

B. P. MARSH & PARTNERS PLC

Date: 7th February 2017
On behalf of: B.P. Marsh & Partners Plc
Embargoed until: 0700hrs

B.P. Marsh & Partners Plc **(“B.P. Marsh”, the “Company” or the “Group”)** **Trading Update**

Trading Update

B.P. Marsh, the niche venture capital provider to early stage financial services businesses, is pleased to provide the market with an update on trading for the Group’s financial year ended 31 January 2017.

Highlights

- Realisation of Besso investment
- Follow-on investments in Nexus and LEBC
- Investment in Asia Reinsurance Brokerage Pte, Singapore
- Start-up MGA investments in UK (Fiducia) and Canada (SSRU)
- Return of £7.3m Equity & £6.04m Loans in cash from Hyperion
- Increase in upper limit for new investments to £5m
- Dividend of 3.76p for the year as part of a 3 year programme
- Increased opportunity pipeline
- £4.4m net cash available

The year has been one of strong performance and important developments for the Group.

The Group will have significant cash to deploy going forward following the return from the Hyperion disposal and, subject to completion, the proceeds of the exit from Besso.

The portfolio businesses are performing well and the Group increased its positions in Nexus and LEBC during the year.

The Group continued its geographic expansion with new investments in Singapore and Canada and continues to see North America as an area of interest.

The business also streamlined the portfolio by disposing of non-core holdings in Randall & Quilter and Broucour.

The new opportunity pipeline remains strong and, in recognition of the expected cash inflow from Besso, the Board has agreed an increase in the upper limit for new investments from £3m to £5m in first round funding.

The Board will continue to strike a balance between rewarding shareholders by generating value through investing funds in opportunities that will deliver long-term capital growth and a sustainable ongoing dividend.

The Company's share price has increased by c. 35% from 1 February 2016 to the current date, and there has been a narrowing in the discount to NAV at which the Company's shares trade in the same period. The Board notes this improvement and intends to build on this performance in the coming year.

Investment Activity

Disposals

Conditional Disposal of Besso

The Group announced on 4 January 2017 that it had reached agreement to sell its entire 37.94% shareholding in Besso Insurance Group Limited ("Besso") for cash, with completion subject to, inter alia, regulatory approval. This is expected to result in estimated proceeds to the Group of £20.6m net of transaction costs and pre-tax. Additionally, the Group's outstanding loans with Besso will be fully repaid on completion. BGC Partners Inc. ("BGC") has agreed to acquire 100% of Besso, with ongoing management and employees rolling over a proportion of their existing Besso shareholdings into BGC shares.

Since the Company's announcement on 4 January 2017 the Besso transaction continues to progress to completion, and the Group expects to receive additional funds of approximately £18.37m (after transaction costs and tax). All of the above calculations are based on the August 2016 balance sheet, for illustrative purposes. The adjustments will be calculated on the basis of a completion balance sheet, and therefore these figures are subject to change.

B.P. Marsh's investment in and exit from Besso demonstrates the success of its strategy of investing for the long-term and working with management teams to achieve a mutually desirable exit at the optimum time.

Disposals of Broucour and R&Q

On 22 April 2016, the Group sold its 49% stake in The Broucour Group Limited ("Broucour"). Additionally, on 4 May 2016, the Group sold its 1.32% stake in Randall & Quilter Investment Holdings ("R&Q"). These decisions were made as the Group believed that these investments were non-core holdings.

Follow-on Investments

Nexus Underwriting Management Limited ("Nexus")

The Group acquired an additional 6.87% in Nexus, the independent specialty Managing General Agency (MGA) from two of the founding shareholders for a total consideration of £4m on 15 December 2016.

The Company made an initial investment in Nexus in August 2014, acquiring 5%, and since then has steadily built on this position with a number of follow on investments. The Group's current shareholding in Nexus stands at 18.8%.

Since investment in August 2014, Nexus has more than doubled in size from a premium, commission and EBITDA standpoint.

LEBC

The Group acquired an additional 8.02% stake in LEBC Holdings Limited (“LEBC”) for £1.91m in June 2016, purchasing shares from legacy shareholders and increasing its stake to 42.68%. Additionally, in November 2016, the Group acquired a further 0.42% for £0.11m and the Group’s holding in LEBC now stands at 43.03%.

LEBC Group Ltd, the trading subsidiary, has finalised its 30 September 2016 year-end results declaring a turnover of £15.4m and a trading profit of £2.1m for the year.

New Investments

Asia Re

The Group subscribed for a 20% shareholding in Asia Reinsurance Brokers (Pte) Limited (“ARB”), the Singapore headquartered independent specialist reinsurance and insurance risk solutions provider, for a consideration of SGD 2.4m on 21 April 2016.

Fiducia

The Company announced its investment in The Fiducia MGA Company (“Fiducia”), a recently established UK Marine Cargo Underwriting Agency, on 22 November 2016, subscribing for a 25% cumulative preferred ordinary shareholding for total consideration of £0.08m. In addition, the Company has agreed to provide Fiducia with total loan funding of £1.75m, with £0.35m drawn down upon completion.

SSRU

The Group’s most recent investment, announced on 30 January 2017, was a subscription for a 30% Cumulative Preferred Ordinary shareholding in Stewart Specialty Risk Underwriting Limited (“SSRU”), a start-up Specialty Casualty Underwriting Agency, based in Toronto, Canada. The Company, alongside the nominal equity investment, has provided a loan facility of CAD \$0.85m (c. £0.48m).

The investment represents the latest geographic expansion of B.P. Marsh’s investment portfolio, with the North American continent now represented once again alongside Australia, Singapore, South Africa, Europe and the UK.

Investment Strategy

The Board has approved an increase in the Group’s upper limit for new investments to £5m.

Having considered the Company’s cash resources following the return of funds from Hyperion and the anticipated inflow from the disposal of Besso, the Board has agreed the Company should widen its investment criteria to consider investments up to £5m in the first round, an increase from the current £3m. This would apply to investments in established

businesses with a strong track record. The Group will continue to look at start-ups, investing on a thinly capitalised basis.

All other investment criteria remain the same:

- To take minority positions in financial services intermediary businesses;
- Investments being relationship-driven and long-term;
- No set exit on investment; and
- Average holding period is 5 years, however, the longest has been over 20 years.

Dividend

The Board has recommended a dividend of 3.76 pence per share (£1.1m) for the financial year ending 31 January 2017.

This represents an increase of 10% over the dividend of 3.42p per share (£1m) paid in respect of the prior year.

It is the Board's aspiration to maintain a dividend of at least 3.76p per share for the years ending 31 January 2018 and 31 January 2019. This is subject to ongoing review and approval by the Board and the Shareholders.

When considering a dividend, the Board will continue to strike a balance between rewarding shareholders by generating value through investing available funds in opportunities that will deliver long-term capital growth and providing a meaningful dividend.

Share Buy-Backs

The Board continues to pursue a strategy of undertaking low volume share buy-backs at times when the Group's Share Price represents a significant discount to Net Asset Value. The Board considers that this is a useful stabilising mechanism during periods of market volatility.

As such, following the EU Referendum decision, the Group undertook a buyback of 5,726 ordinary shares of 10 pence each in the Company ("Ordinary Shares") at a price of 153.78 pence per Ordinary Share. These shares are held in Treasury.

New Business Opportunities and Outlook

The financial year closed with a total of 84 new opportunities presented to the Group during the year, in comparison with 71 in the previous year.

Having completed investment in two start-up MGAs and an established broker in Singapore during the year, the Group's attention is concentrated on investment in established businesses in the UK and continuing focus on the North American continent. The investment in Canada, SSRU, represents the first step back into the North American continent, however, following the Group's policy of expanding into territories where there is good opportunity for growth in partnership with a London-based investor and a suitably developed regulatory and compliance environment, North America continues to represent a logical opportunity base.

Cash Balance

The net cash available for investment after provision for tax and commitments currently stands at £4.4m before receipt of funds from the sale of Besso, which is expected to add additional funds of £18.37m net of transaction costs and tax.

Full year Results

The Group expects to report the results for the year to 31 January 2017 on Tuesday 6 June 2017.

Investments

As at 31 January 2017 the Group's equity interests were as follows:

Asia Reinsurance Brokers Pte Limited

(www.arbrokers.asia)

In April 2016 the Group invested in Asia Reinsurance Brokers Pte Limited ("ARB"), the Singapore headquartered independent specialist reinsurance and insurance risk solutions provider. ARB was established in 2008, following a management buy-out of the business from AJ Gallagher, led by the CEO, Richard Austen.

Date of investment: April 2016

Equity stake: 20%

31 July 2016 valuation: £1,345,000

Bastion Reinsurance Brokerage (PTY) Limited

(www.bastionre.co.za)

In December 2014 the Group invested in Bastion Reinsurance Brokerage (PTY) Limited ("Bastion"), a start-up Reinsurance Broker based in South Africa. Established in May 2013 by its CEO and Chairman, Bastion specialises in the provision of reinsurance solutions over a number of complex issues, engaged by various insurance companies and managing general agents.

Date of investment: December 2014

Equity stake: 35%

31 July 2016 valuation: £100,000

Besso Insurance Group Limited

(www.besso.co.uk)

In February 1995 the Group assisted a specialist team departing from insurance broker Jardine Lloyd Thompson Group in establishing Besso Holdings Limited. The company specialises in insurance broking for the North American wholesale market and changed its name to Besso Insurance Group Limited ("Besso") in June 2011.

Date of investment: February 1995

Equity stake: 37.94%

*31 July 2016 valuation: £21,698,000**

*31 July 2016 valuation calculated on the Group's then 42.02% shareholding. On 9th September 2016 the Group sold £1.58m of shares being held on behalf of Besso meaning the current Group holding is now 37.94%.

Bulwark Investment Holdings (PTY) Limited

In April 2015 the Group, alongside its existing South African Partners, established a new venture, Bulwark Investment Holdings (PTY) Limited (“Bulwark”), a South African based holding company which establishes Managing General Agents in South Africa. To date Bulwark has established two new Managing General Agents: Preferred Liability Underwriting Managers (PTY) Limited and Mid-Market Risk Acceptances (PTY) Limited.

Date of investment: April 2015

Equity stake: 35%

31 July 2016 valuation: N/A

The Fiducia MGA Company Limited

(www.fiduciamga.co.uk)

In November 2016, the Group invested in a recently established UK Marine Cargo Underwriting Agency. Established by its CEO Gerry Sheehy, Fiducia is a registered Lloyd’s Coverholder which specialises in the provision of insurance solutions across a number of Marine risks including, Cargo, Transit Liability, Engineering and Terrorism Insurance. Gerry was a founding shareholder and Executive Director of Northern Marine Underwriters (“NMU”) and played a pivotal role in building that business up significantly before his departure in September 2015.

Date of investment: November 2016

Equity stake: 25%

31 July 2016 valuation: N/A

LEBC Holdings Limited

(www.lebc-group.com)

In April 2007 the Group invested in LEBC, an Independent Financial Advisory company providing services to individuals, corporates and partnerships, principally in employee benefits, investment and life product areas.

Date of investment: April 2007

Equity stake: 43.03%

*31 July 2016 valuation: £11,522,000**

*31 July 2016 valuation calculated on the Group’s then 42.63% shareholding. On 18th November 2016 the Group purchased another 0.4% for cash consideration of £0.11m increasing the Group’s holding to 43.03%.

MB Prestige Holdings PTY Limited

(www.mbinsurance.com.au)

In December 2013 the Group invested in MB Prestige Holdings PTY Ltd (“MB Group”), the parent Company of MB Insurance Group PTY a Managing General Agent, headquartered in Sydney, Australia. MB Group is recognised as a market leader in respect of prestige motor vehicle insurance in all mainland states of Australia.

Date of investment: December 2013

Equity stake: 40%

31 July 2016 valuation: £1,746,000

Nexus Underwriting Management Limited

(www.nexusunderwriting.com)

In August 2014 the Group invested in Nexus Underwriting Management Limited (“Nexus”), an independent specialty Managing General Agency, founded in 2008. It now has five

operating subsidiaries. Nexus Underwriting Limited provides Directors & Officers, Professional Indemnity, Financial Institutions and Accident & Health and Nexus CIFS Limited specialises in Trade Credit and Political Risks Insurance. In August 2015 EBA Insurance Services Limited was acquired, an MGA which operates predominantly in Italy and France and specialises in Surety, Bond and Latent Defect Insurance. Similarly, in November 2015 Nexus expanded into Asia, setting up Nexus Asia, and in December 2015 Nexus acquired Millstream Underwriting Limited, expanding their reach to the provision of bespoke Accident, Health, and Travel Insurance products. Most recently, in July 2016, Nexus acquired Beacon Underwriters Limited, a Hong Kong domiciled MGA that specialises in Marine Insurance.

Date of investment: August 2014

Equity stake: 18.8%

*31 July 2016 valuation: £6,952,000**

*31 July 2016 valuation calculated on the Group's then 11.94% shareholding. On 15 December 2016 the Group purchased another 6.87% for cash consideration of £4m taking the holding up to 18.8%.

Property & Liability Underwriting Managers (PTY) Limited

(www.plumsa.co.za)

In June 2015 the Group completed an investment in Property And Liability Underwriting Managers (PTY) Limited ("PLUM"), a Managing General Agent based in Johannesburg, South Africa. PLUM specialises in large corporate property insurance risks in South Africa and is supported by both domestic South African insurance capacity and A-rated international reinsurance capacity.

Date of investment: June 2015

Equity stake: 42.5%

*31 July 2016 valuation: £950,000**

*31 July 2016 valuation calculated on the Group's then 20% shareholding. On 5 October 2016 the Group purchased another 22.5% for cash consideration of £0.61m taking the holding up to 42.5%.

Sterling Insurance PTY Limited

(www.sterlinginsurance.com.au)

In June 2013, in a joint venture enterprise alongside Besso, (Neutral Bay Investments Limited) the Group invested in Sterling Insurance PTY Limited, an Australian specialist underwriting agency offering a range of insurance solutions within the Liability sector, specialising in niche markets including mining, construction and demolition.

Date of investment: June 2013

Equity stake: 19.7%

31 July 2016 valuation: £2,332,000

Stewart Specialty Risk Underwriting Ltd

In January 2017, the Group invested in a recently established Specialty Casualty Underwriting Agency, based in Toronto, Canada. Established in 2016, by its CEO Stephen Stewart, SSRU provides specialist insurance products to a wide array of clients in the Construction, Manufacturing, Onshore Energy, Public Entity and Transportation sectors. SSRU's CEO, Stephen Stewart, has over 25 years' experience in the insurance industry.

Date of investment: January 2017

Equity stake: 30%

31 July 2016 valuation: N/A

Summa Insurance Brokerage, S. L.

(www.grupo-summa.com)

In January 2005 the Group provided finance to a Madrid-based Spanish management team with the objective of acquiring and consolidating regional insurance brokers in Spain. Through acquisition Summa is able to achieve synergistic savings, economies of scale and greater collective bargaining thereby increasing overall value.

Date of investment: January 2005

Equity stake: 77.25%

31 July 2016 valuation: £3,735,000

Trireme Insurance Group Limited

(www.oxfordinsurancebrokers.co.uk)

(www.jhinternational.co.uk)

(www.abrax.ch)

In July 2010 the Group completed an investment in Trireme Insurance Group Limited (formerly known as US Risk (UK) Ltd), the parent company of Oxford Insurance Brokers Ltd and James Hampden International Insurance Brokers Ltd, London-based Lloyd's specialist international reinsurance and insurance intermediaries. Trireme Insurance Group Limited is also the parent company of Abraxas Insurance AG, a Swiss-based underwriting agency specialising in Directors & Officers Liability Insurance, Professional Liability Insurance, Insurance for Financial Institutions, Medical malpractice Insurance, Property Insurance and Event Insurance.

Date of investment: July 2010

Equity stake: 29.94%

31 July 2016 valuation: £2,529,000

Walsingham Motor Insurance Limited

(www.walsinghamunderwriting.com)

In December 2013 the Group invested in Walsingham Motor Insurance Limited ("WMIL"), a niche UK Motor Managing General Agency. WMIL was established in August 2012 and commenced trading in July 2013. In 2015 the Group acquired a further 10.5% equity, taking the current shareholding to 40.5%, and subsequently WMIL launched a £15m fleet facility with capacity from New India.

Date of investment: December 2013

Equity stake: 40.5%

31 July 2016 valuation: £200,000

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Notes to Editors:

About B.P. Marsh & Partners Plc

B.P. Marsh's current portfolio contains fourteen companies. More detailed descriptions of the portfolio can be found at www.bpmarsh.co.uk.

Since formation over 25 years ago, the Company has assembled a management team with considerable experience both in the financial services sector and in managing private equity investments. Many of the directors have worked with each other in previous roles, and all have worked with each other for at least five years.

Prior to Brian Marsh's involvement in the Company, he spent many years in insurance broking and underwriting in Lloyd's as well as the London and overseas market. He has over 30 years' experience in building, buying and selling financial services businesses, particularly in the insurance sector.

Alice Foulk joined B.P. Marsh in September 2011 having started her career at a leading Life Assurance company. In 2014 she took over as Executive Assistant to the Chairman, running the Chairman's Office and established herself as a central part of the management team.

In February 2015 she was appointed as a Director of B.P. Marsh and a member of the Investment Committee. In January 2016 Alice was appointed Managing Director of B.P. Marsh.

In her position as Managing Director, Alice is responsible for the overall performance of the Company and monitoring the Company's overall progress towards achieving the objectives and goals of the Company, as set by the Board.

Dan Topping is the Chief Investment Officer of B. P. Marsh, having been appointed as a Director in 2011. He joined the Company in February 2007, following two years at an independent London accountancy practice. Dan is the Senior Executive with overall responsibility for the portfolio and investment strategy of B.P. Marsh.

Dan graduated from the University of Durham in 2005 and is a member of the Securities and Investment Institute and the Institute of Chartered Secretaries and Administrators.

Dan is a standing member of the B.P. Marsh Investment and Valuation Committees and currently serves as a Board Director across the portfolio.

Camilla Kenyon was appointed as Head of Investor Relations at B.P. Marsh in February 2009, having four years' prior experience with the Company. She was appointed to the main board in 2011. Camilla is Chair of the New Business Committee evaluating new investment opportunities. She has a number of nominee directorships over two investee companies and is a standing member of the Investment Committee. She is a Member of the Investor Relations Society.

Jonathan Newman is a Chartered Management Accountant and is the Group Director of Finance and has over 17 years' experience in the financial services industry. Jon graduated from the University of Sheffield with an honours degree in Business Studies and joined the Group in November 1999, following two years at Euler Trade Indemnity and two years at a Chartered Accountants. Jon is a Member of the Chartered Global Management Accountants, the Chartered Management Accountants and the Chartered Institute of Securities and Investment.

Jon was appointed a Director of B.P. Marsh & Company Limited in September 2001, and Group Finance Director in December 2003 and was instrumental in the admission of the Group to AIM in February 2006. Jon is a member of the B.P. Marsh Investment and Valuation Committees and currently serves as a Board Director for Walsingham Motor Insurance Limited, and provides senior financial support and advice to all companies within the Group's portfolio as well as evaluating new investment opportunities.

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