywire AA rating and being nominated for the Rising Star of Investment Companies award

1. Laurence Hulse contributed to the performance of the fund demonstrated in the chart above, however, as disclosed, his job roles evolved over the years & so he was not solely responsible for the outcome.
 2. Gresham House's contract with Gresham House Strategic plc was terminated on 11 October 2021. The fund is now known as Rockwood strategic PLC. Past performance is not necessarily a guide to future performance. Portfolio investments in smaller and/or unquoted companies typically involve a higher degree of risk.

The information relating to assets managed by Gresham House Asset Management Limited ("GHAM") herein, contains information illustrative of selected performance of the GHAM Strategic Public Equity team including Tony Dalwood, Laurence Hulse, Rupert Robinson and Graham Bird (as fund managers and/or investment committee members) for the period August 2016 to November 2021. This information is the property of GHAM and no person may copy or otherwise reproduce such information without GHAM's written consent. GHAM is not managing or advising the Company in any matter.

Importance of Active Managers



“The evidence supports the view that active, engaged investing creates value for shareholders by effectively influencing the governance, capital structure decisions, and operating performance of target firms.”¹



Active style focused on achieving key goals that improve either earnings, multiple or capital allocation. The monitoring process is codified with quarterly portfolio reviews by the Investment Committee



The reasons given for these funds' higher success rate in actively engaged investing include:

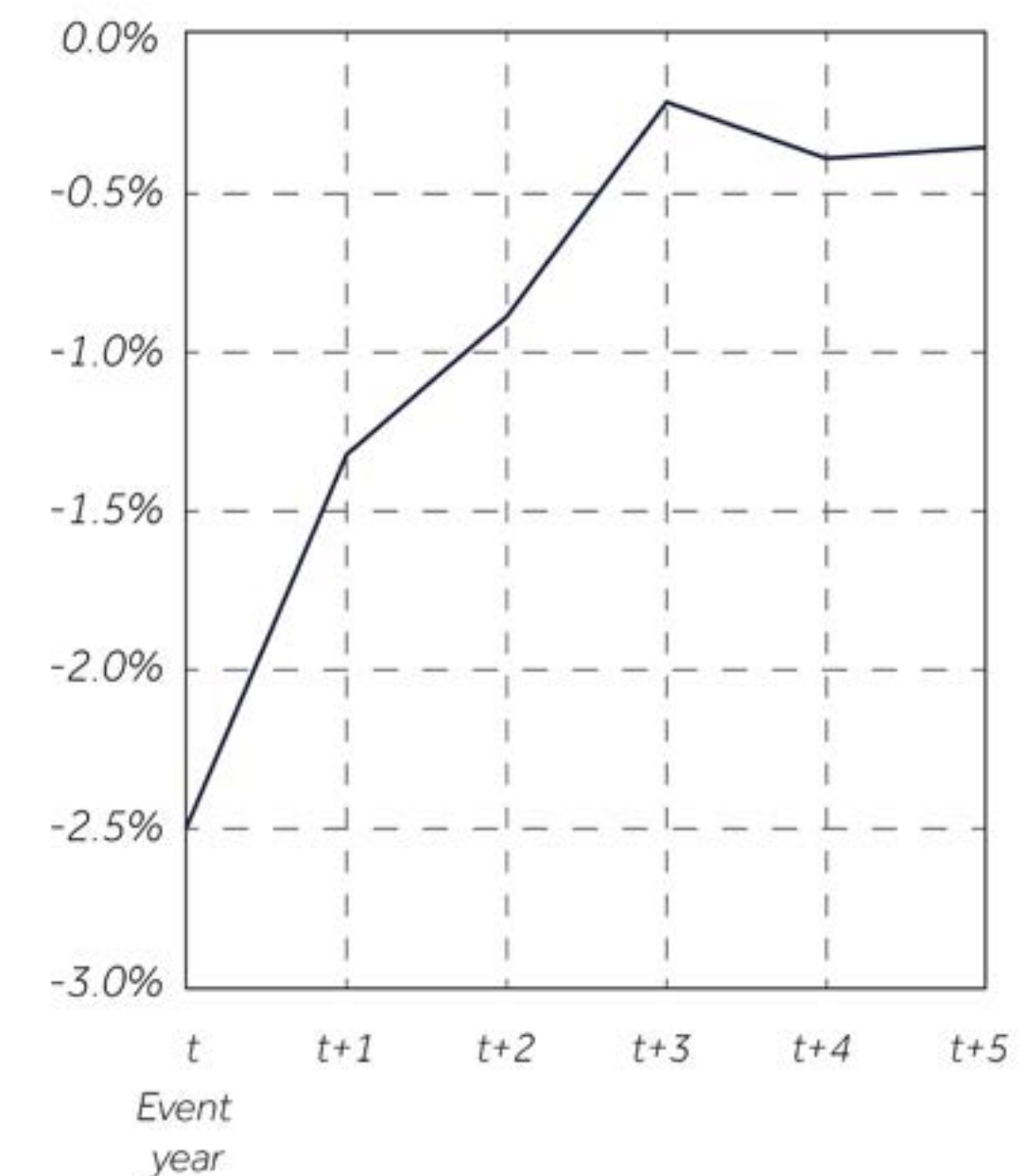
- Able to influence corporate boards and managements
- They are better positioned to act as informed monitors than other institutions
- They run more concentrated portfolios
- The fund managers are highly incentivised

1: Source: Alon Brav, Wei Jiang and Hyunseob Kim; *Foundations and trends in Finance*; Vol 4, No.3 (2009) 185 – 246.

2: Source: *The Long-term Effects of Hedge Fund Activism*, The National Bureau of Economic Research, L Bebchuck, A Brav, W Jiang, 2015



“The chart displays a similar pattern with respect to average industry-adjusted ROA [Return on Assets]. The ROA increases over time during the five-year period following the intervention year.”²



Panel B: Industry-ADJUSTED ROA, with benchmark = industry average

Dowgate Wealth - The Portfolio Manager



Entrepreneurial team of 25, building bespoke portfolios targeting index-beating, sustainable returns over the long-term, with an average industry experience of over 20 years.



FCA regulated, employee-owned company founded in 2020 by ex Hargreave Hale colleagues, with a dynamic culture fostered by equity ownership of the business.



A tailored approach to discretionary portfolio management with a comprehensive product offering, with no minimum portfolio size.



Financial backing & support from sister company [Dowgate Capital](#), a boutique corporate broker, who provided the platform for the launch of Dowgate Wealth.



Staff wellbeing is at the heart of our business, allowing the team to take pride in, and focus on providing a personal service for our clients.



Rapid growth since mid-pandemic inception, currently with c.£500m AUA ¹