



# Results analysis: Rockwood Strategic

**RKW's performance-driven promotion to the FTSE All-Share Index could open up a wider investor base...**

Update  
19 June 2025

- Rockwood Strategic (RKW) has released its financial results for the year ending 31/03/2025. Over the period, RKW's NAV total returns were 21%, which compares to the 1.2% average of the peer group, the AIC UK Smaller Companies sector. The trust also outperformed its two primary comparators, the FTSE AIM All-Share Index and the FTSE Small Cap (ex-Investment Trusts) Index which declined 8.2% and rose 3.4% respectively.
- Manager Richard Staveley's approach includes active engagement, taking sizeable positions and working with portfolio holdings to identify a catalyst to unlock value. This has resulted in a concentrated, high conviction portfolio, meaning that when this value is unlocked, each holding can have a notable impact on performance. One of the biggest contributors to performance in the year was Funding Circle, aided by the sale of a loss-making division and cost-saving plan which Richard helped instigate.
- Following Funding Circle's strong performance, Richard trimmed his position to take profits, although he continues to hold the stock. There was a similar approach taken to several strong performers, with further disposals coming from M&A. These proceeds were allocated to several new holdings, albeit one has already been taken over, as well as top ups to many existing positions. The portfolio consisted of 24 names as at year end.
- The strong performance has contributed to the trust trading at a premium for much of the financial year, averaging 2.9%. The trust issued shares during the year, to help meet investor demand, leading to an increase in the share count of 25%. When combined with the strong performance, total net assets climbed by c. 50%. This has continued in the period post-results, with net assets in excess of £115m on the publication of the results (18/06/2025).
- As a result, RKW was promoted to the FTSE All-Share Index in Q2 2025.
- Chairman Noel Lamb commented on the strategy's longevity, stating that: "to re-cycle and renew our portfolio provides confidence in the dynamism of our approach and that the seeds of future NAV growth are being sown".

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## Kepler View

Whilst for many, the stellar headline return will be the main story of **Rockwood Strategic's (RKW)** results, we think the real narrative lies in how this performance was generated. Stock selection has again dominated returns, but rather than being generated by M&A as in past reporting periods, it has instead come from holdings delivering strong operational performance, in many cases instigated by manager Richard Staveley. This has since been recognised by other investors leading to share price recoveries. As such, we believe these results demonstrate the repeat potential of Richard's approach, as whilst M&A can often be sporadic and reliant on external factors, the heavy engagement approach means value can be extracted from holdings in a variety of backdrops.

Richard's pragmatic treatment of his strong performers is also encouraging, in our view. Richard has shown discipline by trimming some of his best



performers and recycling the capital into the myriad of opportunities he has identified elsewhere. Richard's philosophy is built on high conviction, and this has driven performance, but knowing when to sell positions is skill and therefore by demonstrating his willingness to do this, we believe it shows the approach has potential longevity rather than being reliant on intermittent M&A. Furthermore, with valuations in UK smaller companies continuing to be depressed, we have confidence that RKW can continue to capture these through this capital recycling approach.

M&A has continued to be a feature for the trust, albeit it has not been the primary narrative in these results. That being said, one takeover in the portfolio, National World, does have an interesting story behind it. This was Richard's first repurchased stock. Having initially sold at a sizeable profit in 2022, he was able to buy back in mid-2024 at a valuation that was 50% lower than what he sold it for. Shortly after his repurchase, National World was the subject of a takeover bid. Richard initially resisted this, leading to a second, increased bid which was ultimately accepted. This is not only a good example of Richard's active engagement approach adding value, but also a demonstration of Richard's flexibility in portfolio management, in our view, by being willing to look at both new and former holdings.

This strong performance has arguably been reflected in the trust's premium rating. This has enabled sizeable share issuance, in order to meet investor demand, which has subsequently been used to invest in several new holdings at what Richard believes are very attractive valuations. When combined with the strong performance, assets have grown substantially to over £100m, leading ultimately to a promotion to the FTSE All-Share Index. We believe this larger size and greater status should open the trust up to a wider potential investor base, further supporting potential share issuance and scale.

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